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CHINA INNOVATIVE FINANCE GROUP LIMITED

中國新金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF PARK RISE INVESTMENTS LIMITED

THE DISPOSAL AND THE SALE AND PURCHASE AGREEMENT

The Board announces that on 31 March 2017 (after trading hours), Greater Chance as vendor and Leading Fortune as purchaser entered into the Sale and Purchase Agreement, pursuant to which Greater Chance has agreed to sell, and Leading Fortune has agreed to purchase, the Sale Shares at the consideration of HK\$97,200,000 (subject to adjustment).

IMPLICATIONS UNDER THE LISTING RULES

Leading Fortune, being a company wholly-owned by Mr. Yau, an executive Director of the Company, is an associate of the connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are less than 5%, the Disposal, together with the transactions contemplated under the Sale and Purchase Agreement is subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement, under Rule 14A.76 of the Listing Rules.

INTRODUCTION

The Board announces that on 31 March 2017 (after trading hours), Greater Chance as vendor and Leading Fortune as purchaser entered into the Sale and Purchase Agreement, pursuant to which Greater Chance has agreed to sell, and Leading Fortune has agreed to purchase, the Sale Shares at the consideration of HK\$97,200,000 (subject to adjustment).

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date: 31 March 2017 (after trading hours)

Parties:

- (1) Vendor: Greater Chance Group Limited, an indirect wholly-owned subsidiary of the Company
- (2) Purchaser: Leading Fortune International Group Limited, a company wholly-owned by Mr. Yau

The principal activity of the Purchaser is investment holding.

Leading Fortune, being a company wholly-owned by Mr. Yau, an executive Director of the Company, is an associate of the connected person of the Company as defined under Rule 14A.07 of the Listing Rules.

Assets to be disposed of

The Sale Shares represents the entire issued share capital of Park Rise. Park Rise is the legal and beneficial owner of the Aircraft.

Consideration

The Consideration shall be HK\$97,200,000 and shall be paid by way of cheque to be drawn in favour of the Vendor in the following manner:

- (a) a sum of HK\$29,160,000 shall be paid to the Vendor as deposit on or before 30 April 2017;
- (b) the remaining balance of the Consideration shall be paid upon Completion.

The Consideration was determined after negotiations between the Vendor and the Purchaser taking into account the carrying amount of the Aircraft as at 19 January 2016 (being the date on which the Company acquired the entire issued share capital of Park Rise) in the sum of HK\$156,574,000 minus the deficit of HK\$59,374,000, being the amount determined by the Vendor and the Purchaser taking into account, *inter alia*, the net liabilities of Park Rise (without taking into account the value of the Aircraft) as shown in the unaudited management accounts of Park Rise as at 31 March 2017 (the “Base Accounts”).

Before Completion, the Vendor shall procure Park Rise to prepare the completion accounts made up to the Completion Date. If the completion accounts show (i) any increase in assets (without taking into account the Aircraft) or decrease in liabilities as compared with the Base Accounts, the Consideration will be increased accordingly or (ii) any decrease in assets (without taking into account the Aircraft) or increase in liabilities, the Consideration will be decreased accordingly.

Conditions precedent

The sale and purchase of the Sale Shares is conditional upon fulfilment of, *inter alia*, the following conditions:

- (a) the compliance by the Vendor of all requirements under the Listing Rules for entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the obtaining by the Vendor of all approvals of its board of directors; and
- (c) the obtaining by the Vendor of all consents of the financiers of Park Rise.

Completion

Completion shall take place on the Completion Date or such other date as may be agreed between the Vendor and the Purchaser.

Upon Completion, Park Rise will cease to be a subsidiary of the Company.

INFORMATION ON PARK RISE AND THE AIRCRAFT

Park Rise is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in holding of the Aircraft.

Based on the unaudited management accounts of Park Rise, the financial information of Park Rise for the years ended/as at 31 December 2015 and 2016 is set out below:

	For the years ended/as at 31 December	
	2016	2015
	HK\$'000	HK'000
	(Unaudited)	(Unaudited)
Net loss before and after tax	(34,780)	(45,929)
Net assets/(liabilities)	168,057	(249,110)

The Aircraft is an aircraft of Gulfstream Aerospace Corporation GIV-X (G450). According to the valuation (taking into account, *inter alia*, the model of the Aircraft, engine power, maintenance programs) as assessed by an independent valuer, the fair market value of the Aircraft as at 24 February 2017 was approximately HK\$101,300,000. The Aircraft is now subject to mortgage as security for mortgage loan granted to the Vendor with outstanding principal amount of approximately HK\$60,786,000 as at 31 March 2017. The Aircraft was being used by the Group for its own operation and was not for providing flight services to the public.

FINANCIAL EFFECT OF COMPLETION OF THE SALE AND PURCHASE AGREEMENT AND THE USE OF THE PROCEEDS FROM THE DISPOSAL

Upon the Completion, assuming the Consideration has not been adjusted, the Group is expected to recognise a net gain of approximately HK\$15,753,000 upon completion of the Disposal. After deduction of necessary professional fees and all related expenses from the Disposal, the expected gain on the Disposal will be approximately HK\$14,917,000. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and will be determined on Completion.

Subject to Completion, the net proceeds of approximately HK\$96,364,000 will be used as general working capital of the Group.

INFORMATION ABOUT THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial services, including (i) financial leasing; (ii) investment in listed and unlisted securities; (iii) money lending business; and (iv) operation of an asset trading platform.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company has a number of new business plans and the Board foresees that, if such business plans are carried out, the Group will need extra financial resources. Considering that the Aircraft is not an asset which is necessary for its current operation and given that there is a buyer which agrees to acquire the same without taking into account the depreciation and impairment, the Board considers that this will be a good opportunity to realize the same such that the Group can have extra financial resources to proceed with other business plans.

VIEWS OF THE DIRECTORS

Having considered the abovementioned terms and reasons for entering into the Sale and Purchase Agreement, the Board (including the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

Mr. Yau, the Director who has material interests in the Disposal by virtue of his interest in the Purchaser, has abstained from voting on the board resolutions approving the Sale and Purchase Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Leading Fortune, being a company wholly owned by Mr. Yau, an executive Director of the Company, is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are less than 5%, the Disposal, together with the transactions contemplated under the Sale and Purchase Agreement is subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement, under Rule 14A.76 of the Listing Rules.

Details of the connected transaction of the Company will be disclosed in the Company's published annual report and accounts in accordance with Rules 14A.49 and 14A.71 of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

- “Aircraft” means the aircraft of Gulfstream Aerospace Corporation GIV-X (G450) and is owned by Park Rise;
- “Board” means the board of Directors;
- “Company” means China Innovative Finance Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange;
- “Completion” means the completion of the Disposal pursuant to the Sale and Purchase Agreement;
- “Completion Date” means the business day after all the conditions precedent have been satisfied or waived, or such other date as the Vendor and Purchaser may agree;
- “connected persons” has the meaning ascribed to this term under the Listing Rules;
- “Consideration” means HK\$97,200,000, being the total amount of consideration in respect of the sale and purchase of the Sale Shares as stipulated in the Sale and Purchase Agreement (subject to adjustment);
- “Directors” means the directors of the Company;
- “Disposal” means the proposed disposal of the Sale Shares subject to the terms and conditions of the Sale and Purchase Agreement;
- “Greater Chance” or “Vendor” means Greater Chance Group Limited (鉅機集團有限公司), a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company;
- “Group” means the Company and its subsidiaries;
- “Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Leading Fortune” or “Purchaser” means Leading Fortune International Group Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Yau;
- “Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange;
- “Mr. Yau” means Mr. Yau Wai Lung, an executive Director of the Company;
- “Park Rise” means Park Rise Investments Limited (柏揚投資有限公司), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Vendor;

“Sale and Purchase Agreement”	means an agreement dated 31 March 2017 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Shares;
“Sale Shares”	means 3 shares in the share capital of Park Rise, representing the entire issued share capital of Park Rise as at the date of the announcement;
“Shares”	means ordinary shares of the Company;
“Shareholder(s)”	means shareholder(s) of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“HK\$”	means Hong Kong dollars.

By Order of the Board
China Innovative Finance Group Limited
Li Hang
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the Company has four executive directors, being Ms. Cheng Yan, Mr. Wang Zhenjiang, Mr. Yau Wai Lung and Mr. Ma Chao; two non-executive directors, being Mr. Li Hang and Mr. Qiu Jianyang; and three independent non-executive directors, being Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping.