THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Innovative Finance Group Limited (the "Company"), you should at once hand this circular together with the enclosed form of proxy to the purchaser(s) or transferee(s), or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% EQUITY INTEREST IN THE TARGET COMPANY (2) APPLICATION FOR WHITEWASH WAIVER (3) PROPOSED RE-ELECTION OF DIRECTORS AND (4) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

建银国际
CCB International

Independent Financial Adviser

八方 金融有限公司
OCTAL Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Whitewash Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from the CT Independent Board Committee is set out on pages 22 to 23 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Whitewash Independent Board Committee, the CT Independent Board Committee and the Independent Shareholders is set out on pages 26 to 72 of this circular.

A notice convening the SGM to be held at Board Room 6, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong at 9:30 a.m. on Friday, 18 August 2017, together with the form of proxy, are enclosed herein. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 14 August 2017. The register of members of the Company will be closed from Tuesday, 15 August 2017 to Friday, 18 August 2017, both days inclusive, for determination of entitlements to attend and vote at the SGM and during which period no transfer of Shares will be registered.

A form of proxy for use by the Shareholders of the Company at the SGM is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

27 July 2017

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the 40% equity interest in the Target Company by the Purchaser from the Seller pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 25 April 2017 entered into between the Purchaser, the Seller and Shandong Rural in respect of the Acquisition
"Announcement"	the announcement dated 25 April 2017 made by the Company in relation to the Acquisition
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning number 8 or above or a "black" rain warning signal is hoisted in Hong Kong at any time between 9 am and 5 pm or public holiday in Hong Kong or the PRC) on which Hong Kong clearing banks are open for the transaction of normal banking business
"BVI"	the British Virgin Islands
"Company"	China Innovative Finance Group Limited (中國新金融集團有限公司), a company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 412)
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Consideration"	HK$1,500,000,000, being the consideration for the Acquisition
"Consideration Shares"	the 5,000,000,000 Shares to be issued and allotted by the Company for settlement of the Consideration
"CT Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, which has been formed pursuant to the Listing Rules for the purpose of advising the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and the Specific Mandate
"Director(s)"	director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Financial Adviser"	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Whitewash Independent Board Committee and the CT Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver (as the case may be)
"Independent Shareholders"	Shareholders other than: (i) the Seller and its concert parties; and (ii) all other Shareholders (if any) who are involved or interested in the Agreement and the transactions contemplated thereunder, the Specific Mandate and/or the Whitewash Waiver
"Issue Price"	HK$0.3 per Consideration Share
"Last Trading Day"	25 April 2017, being the last day on which the Shares were traded on the Stock Exchange prior to the issue of the Announcement
"Latest Practicable Date"	25 July 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Listing Committee"	has the same meaning ascribed thereto in the Listing Rules
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Operating Subsidiary"	Shandong Hi-Speed Global Finance and Leasing Company Limited* (山東高速環球融資租賃有限公司), a company incorporated in the PRC with limited liability, which is wholly owned by the Target Company
"PRC"	the People's Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Proposed Re-election of Directors"	the proposed re-election of each of Mr. Li Hang, Mr. Wang Zhenjiang and Ms. Cheng Yan at the SGM, particulars of which are set out in the section headed "Proposed Re-election of Directors" in the "Letter from the Board" in this circular

"Purchaser"	Viewlock Limited (視樂有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Seller"	Shandong International (Hong Kong) Limited (山東國際(香港)有限公司), a company incorporated in Hong Kong with limited liability and a connected person of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Agreement and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the Proposed Re-election of Directors
"Shandong Rural"	Shandong Province Rural Economic Development Investment Company* (山東省農村經濟開發投資公司), a company incorporated in the PRC with limited liability, of which the Seller is its wholly-owned subsidiary
"Share(s)"	shares(s) of the Company of HK$0.00025 each
"Shareholder(s)"	the holder(s) of the Shares
"Specific Mandate"	the specific mandate to be approved by the Independent Shareholders at the SGM for the allotment and issuance of the Consideration Shares under the Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Target Company"	Shandong Hi-Speed (BVI) International Holdings Limited (山東高速(BVI)國際控股有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by the Seller as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries

"Whitewash Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors and non-executive Directors, save and except for Mr. Li Hang due to his directorship(s) held with the Seller's associates, which has been formed pursuant to the Takeovers Code for the purpose of advising the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Seller to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Seller and its concert parties which would otherwise arise as a result of the issuance and allotment of the Consideration Shares under the Agreement
"%"	per cent.

In this circular, unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "controlling shareholder", "percentage ratio(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of Chinese entities marked with "" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

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)

Executive Directors:
Ms. Cheng Yan *(Chief Executive)*
Mr. Wang Zhenjiang
Mr. Yau Wai Lung
Mr. Ma Chao

Non-executive Directors:
Mr. Li Hang *(Chairman)*
Mr. Qiu Jianyang

Independent non-executive Directors:
Mr. To Shing Chuen
Mr. Chung Yuk Lun
Mr. Cheung Wing Ping

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Rooms 1405–1410,
14/F., China Resources Building
26 Harbour Road
Wanchai, Hong Kong

27 July 2017

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% EQUITY INTEREST IN THE TARGET COMPANY (2) APPLICATION FOR WHITEWASH WAIVER (3) PROPOSED RE-ELECTION OF DIRECTORS AND (4) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement of the Company dated 25 April 2017 in relation to, among other things, the Acquisition, the proposed grant of the Specific Mandate and the Whitewash Waiver.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition, the Specific Mandate and the Whitewash Waiver; (ii) the recommendation of the CT Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the Specific Mandate; (iii) the recommendation of the Whitewash Independent Board Committee to the Independent Shareholders in respect of the Acquisition, the Specific Mandate and the Whitewash Waiver; (iv) the letter of advice from the Independent Financial Adviser to the CT Independent Board Committee, Whitewash Independent Board Committee and the Independent Shareholders in respect of the Acquisition, Specific Mandate and the Whitewash Waiver; (v) the financial information of the Group and the Target Group; and (vi) details of the Proposed Re-election of Directors.

The notice of the SGM to the Shareholders is also enclosed in this circular.

THE AGREEMENT

The Board is pleased to announce that on 25 April 2017, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Agreement with the Seller and Shandong Rural (as guarantor for the Seller), pursuant to which the Purchaser conditionally agreed to acquire, and the Seller conditionally agreed to sell, 40% of the issued share capital of the Target Company in accordance with the terms and conditions of the Agreement.

Details of the Agreement are set out below:

The Agreement

Date

25 April 2017

Parties

(1) the Purchaser as purchaser;

(2) the Seller as seller; and

(3) Shandong Rural as guarantor to guarantee the performance of the Seller's obligations under the Agreement.

As at the Latest Practicable Date, the Seller was a wholly-owned subsidiary of Shandong Rural which was wholly-owned by Shandong Hi-Speed Group Co., Ltd., which in turn owned 28.5% of the total issued share capital of the Company through its wholly-owned subsidiaries. As such, Shandong Hi-Speed Group Co., Ltd. is a connected person of the Company and the Seller is an associate of the Company's connected person.

Subject matter

The Purchaser agreed to acquire, and the Seller agreed to sell, 40% of the issued share capital of the Target Company, subject to the terms and conditions of the Agreement.

As at the Latest Practicable Date, the Target Company is a wholly-owned subsidiary of the Seller. Immediately upon Completion, the Target Company will be owned as to 60% by the Seller and 40% by the Purchaser respectively, and its financial results will not be consolidated into the financial statements of the Group.

Consideration

The Consideration shall be HK$1,500,000,000, which shall be satisfied by the allotment and issuance of 5,000,000,000 Consideration Shares at the Issue Price of HK$0.3 per Consideration Share by the Company to the Seller at Completion.

The Consideration Shares will be allotted and issued by the Company under the Specific Mandate to be sought at the SGM. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange.

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares then in issue, including as to the right to receive all future dividends and distribution which may be declared, made or paid by the Company on or after the date of allotment and issuance of the Consideration Shares.

Issue Price

The Issue Price represents:

(1) A discount of about 6.3% over the closing price of HK$0.32 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(2) a discount of about 6.3% over the closing price of HK$0.32 per Share as quoted on the Stock Exchange on the Last Trading Day;

(3) a discount of about 3.2% over the average of the closing prices of HK$0.31 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

(4) a premium of about 76.5% over the audited consolidated net asset value attributable to the Shareholders of approximately HK$0.17 per Share as at 31 March 2017 as published in the Company's annual results announcement for the year ended 31 March 2017, calculated based on the audited net assets attributable to the Shareholders of approximately HK$3,186,669,000 as at 31 March 2017 and the 19,188,648,437 Shares in issue as at 31 March 2017.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Seller by reference to the prevailing trading price of the Shares and the closing price of the Shares prior to the negotiation. The Directors (excluding (a) the members of the Whitewash Independent Board Committee and CT Independent Board Committee whose views are contained in their respective letters set out in this circular after taking into consideration the advice from the Independent Financial Adviser; and (b) Mr. Wang Zhenjiang and Mr. Li Hang whom have abstained from voting at the relevant Board meeting due to their directorship and/or senior management role(s) held with the Seller's associates) consider that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Purchaser and the Seller on normal commercial terms after taking into account a number of factors including but not limited to the net asset value of the Operating Subsidiary as at 31 December 2016 of approximately HK$2,107.2 million and the business prospects of the Target Group. The Consideration represents approximately 1.77 times of the net asset value of the Operating Subsidiary as at 31 December 2016 attributable to the 40% shareholding interest of the Target Company to be acquired by the Company.

The Directors (excluding (a) the members of the Whitewash Independent Board Committee and CT Independent Board Committee whose views are contained in their respective letters set out in this circular after taking into consideration the advice from the Independent Financial Adviser; and (b) Mr. Wang Zhenjiang and Mr. Li Hang whom have abstained from voting at the relevant Board meeting due to their directorship and/or senior management role(s) held with the Seller's associates) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account of (a) the Target Group having a strong profit making ability, having recorded net profits after taxation of approximately HK$16.1 million, HK$20.0 million and HK$70.5 million for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively; (b) the experienced management team of the Target Group with specialisations in the financial leasing and loan business in the PRC; (c) the expected growth and opportunities of the financial leasing industry in the PRC, in particular the exposure to the Group in the "One Belt, One Road" initiative under the national strategy in the PRC and related potential investment opportunities as a result of the Acquisition more particularly discussed in the section headed "Reasons for and benefits of the Acquisition" below; and (d) the enhancement to a controlling interest in the Company for Shandong Hi-Speed Group Co., Limited, an existing Shareholder of the Company with established branding, capital resources and client networks as well as leading positions in the national and provincial markets for infrastructure construction, banking and insurance in the PRC.

Conditions Precedent

Completion of the Agreement is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

(a) approvals having been obtained from the Independent Shareholders at the SGM for, *inter alia* (i) the terms and conditions of the Agreement; (ii) the proposed grant of the Specific Mandate for the issuance of the Consideration Shares; and (iii) the Whitewash Waiver;

(b) the Executive granting the Whitewash Waiver to the Seller and the Whitewash Waiver remaining valid;

(c) all necessary licenses, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, creditors and shareholders of the Target Company, other relevant third parties and/or governmental or regulatory authorities or bodies (including the relevant PRC, Hong Kong and the BVI bodies), which are required for the execution and performance of the Agreement or Completion, having been obtained and not having been revoked prior to Completion;

(d) all necessary licenses, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, relevant government, governmental, quasi-governmental, statutory or regulatory authorities or bodies (including the Stock Exchange, Securities and Futures Commission and the Bermuda bodies), which are required for the execution and performance of the Agreement or Completion, having been obtained and not having been revoked prior to Completion;

(e) approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange;

(f) the warranties given by the Purchaser in the Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;

(g) the warranties given by the Seller in the Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;

(h) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of the Target Group having occurred since 31 December 2016;

(i) the Seller having performed and complied with all agreements, obligations and conditions contained in the Agreement that are required to be performed or complied with by it on or before Completion; and

(j) the Purchaser having conducted its business, legal and financial due diligence in respect of the Target Group to its satisfaction.

Neither the Purchaser nor the Seller shall have the right to waive any of the conditions set out in paragraphs (a) to (e) above. The Purchaser may at its discretion waive any of the conditions set out in paragraphs (g) to (j) above and the Seller may at its discretion waive the condition set out in paragraph (f) above. The above conditions are expected to be satisfied or waived on or before 30 September 2017 (or such later date as the parties to the Agreement may agree in writing). As at the Latest Practicable Date, save for the condition set out in paragraph (j) above, the other conditions precedent set out above have not been fulfilled. If any of the conditions has not been satisfied or waived by then, the Agreement shall be terminated and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof. Save and except for the Independent Shareholders' approval pursuant to paragraph (a), the granting of the Whitewash Waiver by the Executive pursuant to paragraph (b) and the granting of the listing approval of the Consideration Shares by the Stock Exchange pursuant to paragraph (e), the Seller and the Company are not aware of any other approvals or consents required pursuant to paragraphs (c) and (d) above.

Completion

Completion of the Agreement will take place on the second Business Day (or such other date as the parties to the Agreement shall agree) after all the conditions to the Agreement as set out in the section headed "Conditions Precedent" above have either been fulfilled or (as the case may be) waived.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is engaged in a wide range of financial services businesses including, among others, financial leasing, and investment in listed and unlisted securities. It has been the Group's plan to broaden and strengthen its exposure in these two business segments to boost the investment returns, and it considers a minority interest in the Target Company an ideal complement to its investment in unlisted securities portfolio.

The Target Group is engaged in various leasing businesses, such as direct leasing, financial leasing and operating leasing in the PRC, purchasing assets subject to a lease within and outside of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC. The Seller is a wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd., a well-established company wholly owned by Shandong Provincial State-owned Assets and Administration Commission with strong capabilities in the PRC that has been elected as a top 500 China Enterprise for the eighth year running. The Target Group has relied on the strengths of Shandong Hi-Speed Group Co., Ltd. in branding, distribution channel and capital resources for entering into new markets, having in-depth cooperation with Shandong Hi-

Speed Group Co., Ltd. and its subsidiaries on basic transportation facilities and other companies on oil equipment and agricultural chemistry businesses for launching the financial leasing business. The Acquisition will allow the Group to obtain exposure in the "One Belt, One Road" initiative under the national strategy of the PRC through its investment in the Target Group, which will seek the potential investment opportunities in more than 60 countries along the "Belt and Road". The main investment areas include infrastructure construction (including financial and social infrastructure) and private equity. Other investment areas include logistics, industrial development, real estate development, public facilities construction, medical facilities and equipment, educational and cultural development, etc. All the investment areas need the participation of financial leasing companies in order to improve the utilisation of capital.

Unlike its direct ownership in and operation of other financial leasing business, the Company intends to leverage on the advantage of Shandong Hi-Speed Group Co., Ltd.'s ownership and continued management of the Target Group. Based on the understanding that (a) Shandong Hi-Speed Group Co., Ltd. shall remain as the only controller of the Target Group and continue to exert its influence over the Target Group through its continued guidance of the experienced and specialised management team of the Target Group; (b) the established branding, capital resources and client networks as well as leading positions in the national and provincial markets for infrastructure construction, banking and insurance in the PRC of Shandong Hi-Speed Group Co., Ltd., an existing Shareholder of the Company; and (c) the potential capital gains from the investment in the Target Group would be expected to contribute significant economic benefits to the Group, and the potential dividend income from the Target Group after Completion would further enhance such economic benefits, the Company intends to invest in the Target Group as a passive investor, and as such instead of acquiring the entire or a controlling interest, the Company will only acquire 40% of the issued share capital of the Target Company. For further details on the basis of the Consideration, please refer to the paragraph headed "Basis of the Consideration" above. Upon Completion, the minority interest in the Target Company acquired by the Company will be held as part of its capital investment alongside with its investments in other listed or unlisted securities portfolio. The Board considers that the Target Group has a strong basis for potential dividend income after Completion but in any event, the potential capital gains from the investment in the Target Group would be expected to contribute significant economic benefits to the Group, therefore the parties to the Agreement, as at the Latest Practicable Date, have not entered into any concrete discussions in relation to the dividend distribution policy of the Target Group after Completion. Further, the Company will not appoint any directors to the board of directors of the Target Group upon Completion, therefore it does not expect to have significant influence over the Target Group after Completion. The Target Company will be accounted for an available-for-sale investment of the Company pursuant to the accounting policies adopted by the Company.

Taking into consideration the reasons for and benefit of the Acquisition to the Group, the Directors (excluding (a) the members of the Whitewash Independent Board Committee and the CT Independent Board Committee whose views are contained in their respective letters set out in this circular after taking into consideration the advice from the Independent Financial Adviser; and (b) Mr. Wang Zhenjiang and Mr. Li Hang whom have abstained from voting at the relevant Board meeting due to their directorship and/or senior management role(s) held with the Seller's associates) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement (including the Consideration which have been reached after arm's length negotiations among the parties) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES AND THE TARGET COMPANY

Information on the Company and the Purchaser

The Company is an investment holding company incorporated in Bermuda with limited liability 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.

The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of the Company.

Information on the Seller and Shandong Rural

The Seller is a company incorporated in Hong Kong with limited liability. The Seller is principally engaged in investment holding and is a wholly-owned subsidiary of Shandong Rural.

Shandong Rural is a company incorporated in the PRC with limited liability and is principally engaged in investment holding. Shandong Rural is wholly-owned by Shandong Hi-Speed Group Co., Ltd., which is ultimately wholly-owned by the Shandong Provincial State-owned Assets and Administration Commission.

As at the Latest Practicable Date, Shandong Hi-Speed Group Co., Ltd., through its wholly-owned subsidiaries, owned 28.5% of the total issued share capital of the Company.

Information on the Target Company

The Target Company is an investment holding company incorporated in the BVI with limited liability, which holds the entire interest in the Operating Subsidiary, being its only operating subsidiary which is engaged in various leasing businesses, such as direct leasing, financial leasing and operating leasing in the PRC, purchasing assets subject to a lease within and out of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC.

Financial Information of the Target Group

The Target Company is an investment holding company incorporated in the BVI with no material business operations other than holding the entire interest in the Operating Subsidiary. Based on the audited consolidated financial statements of the Target Group, (i) the net profit before and after taxation for the year ended 31 December 2015 were approximately HK$27.3 million and HK$20.0 million, respectively; (ii) the net profit before and after taxation for the year ended 31 December 2016 were approximately HK$93.9 million and HK$70.5 million, respectively; and (iii) the net profit before and after taxation for the three months period ended 31 March 2017 were approximately HK$22.3 million and HK$16.7 million, respectively.

Based on the audited consolidated financial statements of the Target Group, the net asset value and total assets of the Target Group as at 31 March 2017 were approximately HK$2,157.3 million and HK$4,462.4 million, respectively. The cost of investment in the Operating Subsidiary by the Seller was approximately USD280 million (being approximately HK$2,170 million).

PROPOSED GRANT OF SPECIFIC MANDATE

The Company will issue 5,000,000,000 Consideration Shares in consideration of the Acquisition. The Consideration Shares will be issued and allotted under the Specific Mandate proposed to be granted by the Independent Shareholders at the SGM.

EFFECT ON THE SHAREHOLDING OF THE COMPANY IMMEDIATELY UPON COMPLETION

Assuming there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion of the Acquisition (other than changes as a result of Acquisition), set out below is the table of the shareholdings in the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion of the Acquisition:

	As at the Latest Practicable Date		**Immediately upon Completion of the Acquisition**	
	Number of Shares held	*Approximate percentage of total issued Shares*	*Number of Shares held*	*Approximate percentage of total issued Shares*
Shareholders				
The Seller and its concert parties				
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) *(Note 1)*	5,459,648,350	28.5%	10,459,648,350	43.2%
Sub-total	5,459,648,350	28.5%	10,459,648,350	43.2%
Other substantial Shareholders				
Li Shao Yu and her concert parties *(Note 2, 5)*	3,547,689,650	18.5%	3,547,689,650	14.7%
Sub-total	3,547,689,650	18.5%	3,547,689,650	14.7%
Public Shareholders				
Huang Rulun and his concert parties *(Note 3, 5)*	1,320,000,000	6.9%	1,320,000,000	5.5%
Ji Kewei and his concert parties *(Note 4, 5)*	1,089,156,146	5.7%	1,089,156,146	4.5%
Wang Zi Yi *(Note 5)*	1,083,538,169	5.7%	1,083,538,169	4.5%
Other Public Shareholders	6,688,616,122	34.7%	6,688,616,122	27.6%
Sub-total	10,181,310,437	53.0%	10,181,310,437	42.1%
Total	19,188,648,437	100%	24,188,648,437	100%

Notes:

1. Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the SFO by virtue of Shandong Hi-Speed (Hong Kong) International Capital Limited, a company incorporated in Hong Kong with limited liability, being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, a company incorporated in the BVI with limited liability, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd., a company incorporated in the PRC with limited liability. In addition, Shandong Hi-Speed Group Co., Ltd. is also deemed to be interested in the 5,000,000,000 Consideration Shares to be issued to the Seller pursuant to the SFO by virtue of the Seller being a subsidiary of Shandong Rural, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd..

2. Ms. Li Shao Yu is deemed to be interested in the 3,503,559,650 Shares held by Hao Tian Management (Hong Kong) Limited pursuant to the SFO by virtue of Hao Tian Management (Hong Kong) Limited being a subsidiary of Win Team Investments Limited, which in turn is a subsidiary of Hao Tian Development Group Limited, which in turn is a subsidiary of Asia Link Capital

Investment Holdings Limited, in which Ms. Li Shao Yu holds 100% beneficial interest. In addition, Ms. Li Shao Yu is deemed to be interested in the 44,130,000 Shares held by TRXY Development (HK) Limited pursuant to the SFO by virtue of TRXY Development (HK) Limited being owned as to 90% and 9%, respectively, by Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited, both of which are wholly-owned by Ms. Li Shao Yu.

3. Mr. Huang Rulun is deemed to be interested in the 1,320,000,000 Shares held by Century Golden Resources Investment Co. Ltd. pursuant to the SFO by virtue of his controlling interest in Century Golden Resources Investment Co. Ltd.

4. Mr. Ji Kewei is deemed to be interested in 1,083,538,169 Shares held by Chinanet Consultancy Limited pursuant to the SFO by virtue of Chinanet Consultancy Limited being wholly-owned by its executive director, Mr. Ji Kewei. Mr. Ji Kewei is also beneficially interested in 5,617,977 Shares.

5. As at the Latest Practicable Date, each of Ms. Li Shao Yu, Mr. Huang Rulun, Mr. Ji Kewei and Ms. Wang Zi Yi is not a Director of the Company and nor is any one of them a concert party of the Seller.

Based on the above, the Directors are of the view that the allotment and issuance of the Consideration Shares in relation to the Acquisition will result in change of control of the Company. Accordingly, an application will be made on behalf of the Seller to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issuance of the Consideration Shares. Please refer to the section headed "Application for Whitewash Waiver" below for details.

The Company will ensure that it will comply with the requirements on public float under the Listing Rules from time to time.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Group will own 40% interest in the Target Company and the Target Company will be accounted for an available-for-sale investment of the Company in the consolidated financial statements of the Group. As shown in the unaudited pro forma financial information of the Group set out in Appendix IV, the Acquisition will increase the total assets and net assets of the Group by HK$1,596,000,000. The Acquisition will not have any effect on the total liabilities of the Group. It is expected that the Group will recognise dividend income when the Target Company declares dividend in future. Please refer to the unaudited pro forma financial information of the Group as set out in Appendix IV for further details.

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Seller and parties acting in concert with it were indirectly interested in 5,459,648,350 Shares, representing 28.5% of the total issued share capital of the Company. Immediately upon completion of the Acquisition, the Seller and parties acting in concert with it will hold 10,459,648,350 Shares, representing approximately 43.2% of the total issued share capital of the Company as enlarged by the issuance of the Consideration Shares. The Seller will incur an obligation pursuant to Rule 26 of the

Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those held or agreed to be acquired by the Seller and its concert parties in the absence of the Whitewash Waiver.

An application will be made on behalf of the Seller to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issuance of the Consideration Shares. The Whitewash Waiver, if granted by the Executive, would be subject to approval by the Independent Shareholders by way of poll at the SGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Agreement shall lapse and the Acquisition will not proceed.

The Seller and its concert parties and any other Shareholder who is involved or interested in the Acquisition, the Specific Mandate and/or the Whitewash Waiver will be required to abstain from voting in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM. As at the Latest Practicable Date, Shandong Hi-Speed (Hong Kong) International Capital Limited, which held 5,459,648,350 Shares (representing 28.5% total issued share capital of the Company) and had control over the voting right in respect of its Shares, shall abstain from voting on the Acquisition, the Specific Mandate and the Whitewash Waiver at the SGM. Save as disclosed above, no Shareholder has a material interest in the Acquisition, the Specific Mandate and the Whitewash Waiver and is required to abstain from voting at the SGM in respect of the relevant resolutions.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

The Seller and the parties acting in concert with each of them has confirmed that as at the Latest Practicable Date neither it nor any persons acting in concert with it:

(a) save for entering into the Agreement, has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

(c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of the Seller and which might be material to the transactions contemplated under the Agreement and/or the Whitewash Waiver;

(d) has received any irrevocable commitment from any Shareholder as to whether they will vote for or against the resolution approving the Acquisition and/or the Whitewash Waiver to be proposed at the SGM;

(e) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable);

(f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and

(g) save as the Agreement, has no other arrangement or agreement with the Shareholders, the Company and its concert parties.

The Seller is wholly-owned by Shandong Rural, which is then wholly-owned by Shandong Hi-Speed Group Co., Ltd. and ultimately wholly-owned by the Shandong Provincial State-owned Assets and Administration Commission.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Seller and its concert parties were indirectly interested in 5,459,648,350 Shares, representing 28.5% of the total issued share capital of the Company. The Seller is an associate of a substantial shareholder and hence a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 25% but are all less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

WHITEWASH INDEPENDENT BOARD COMMITTEE AND CT INDEPENDENT BOARD COMMITTEE

Pursuant to the Takeovers Code, the Whitewash Independent Board Committee (comprising all the independent non-executive Directors and non-executive Directors, save and except for Mr. Li Hang as explained below) has been formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. The letter of recommendation from the Whitewash Independent Board Committee is set out from page 24 to page 25 of this circular. As Mr. Li Hang, a non-executive Director, also holds directorship(s) with the Seller's associates, he has not been included as a member of the Whitewash Independent Board Committee.

Pursuant to the Listing Rules, the CT Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder and the Specific Mandate. The letter of recommendation from the CT Independent Board Committee is set out from page 22 to page 23 of this circular.

Save as disclosed above, none of the members of the Whitewash Independent Board Committee and the CT Independent Board Committee has any interest or involvement in the transactions contemplated under the Agreement, the Specific Mandate or the Whitewash Waiver.

INDEPENDENT FINANCIAL ADVISER

Octal Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Whitewash Independent Board Committee and CT Independent Board Committee to advise the Whitewash Independent Board Committee, the CT Independent Board Committee and the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver (as the case may be) are fair and reasonable and is in the interests of the Company and the Shareholders as a whole, and to make recommendation(s) on voting. The letter of recommendation from the Independent Financial Adviser is set out from page 26 to page 72 of this circular.

PROPOSED RE-ELECTION OF DIRECTORS

As at the Latest Practicable Date, the executive Directors are Ms. Cheng Yan, Mr. Wang Zhenjiang, Mr. Yau Wai Lung and Mr. Ma Chao; the non-executive Directors are Mr. Li Hang and Mr. Qiu Jianyang; and the independent non-executive Directors are Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping.

Mr. Li Hang, Mr. Wang Zhenjiang and Ms. Cheng Yan, being Directors appointed by the Directors on 18 October 2016, 18 October 2016 and 9 December 2016, respectively, will be subject to re-election by the Shareholders at the SGM pursuant to Code Provision A.4.2 of Appendix 14 of the Listing Rules, and being eligible, offer themselves for re-election.

At the SGM, the ordinary resolution number 3 will be proposed to re-elect each of Mr. Li Hang as non-executive Director, Mr. Wang Zhenjiang and Ms. Cheng Yan as executive Directors.

Biographical details of each of the Directors subject to re-election who offer themselves for re-election that are required to be disclosed under the Listing Rules are set out in Appendix V to this circular.

SPECIAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Set out on pages SGM-1 to SGM-3 of this circular is a notice of the SGM to be held at Board Room 6, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong at 9:30 a.m. on Friday, 18 August 2017 for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve (i) the Agreement and the transactions contemplated thereunder and the Specific Mandate; (ii) the Whitewash Waiver; and (iii) the Proposed Re-election of Directors.

To ascertain Shareholders' eligibility to attend and vote at the SGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 14 August 2017. The register of members of the Company will be closed from Tuesday, 15 August 2017 to Friday,18 August 2017, both days inclusive, for determination of entitlements to attend and vote at the SGM and during which period no transfer of Shares will be registered.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof to the branch share registrar of the Company in Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

VOTING AT THE SGM AND BOARD MEETINGS

The Seller and its concert parties and any other Shareholder who is involved or interested in the Acquisition, the Specific Mandate and/or the Whitewash Waiver will be required to abstain from voting in respect of the resolutions to approve the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM. As at the Latest Practicable Date, Shandong Hi-Speed (Hong Kong) International Capital Limited, which held 5,459,648,350 Shares (representing 28.5% total issued share capital of the Company) and had control over the voting right in respect of its Shares, shall abstain from voting on the Acquisition, the Specific Mandate and the Whitewash Waiver at the SGM. Save as disclosed above, no Shareholder has a material interest in the Acquisition, the Specific Mandate and the Whitewash Waiver and is required to abstain from voting at the SGM in respect of the relevant resolutions; and no Shareholder will be required to abstain from voting at the SGM in respect of the resolution in relation to the Proposed Re-election of Directors.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the SGM will be voted by poll.

As at the Latest Practicable Date, Mr. Wang Zhenjiang and Mr. Li Hang had material interests in the Agreement and the transactions contemplated thereunder as they were directors of the Seller's associate and senior management of Shandong Hi-Speed Group Co., Ltd, respectively. Accordingly, Mr. Wang Zhenjiang and Mr. Li Hang have abstained from voting in the board meeting approving the Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Director was in any way materially interested in the Acquisition and is required to abstain from voting in the board meeting approving the Agreement and the transactions contemplated thereunder.

INTENTIONS REGARDING THE COMPANY AND ITS EMPLOYEES

It is the intention of the Seller that the Company will maintain its existing business after Completion. The Seller has currently no intention to introduce any major changes to the existing operation of the Company. As at the Latest Practicable Date, the Seller and its concert parties have no intention to re-deploy the fixed assets, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

RECOMMENDATIONS

The Directors (excluding (a) members of the CT Independent Board Committee and the Whitewash Independent Board Committee whose views have been set out from page 22 to page 23 and page 24 to page 25 of this circular, respectively ; and (b) Mr. Wang Zhenjiang and Mr. Li Hang whom have abstained from voting at the relevant Board meeting due to their directorship and/or senior management role(s) held with the Seller's associates) consider that the Acquisition is on normal commercial terms, the terms of the Acquisition, the Specific Mandate and the Whitewash Waiver are fair and reasonable, and the Acquisition, the Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding (a) members of the CT Independent Board Committee and the Whitewash Independent Board Committee whose views are set out in their respective letters; and (b) Mr. Wang Zhenjiang and Mr. Li Hang whom have abstained from voting at the relevant Board meeting due to their directorship and/or senior management role(s) held with the Seller's associates) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition, the Specific Mandate and the Whitewash Waiver.

For the views of the CT Independent Board Committee and the Whitewash Independent Board Committee in respect of the Acquisition, please refer to page 22 to page 23 and page 24 to page 25 of this circular, respectively.

The Directors consider that the Proposed Re-election of Directors is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in respect of the Proposed Re-election of Directors.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

WARNING

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE ACQUISITION IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, INCLUDING BUT NOT LIMITED TO THE GRANTING OF THE WHITEWASH WAIVER BY THE EXECUTIVE, AND CONSEQUENTLY THE ACQUISITION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board
China Innovative Finance Group Limited
Yau Wai Lung
Executive Director

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)

27 July 2017

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% EQUITY INTEREST IN THE TARGET COMPANY

We refer to the circular dated 27 July 2017 issued by the Company of which this letter forms part of (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorised by the Board to form the CT Independent Board Committee to consider and advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder and the Specific Mandate, details of which are set out in the section headed "Letter from the Board" contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 21 of the Circular, the letter from the Whitewash Independent Board Committee set out on pages 24 to 25 of the Circular and the letter of advice from Octal Capital Limited, the Independent Financial Adviser appointed to advise the Whitewash Independent Board Committee, the CT Independent Board Committee and the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable, set out on pages 26 to 72 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice and the terms and conditions of the Agreement, we consider that the Acquisition is not in the ordinary and usual course of business of the Group and the terms of the Agreement, including the Consideration which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition and the Specific Mandate are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition and the Specific Mandate.

Yours faithfully,
for and on behalf of the
CT Independent Board Committee
China Innovative Finance Group Limited

Mr. To Shing Chuen
Mr. Chung Yuk Lun
Mr. Cheung Wing Ping
Independent non-executive Directors

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)

27 July 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% EQUITY INTEREST IN THE TARGET COMPANY; AND (2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular dated 27 July 2017 issued by the Company of which this letter forms part of (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorised by the Board to form the Whitewash Independent Board Committee to consider and advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver, details of which are set out in the section headed "Letter from the Board" contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 21 of the Circular, the letter from the CT Independent Board Committee set out on pages 22 to 23 of the Circular and the letter of advice from Octal Capital Limited, the Independent Financial Adviser appointed to advise the Whitewash Independent Board Committee, the CT Independent Board Committee and the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable, set out on pages 26 to 72 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice and the terms and conditions of the Agreement, we consider that the terms of the Agreement and the Whitewash Waiver, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition, the Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisition, the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
for and on behalf of the
Whitewash Independent Board Committee
China Innovative Finance Group Limited

Mr. Qiu Jianyang
Non-executive Director

Mr. To Shing Chuen
Mr. Chung Yuk Lun
Mr. Cheung Wing Ping
Independent non-executive Directors

金融有限公司
OCTAL Capital Limited

Octal Capital Limited
802–805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

To the CT Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders

27 July 2017

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise (i) the CT Independent Board Committee and the Independent Shareholders in respect of the Acquisition; and (ii) the Whitewash Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 27 July 2017 (the "**Circular**") to the Shareholders, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under section headed "Definitions" in the Circular.

As set out in the Letter from the Board, the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Agreement with the Seller and Shandong Rural, being the guarantor for the Seller, pursuant to which the Purchaser conditionally agreed to acquire, and the Seller conditionally agreed to sell, 40.0% of the issued share capital of the Target Company at the Consideration of HK$1,500,000,000, which shall be satisfied by the Company by way of allotment and issuance of 5,000,000,000 Consideration Shares at the Issue Price of HK$0.3 per Consideration Share by the Company to the Seller at Completion. The Consideration Shares will be issued under the Specific Mandate to be sought at the SGM. Immediately upon Completion, the Company, via the Purchaser, will hold 40.0% of the issued share capital of the Target Company.

As the Seller is an associate of a substantial shareholder of the Company, the Seller is a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 25% but are all less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and therefore will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

As at the Latest Practicable Date, the Seller and its concert parties were interested in 5,459,648,350 Shares, representing approximately 28.5% of the total issued share capital of the Company. Immediately upon completion of the Acquisition, the Seller and its concert parties will hold 10,459,648,350 Shares, representing approximately 43.2% of the total issued share capital of the Company as enlarged by the issuance of the Consideration Shares. The Seller will incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those held or agreed to be acquired by the Seller and its concert parties in the absence of the Whitewash Waiver.

An application has been made on behalf of the Seller to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issuance of the Consideration Shares. The Whitewash Waiver, if granted by the Executive, would be subject to approval by the Independent Shareholders by way of poll at the SGM. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Agreement shall lapse and the Acquisition will not proceed.

The Seller and its concert parties and any other Shareholder who is involved or interested in the Acquisition, the Specific Mandate and/or the Whitewash Waiver will be required to abstain from voting in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM. As at the Latest Practicable Date, Shandong Hi-Speed (Hong Kong) International Capital Limited, which held 5,459,648,350 Shares (representing 28.5% total issued share capital of the Company) and had control over the voting right in respect of its Shares, shall abstain from voting on the Acquisition, the Specific Mandate and the Whitewash Waiver at the SGM. Save as disclosed above, no Shareholder has a material interest in the Acquisition, the Specific Mandate and the Whitewash Waiver and is required to abstain from voting at the SGM in respect of the relevant resolutions.

In accordance with the relevant requirements under the Listing Rules and the Takeovers Code, (i) the CT Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping, has been formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder; and (ii) the Whitewash Independent Board Committee, comprising all non-executive Directors (save and except for Mr. Li Hang), namely Mr. Qiu Jianyang, Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping, has been formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

As Mr. Li Hang, a non-executive Director, also holds directorship(s) with the Seller's associates, he has not been included as a member of the Whitewash Independent Board Committee.

In this connection, we have been appointed by the Company to advise (i) the CT Independent Board Committee and the Independent Shareholders in respect of the Acquisition; and (ii) the Whitewash Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. Our appointment has been approved by the CT Independent Board Committee and the Whitewash Independent Board Committee. We do not, by this letter, warrant the merits of the Acquisition and the Whitewash Waiver, other than to form an opinion, for the purpose of the Listing Rules and the Takeovers Code. Since (i) we are not in the same group as the financial or other professional advisers to the Company or the Seller; and (ii) we have, or had or will have, no connection, financial or otherwise, with the Company, the Seller and parties acting in concert with it, Shandong Rural (as guarantor for the Seller), the Target Group and any of their respective associates (as defined under the Takeovers Code) within the two years prior to the Agreement and up to the date of the SGM, which is reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice, we are considered suitable to give independent advice in connection with the Acquisition and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Octal Capital Limited will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates or the Seller or parties acting in concert with any of them. Accordingly, we do not consider any conflict of interest arises for Octal Capital Limited in acting as the independent financial adviser of the Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

In formulating our opinion, we have relied on the information and facts provided by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have also relied on our discussion with the Seller, the Board and/or the management of the Company, given in writing or orally, regarding the Company, the Target Group, the Agreement and the transactions contemplated thereunder and the Whitewash Waiver, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Board, the management of the Company and the Seller respectively in the Circular were reasonably made after due enquiry. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter.

As set out in the section headed "1. Responsibility Statement" under the Appendix VI of the Circular, the Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than those relating to the Seller and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. The Circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information relating to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Seller and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the directors of the Seller) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. Mr. Zeng Weibing (曾衛兵) and Mr. Wang Zhong (王眾), the directors of the Seller, jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. Therefore, we have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided in the Circular. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Target Group, Shandong Rural, the Seller or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the release of the Circular and will continue to be true up to the Latest Practicable Date, and that the Independent Shareholders will be informed as soon as reasonably possible if we are aware of any material change to such representations and/or any change to our view/opinion. We have also assumed that the information we have relied on as set out in this letter will be valid up to the time of the SGM and we are not aware any of the information we have relied on as set out in this letter will change or become invalid in the foreseeable future.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinion with regard to the terms of the Agreement, the transactions contemplated thereunder and the Whitewash Waiver, we have considered the following principal factors and reasons:

A. THE ACQUISITION

1. Background of and reasons for the Acquisition

Information of the Company, the Group and the Purchaser

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is 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. The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of the Company.

Set out below is the summary of consolidated financial results of the Group for each of the three years ended 31 March 2017, as extracted from the 2015 Annual Report, the 2016 Annual Report and the 2017 Annual Results of the Company.

	Years ended 31 March		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Continuing operations			
Revenue	3,797	96,992	193,511
Cost of services	—	(43,276)	(115,202)
Gross profit	3,797	53,716	78,309
Profit/(Loss)/for the year from continuing operations	(32,933)	70,480	159,356
Discontinued operation			
Profit/(Loss) for the year from discontinued operation	(95,794)	1,216	—
Profit/(Loss) for the year attributable to owners of the Company	(128,727)	71,696	159,356

The Group is mainly operating in three business segments, which are (i) investments in securities; (ii) money lending; and (iii) financial leasing. For the financial years ended 31 March 2015, 2016 and 2017, revenue from investment in securities segment represented approximately 36.8%, nil and 4.1% of the total revenue of the Group respectively. During the financial year ended 31 March 2016, the Company commenced financial leasing business. Revenue from financial leasing segment represented approximately 91.5% and 85.0% of the total revenue for the financial years ended 31 March 2016 and 2017 respectively.

Comparison for the financial year ended 31 March 2016 ("FY2016") to the financial year ended 31 March 2015 ("FY2015")

For FY2016, the Group recorded revenue of approximately HK$97.0 million, representing an increase of approximately 24.5 times as compared to that for FY2015. The key factor of the increase in revenue is the commencement of financial leasing business. On 1 September 2015, the Group has completed the acquisition of a group of companies, which principally engages in financial leasing business, provision of consultancy services, provision of financial guarantee and operation of financial services platform in Hong Kong, Shenzhen, Shanghai and Beijing.

The major revenue of the Group for FY2016 was derived from financial leasing segment, which amounted to approximately HK$88.8 million and represented approximately 91.5% of the total revenue of the Group for FY2016.

The Group recorded a turnaround performance from a loss for the year attributable to owners of the Company of approximately HK$128.7 million for FY2015 to a profit for the year attributable to owners of the Company of approximately HK$71.7 million for FY2016, which is mainly attributable to the increase of unrealised fair value gains on investments at fair value through profit or loss from approximately HK$33.9 million for FY2015 to approximately HK$240.8 million for FY2016.

Comparison for the financial year ended 31 March 2017 ("FY2017") to FY2016

The Group recorded revenue of approximately HK$193.5 million for FY2017, representing an increase of approximately 99.5% as compared to that for FY2016. The key factor of the increase in revenue is the continuous expansion of financial leasing business of the Group which resulted in an increase of financial leasing business segment revenue from approximately HK$88.8 million for FY2016 to approximately HK$164.5 million for FY2017.

The major revenue of the Group for FY2017 was derived from the interest income from money lending operations in Hong Kong and financial leasing segment, which amounted to approximately HK$185.3 million and represented approximately 95.8% of the total revenue of the Group for FY2017.

The profit for the year attributable to owners of the Company increased approximately 122.3% from approximately HK$71.7 million for FY2016 to approximately HK$159.4 million for FY2017. According to the 2017 Annual Results of the Company, the increase of the profit for the year attributable to owners of the

Company is mainly attributable to the increase of unrealised fair value gains on investments at fair value through profit or loss from approximately HK$240.8 million for FY2016 to approximately HK$409.4 million for FY2017.

Set out below is the summary of the assets and liabilities of the Group as at 30 September 2016 and 31 March 2017, as extracted from the 2016 Interim Report and 2017 Annual Results of the Company respectively.

	As at 30 September 2016	**As at 31 March 2017**
	HK$'000	*HK$'000*
	(audited)	(audited)
Assets		
Non-current assets	2,570,701	2,442,292
Current assets	2,468,676	2,293,538
	5,039,377	**4,735,830**
Liabilities		
Non-current liabilities	1,502,562	1,248,370
Current liabilities	1,021,566	300,791
	2,524,128	**1,549,161**
Capital and reserves		
Issued capital	4,797	4,797
Reserves	2,510,452	3,181,872
	2,515,249	**3,186,669**
Net current assets	**1,447,110**	**1,992,747**
Net assets	**2,515,249**	**3,186,669**

As at 30 September 2016

As set out in the 2016 Interim Report of the Company, the Group's total assets amounted to approximately HK$5,039.4 million and the total liabilities amounted to approximately HK$2,524.1 million, resulting in net assets of approximately HK$2,515.2 million as at 30 September 2016.

As at 30 September 2016, finance lease receivables, intangible assets and investments at fair value through profit or loss were major assets of the Group, which together accounted for approximately 82.1% of the total assets of the Group. As at 30 September 2016, interest-bearing bank borrowings, margin and other loans, bonds and convertible bonds were major liabilities of the Group, which accounted for approximately 90.1% of the total liabilities of the Group.

As at 30 September 2016, the current ratio and gearing ratio (being total borrowings divided by total assets) of the Group stood at approximately 241.7% and 45.1%, respectively.

As at 31 March 2017

As set out in the 2017 Annual Results of the Company, the Group's total assets amounted to approximately HK$4,735.8 million and the total liabilities amounted to approximately HK$1,549.2 million, resulting in net assets of approximately HK$3,186.7 million as at 31 March 2017.

As at 31 March 2017, finance lease receivables, intangible assets and investments at fair value through profit or loss were major assets of the Group, which together accounted for approximately 78.3% of the total assets of the Group. As at 31 March 2017, interest-bearing bank borrowings, margin and other loans, bonds and convertible bonds were major liabilities of the Group, which accounted for approximately 82.3% of the total liabilities of the Group.

As at 31 March 2017, the current ratio and gearing ratio (being total borrowings divided by total assets) of the Group stood at approximately 762.5% and 26.9%, respectively.

To conclude, the Group, through the above-mentioned acquisition of a group of financial leasing companies in 2015, initiated to expand its business to a variety of financial services serving the PRC and Hong Kong markets, particularly, financial leasing, asset trading platform relating to the leasing facilities, leasing assets and other related leasing property, and factoring. The financial leasing segment has become substantial business segment of the Group, the segment result of which has increased of approximately 199.2% from approximately HK$69.7 million for FY2016 to approximately HK$208.4 million for FY2017.

Information of the Target Company, the Seller and Shandong Rural

The Target Company is an investment holding company incorporated in the BVI with limited liability, which holds the entire interest in the Operating Subsidiary, being its only operating subsidiary which is engaged in various leasing businesses, such as direct leasing, financial leasing and operating leasing in the PRC, purchasing assets subject to a lease within and out of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC.

The Seller is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding. As at the Latest Practicable Date, the Seller and its concert parties were interested in approximately 28.5% of the entire issued share capital of the Company through its indirect wholly-owned subsidiary. The Seller is a wholly-owned subsidiary of Shandong Rural.

Shandong Rural is a company incorporated in the PRC with limited liability, which is principally engaged in investment holding. Shandong Rural is wholly-owned by Shandong Hi-Speed Group Co., Ltd. and ultimately wholly-owned by the Shandong Provincial State-owned Assets Supervision and Administration Commission.

Shandong Hi-Speed Group (the "**Hi-Speed Group**") is a state-owned comprehensive enterprise group. It was incorporated with the approval of Shandong Provincial People's Government, and its leaders are managed by Shandong Provincial Committee. It is mainly engaged in investment, construction and operation of highways, expressways, bridges, railways, rail transits, harbors, shipping and logistic, and also sets foot in construction, building material, information, financing, real estate and other sectors related to its main business.

According to the official website (http://www.sdhsg.com) of Hi-Speed Group and its annual report for the year ended 31 December 2016, it has the registered capital of approximately RMB20.0 billion and recorded revenue of approximately RMB59.0 billion and total assets of approximately RMB500.0 billion for the financial year ended 31 December 2016. The total number of staff of Hi-Speed Group is over 70,000. It has achieved successively the appraisal indicators for Grade-A performance by the Shandong Province State-owned Assets Supervision and Administration Committee and being ranked among "China Top 500 Companies" for eight consecutive years. The Hi-Speed Group has extended its business to more than 22 provinces domestically and 106 countries and regions across the globe. Under the background of "One-Belt-One Road" national policy, the Hi-Speed Group successfully bidded for Vietnam's first highway, Serbia Highway, Algeria Highway, Angola Highway, road upgrading in South Sudan, East Timor Port, Congo (DRC) Railway and other major transport infrastructure projects, making positive contributions to promoting the PRC's comprehensive transportation industry to go to the world.

The Hi-Speed Group has the ownership of 30 affiliated groups and companies, such as (i) Shandong Hi-Speed Company Ltd. (Stock code: 600350), which is a blue chip company listed on the Shanghai Stock Exchange in the field of highway and bridge operation and management in the PRC; (ii) Shandong Hi-Speed Road and Bridge Group Co., Ltd. (Stock code: 000498), which is a listed company on the Shenzhen Stock Exchange in the field of infrastructure engineering construction in both the PRC and overseas markets; (iii) Weihai City Commercial Bank (威海市商業銀行), which is one of the earliest regional city commercial banks in Shandong province; and (iv) Taishan Property and Casualty Insurance Co., Ltd (泰山財產保險股份有限公司), which is the first nationwide property insurance entity registered in Shandong province and with Hi-Speed Group as the major shareholder. As it enjoys leading positions in the national as well as provincial markets for business sectors of infrastructure construction, banking and insurance, the financial and investment business, Hi-Speed Group is undergoing a stage of continuous development and growth.

As disclosed in the interim report of the Company for the six months period ended 30 September 2016, Shandong Hi-Speed Group Co., Ltd., on 23 September 2016, became the strategic investor and the Shareholder with the acquisition of approximately 28.5% of Shares for a consideration of approximately HK$1,621 million. As indicated by the disclosure of interest notices in the website of the Stock Exchange, the above acquisition was made by Shandong Hi-Speed Group Co., Ltd. from two Shareholders. As mentioned in the "Appendix I — Financial information of the Group" of the Circular, upon Completion, Shandong Hi-Speed Group Co., Ltd. will become the ultimate controlling shareholder of the Company. It will conduct a review on the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, Shandong Hi-Speed Group Co., Ltd. may explore other business opportunities for the Group which may involve acquisitions or investments in assets and/or businesses or cooperation with business partners of the Hi-Speed Group with a view of enhancing the Group's business growth and asset base as well as broadening its income stream. As at the Latest Practicable Date, Shandong Hi-Speed Group Co., Ltd. has no plan, and has not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group or scale down or dispose of any existing business of the Group.

Set out below is the summary of the key financial information of the Target Group for the three financial years ended 31 December 2016, and the three months period ended 31 March 2017 as set out in the appendix of the Circular headed "Appendix III — Management discussion and analysis on the Target Group", which has been prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the years ended 31 December			For the three months ended 31 March	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Financial leasing income	27,611	42,973	77,604	14,003	21,968
Entrusted loan interest income	—	—	44,809	—	19,517
Loan interest income	—	—	19,193	—	8,959
Revenue	27,611	42,973	141,606	14,003	50,444
Cost of services	(4,158)	(13,775)	(42,759)	(4,097)	(27,537)
Gross profit	23,453	29,198	98,847	9,906	22,907
Gross profit margin	84.9%	67.9%	69.8%	70.7%	45.4%
Profit for the year/ period	16,144	20,039	70,504	7,107	16,722
Net profit margin	58.5%	46.6%	49.8%	50.8%	33.2%

The Target Company is an investment holding company incorporated in the BVI with limited liability, which holds the entire interest in the Operating Subsidiary, being its only operating subsidiary which is engaged in various leasing businesses, such as direct leasing, financial leasing and operating leasing in the PRC, purchasing assets subject to a lease within and out of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC.

Comparison for the financial year ended 31 December 2015 to the financial year ended 31 December 2014

For the financial year ended 31 December 2015, the Target Group was still at its early development stage with seven financial leasing projects on hand, which derived revenue of approximately HK$43.0 million, representing an increase of approximately 55.6% as compared to that of the financial year ended 31 December 2014 which was derived from four financial leasing projects. For the financial year ended 31 December 2014, the projects of the Target Group were mainly related to agricultural and petroleum companies in Shandong, the PRC. For the financial year ended 31 December 2015, the Target Group, leveraged on the business network of Hi-Speed Group, has tapped into infrastructure construction and food related financial leasing projects for clients in Shandong, the PRC. The increase in revenue were mainly attributable to the expansion of financial leasing business of the Target Group in terms of number and diversity of projects in Shandong, the PRC.

The Target Group recorded a decrease in gross profit margin from approximately 84.9% for the financial year ended 31 December 2014 to approximately 67.9% for the financial year ended 31 December 2015 due to additional financial cost as a result of utilising financial leverage such as bank borrowings and loans to support its business growth.

The profit for the year of the Target Group increased by approximately 24.1% from approximately HK$16.1 million for the financial year ended 31 December 2014 to approximately HK$20.0 million for the financial year ended 31 December 2015, which is in line with the growth of financial leasing business of the Target Group as mentioned above.

Comparison for the financial year ended 31 December 2016 to the financial year ended 31 December 2015

For the financial year ended 31 December 2016, the Target Group, leveraged on professional management, branding, distribution channel and capital resources of the Hi-Speed Group, the Target Group has experienced a breakthrough in organic growth in terms of number of financial leasing projects, types of financial leasing services provided to clients and diversity of client bases. The business of Target Group has been expanded to the industries of, including but not limited to, manufacturing, property development, automobile, highway management and new material. In addition, as a result of the increase of registered capital of the Operating Subsidiary of the Target Group from USD95.0 million to USD280.0 million, more internal funding resources were available for the Target Group's above-mentioned growing number of financial leasing projects through capital injection by the Hi-Speed Group during the financial year ended 31 December 2016. With additional internal funding resources, the Target Group also provided loan financing services to clients as peripheral services to consummate its core financial leasing business.

The gross profit margin of the Target Group stood at approximately 67.9% and 69.8% for the financial years ended 31 December 2015 and 2016 respectively due to the sturdy financing channel in terms of bank borrowing and loans backed by the strong credibility of the Hi-Speed Group.

The profit for the year of the Target Group increased by approximately 251.8% from approximately HK$20.0 million for the financial year ended 31 December 2015 to approximately HK$70.5 million for the financial year ended 31 December 2016, which is in line with the expansion of financial leasing business of the Target Group as mentioned above.

Comparison for the three months period ended 31 March 2017 to the three months period ended 31 March 2016

For the three months period ended 31 March 2017, the revenue of the Target Group increased from approximately HK$14.0 million for the three months period ended 31 March 2016 to approximately HK$50.4 million for the three months period ended 31 March 2017 mainly due to the continuous income from existing financial leasing projects together with income from new financial leasing projects and new loan financing projects during 2016. During the three months period ended 31 March 2017, the Target Group has tapped into financial leasing market of the aviation industry and also established business relationship with a comprehensive enterprise group in Hainan, the PRC, which its subsidiaries were listed on the Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange.

The gross profit margin of the Target Group decreased from approximately 70.7% for the three months period ended 31 March 2016 to approximately 45.4% for the three months period ended 31 March 2017 mainly due to the utilization of financial leverage in response to the increasing scale of financial leasing business and loan financing business. As discussed and confirmed with the management of the Group, the aggregate amount of finance lease receivables and loans receivables were approximately HK$1,592.4 million while the borrowings was approximately HK$433.6 million as at 31 March 2016. In comparison, the amount of finance lease receivables and loans receivables have increased 146.7% to approximately HK$3,928.3 million and the borrowings has increased 416.9% to approximately HK$2,241.4 million as at 31 March 2017. In contrast to the additional internal funding resources were available to the increasing scale of financial leasing business and the commencement of loan financing business as a result of the above-mentioned capital injection by the Hi-Speed Group for the financial year ended 31 December 2016, the Target Group leveraged on term loans and factoring loans financing with the range of effective interest rate, from approximately 4.36% to 6.08% per annum, to support its business expansion. As such, it incurred additional cost of services for the three months period ended 31 March 2017.

The profit for the year of the Target Group increased by approximately 135.3% from approximately HK$7.1 million for the three months period ended 31 March 2016 to approximately HK$16.7 million for the three months period ended 31 March 2017, which is in line with the continuous expansion of the Target Group.

Subsequent to 31 March 2017, the Target Group, as at the Latest Practicable Date, initiated new financial leasing and loan financing projects with the contract sum of over RMB1.6 billion in aggregate. Over 70% of the above mentioned contract sum is attributable to two recurring clients of the Target Group, including a comprehensive enterprise group in Hainan of the PRC, which its subsidiaries were listed on the Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange and a national real estate developer which is a member of Top 500 in the world with around 500 real estate projects in over 180 cities of the PRC. After reviewing the recent business contracts of the above-mentioned new financial leasing and loan financing projects and further to the discussion with the management of the Target Group, we understand the Target Group has been able to charge premium for interest rate for its financial leasing and loan financing projects taking into account of its own debt financing cost and will receive transaction services fee for projects involved financial consultancy services which is generally amounted to over 1% of the project contract sum.

Set out below are the assets and liabilities of the Target Group as at 31 March 2017.

	As at 31 March 2017 *HK$'000* (audited)
Assets	
Non-current assets	2,449,744
Current assets	2,012,623
	4,462,367
Liabilities	
Non-current liabilities	1,996,157
Current liabilities	308,920
	2,305,077
Capital and reserves	
Issued capital	—
Reserves	2,157,290
	2,157,290
Net current assets	**1,703,703**
Net assets	**2,157,290**

The Target Group's total assets amounted to approximately HK$4,462.4 million and the total liabilities amounted to approximately HK$2,305.1 million, resulting in net assets of approximately HK$2,157.3 million as at 31 March 2017.

As at 31 March 2017, finance lease receivables, entrusted loan receivable and loan receivable were the major assets of the Target Group, which together accounted for approximately 88.0% of the total assets of the Target Group. As at 31 March 2017, bank borrowings and loan from fellow subsidiary of Hi-Speed Group were major liabilities of the Target Group, which accounted for approximately 97.2% of the total liabilities of the Target Group.

As at 31 March 2017, the current ratio and gearing ratio (being total borrowings divided by total assets) of the Target Group stood at approximately 651.5% and 50.2%, respectively.

Further details in relation to the financial information of the Target Group are set forth under the appendix of the Circular headed "Appendix III — Management discussion and analysis on the Target Group".

Reasons for and benefits of the Acquisition

(1) The Acquisition represents an opportunity to broaden and strengthen the Group's two business segments, namely (a) financial leasing segment; and (b) investment in listed and unlisted securities segment

As set out in the section headed "Reasons for and benefits of the Acquisition" of the Letter from the Board, the Group is engaged in a wide range of financial services including, among others, financial leasing and investment in listed and unlisted securities. It has been the Group's plan to broaden and strengthen its exposure in these two business segments to boost the investment returns, and it considers a minority interest in the Target Company is an ideal complement to its investment in unlisted securities portfolio. Based on the understanding that Hi-Speed Group shall remain as the only controller of the Target Group and continue to exert its influence over the Target Group, the Company intends to invest in the Target Group as a passive investor, and as such instead of acquiring the entire or a controlling interest, the Company will only acquire 40.0% of the issued share capital of the Target Company. Upon completion, the minority interest in the Target Company acquired by the Company will be held as part of its capital investment alongside with its investments in other listed or unlisted securities portfolio. The minority interest in the Target Company will be accounted for an available for sale investment of the Company pursuant to the accounting policies adopted by the Company.

Based on the financial information of the Group and the Target Group set out above and the 2016 Interim Report of the Group, we understand that the financial performance of the Group on the investment in listed and unlisted securities segment has been fluctuating and derived revenue of approximately HK$1.4 million, nil and HK$7.9 million during the three financial years ended 31 March 2017. In addition, the Group has made a loss for the period attributable to owners of the Company of approximately HK$550.7 million for the six months period ended 30 September 2016 in comparison to the loss for the six months period ended 30 September 2015 of approximately HK$361.4 million. This is mainly attributable to the increase of fair value loss arising from investments at fair value through profit or loss for the six months ended 30 September 2016 of approximately HK$539.6 million in comparison to that for the six months ended 30 September 2015 of approximately HK$347.4 million.

In terms of the newly-established financial leasing segment, the Group, during FY2016, has completed the acquisition of a group of companies, which principally engages in financial leasing business, provision of consultancy services, provision of financial guarantee and operation of financial services platform in Hong Kong, Shenzhen, Shanghai and Beijing. Such segment under development has generated positive segmental result of approximately HK$69.7 million and HK$208.4 million for FY2016 and the FY2017, respectively.

On the other hand, we understand the Target Group has experienced a significant organic growth in terms of turnover and net profits since its early start-up stage in 2014. The revenue of the Target Group has been increased from approximately HK$27.6 million to HK$141.6 million during the three financial years ended 31 December 2016, representing a compound annual growth rate ("**CAGR**") of approximately 126.5%. The profit for the year of the Target Group has been increased from approximately HK$16.1 million to HK$70.5 million during the three financial years ended 31 December 2016, representing a CAGR of approximately 109.0%. In addition, during the first quarter of 2017, it has tapped into financial leasing market of the aviation industry and also established business relationship with a comprehensive enterprise group in Hainan, the PRC, which its subsidiaries were listed on the Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange.

We consider, leveraged on professional management, branding, distribution channel and capital resources of the Hi-Speed Group, the Target Group has entered into a growth stage with strong and diversified client bases and is of positive business perspective. The growth of revenue and net profit of the Target Group is expected to bring cash inflow and/or capital gain to the investment in listed and unlisted securities segments of the Group from a long term investment perspective. Therefore, we concurred with the Directors that the Acquisition represents a great investment opportunity to complement and improve the existing investment portfolio of the Group in unlisted securities. In addition, through the Acquisition, the Group will benefit from the branding of the Target Group and the Hi-Speed Group in terms of financing channel. The Acquisition represents an opportunity to broaden and strengthen the Group's two business segments, namely (a) financial leasing segment; and (b) investment in listed and unlisted securities segment.

(2) The Acquisition will realise potential synergies between the Company, the Target Group and the Hi-Speed Group

The Target Group is engaged in various leasing businesses, such as direct leasing, financial leasing and operating leasing in the PRC, purchasing assets subject to a lease within and outside of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC.

As set out in the section headed "Reasons for and benefits of the Acquisition" of the Letter from the Board, the Directors consider that the Acquisition would allow the Group to realise potential synergies as below:

(i) The Seller is a wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd., a well-established company wholly owned by Shandong Provincial State-owned Assets Supervision and Administration Commission with strong capabilities in the PRC that has been elected as a member of top 500 China

Enterprise for the eighth year running. Unlike its direct ownership in and operation of other financial leasing businesses, the Company intends to leverage on the advantages of the Hi-Speed Group's ownership and continued management of the Target Group; and

(ii) The Acquisition will allow the Group to obtain exposure in the "One Belt, One Road" initiative under the national strategy of the PRC through its investment in the Target Group, which will seek the potential investment opportunities in more than 60 countries along the "One Belt, One Road". The main investment areas include infrastructure construction (including financial and social infrastructure) and Private Equity. Other investment areas include logistics, industrial development, real estate development, public facilities construction, medical facilities and equipment, educational and cultural development, etc. All the investment areas need the participation of financial leasing companies in order to improve the utilisation of capital.

Referred to the section of this letter headed "Information of the Target Company, the Seller and Shandong Rural", the Hi-Speed Group is a state-owned comprehensive enterprise group which has the registered capital of RMB20.0 billion and recorded annual revenue of approximately RMB59.0 billion and total assets of approximately RMB500.0 billion for the year ended 31 December 2016. It has the ownership of 30 affiliated groups and companies, such as Shandong Hi-Speed Company Ltd. (Stock code: 600350), Shandong Hi-Speed Road and Bridge Group Co., Ltd. (Stock code: 000498), Weihai City Commercial Bank (威海市商業銀行) and Taishan Property and Casualty Insurance Co., Ltd (泰山財產保險股份有限公司). As it enjoys leading positions in the national as well as provincial markets for business sectors of infrastructure construction, banking and insurance, the financial and investment business of Hi-Speed Group are undergoing a stage of continuous development and growth.

Referred to the section of this letter headed "Industry overview", the favorable government policy support and the "One Belt, One Road" Initiative are both key market drivers of financial leasing market in the PRC. Having discussed and confirmed by the management of the Target Group, the Hi-Speed Group, as a state-owned comprehensive enterprise group, has followed the national policy of the "One Belt, One Road" initiative and has successfully bidded for Vietnam's first highway, Serbia Highway, Algeria Highway, Angola Highway, road upgrading in South Sudan, East Timor Port, Congo (DRC) Railway and other major transport infrastructure projects, making positive contributions to promoting the PRC's large transportation industry to go to the world. In addition, the Target Group, as the subsidiary of the Hi-Speed Group has been actively involved in the petroleum related financial leasing projects since 2014 under the "One Belt, One Road" initiative. In addition, the access to diversified and low-cost financing channels and maintaining an experienced professional team are key success factors of financial leasing market in the PRC. As mentioned above, we consider, leveraged on professional management, branding, distribution channel and capital resources of the Hi-Speed Group, the Target Group has entered into a growth stage with strong and diversified client bases leveraged from the background of the Hi-Speed Group and is of positive business perspective. The Acquisition will enhance the Group's exposure to the "One Belt, One Road" investment opportunities leveraging from the branding and well-established business network of the Hi-Speed Group along the "One Belt, One Road" regions.

(3) Introduction of the Hi-Speed Group as a controlling Shareholder of the Company through the Acquisition is beneficial to the Company

Upon Completion, the shareholding of the Seller and parties acting in concert will increase from approximately 28.5% to approximately 43.2%.

Taking into account (i) the Hi-Speed Group enjoys leading positions in the national as well as provincial markets for business sectors of infrastructure construction, banking and insurance which will facilitate the growth of the Group as a whole in terms of branding, financing channels, capital resources, and client resources; (ii) the Hi-Speed Group, through its two subsidiaries of Shandong Hi-Speed Company Ltd. (Stock code: 600350) and Shandong Hi-Speed Road and Bridge Group Co., Ltd. (Stock code: 000498) involved in the field of infrastructure engineering construction in both the PRC and overseas markets, will allow the Group to obtain exposure in the "One Belt, One Road" business opportunities, particularly in terms of infrastructure construction and engineering; and (iii) sharing of the experience and understanding of financial leasing business in several areas, including but not limited to industrial chain, risk control, transaction authenticity, fund operation and macro-economy, particularly in terms of the PRC market and the "One Belt, One Road" regions, we consider the introduction of Hi-Speed Group as the controlling Shareholder through the Acquisition is beneficial to the Company.

Industry overview

(i) Overview of the macroeconomic and financial environment in the PRC

According to the statistic as published in the National Bureau of Statistics of the PRC (data.stats.gov.cn), the nominal gross domestic product ("**GDP**") of the PRC grew from approximately RMB48.6 trillion in 2011 to approximately RMB75.0 trillion in 2016. While the growth has cooled off in 2013, along with the industrial transformation and diversified financing channels, Chinese government is focusing on solving the problem of manufacturing overcapacity and upgrading the economic structure. Financial leasing and commercial factoring as two important finance tools for the transition of the economy are expected to be more frequently used. According to analysis published by International Monetary Fund over the forecast real GDP growth of the PRC (http://www.imf.org), the PRC's nominal GDP is expected to sustain a long-term growth with the real GDP annual growth rate ranging between approximately 5.7% and 6.2% for the next five years.

(ii) Overview of the financial leasing industry in the PRC

According to the "Blue Book of Financial Leasing — the Development Report of the PRC Leasing Finance Industry 2015–2016" (融資租賃藍皮書 — 中國融資租賃業發展報告2015–2016) dated 30 August 2016 published by Social Science Academic Press (社會科學文獻出版社) under China Academy Social Science (中國社會科學院), the financial leasing industry in the PRC has experienced tremendous growth in the past few years. As at 31 December 2015, the number of financial leasing companies in the PRC has reached approximately 4,506 and the PRC has become the second largest country of the financial leasing business in terms of its total outstanding balance of financial leasing contract sum amounted to RMB4.4 trillion among the globe. This is mainly attributable to improved regulation on government support, strong demand for financial leasing driven by industrial upgrade under the "13th Five Year Plan" and the strategy of the PRC to step up exports of products and technology through its "One Belt, One Road" initiative. The business model of the industry is homogeneous regardless of the different types of firms or underlying assets, with sale-leaseback the mainstream model. The core return on equity of financial leasing companies mainly hinges upon the interest spread, asset quality and financial leverage.

(iii) Market drivers of financial leasing market in the PRC

Favorable government policy support: According to "The Guiding Opinions of the General Office of the State Council on Promoting the Sound Development of Finance Leasing Industry"《國務院辦公廳關於促進金融租賃行業健康發展的指導意見》, the Chinese government has listed out some major objectives for the financial leasing industry in the PRC. These objectives include: (a) expecting a much higher penetration rate and wider coverage in downstream industries by 2020; (b) making financial leasing one of the major tools for equipment investment and technology upgrades; (c) speeding up the development of financial leasing market in major industries and promoting their transformation and upgrading; (d) promoting overseas equipment financial leasing and financial leasing service for small or medium enterprises ("**SME**"); (e) reforming the industry regulatory system to make it more unified, effective and comprehensive; (f) streamlining administration to enhance the development of financial leasing market and delegating administrative power to the lower level government; (g) developing a number of financial leasing companies that have competitiveness in the international financial leasing market; and (h) establishing a more comprehensive and detailed tax system for financial leasing industry. These objectives demonstrate the Chinese government's efforts on making financial leasing industry an important financing channel for companies with different needs. For instance, tax incentives, government-led financial leasing projects, and comprehensive regulatory systems, are expected to drive the financial leasing market in the PRC in the next few years.

The "One Belt, One Road" initiative: The Silk Road Economic Belt and the 21st Century Maritime Silk Road are the key parts of the PRC's development strategy. "The Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road"《推動共建絲綢之路經濟帶和21世紀海上絲綢之路的願景與行動》issued by the National Development and Reform Commission on 28 March

2015 outlines the initiative's framework, co-operation priorities and co-operation mechanisms. The "One Belt, One Road" initiative aims to promote connectivity in infrastructure, resources development, industrial co-operation, financial integration and other fields along the Belt and Road countries. Priority will be given to removing transport bottlenecks and promoting port infrastructure construction and co-operation in order to deliver international transport facilitation. Priority will also be given to the construction of regional communications trunk lines and networks in order to improve international communications connectivity. According to the statistic as published in the National Bureau of Statistics of the PRC (data.stats.gov.cn), during 2016, the total turnover of overseas contracted engineering projects was approximately US$159.4 billion, an increase of approximately 3.5% over the previous year. Among those, the overseas contracted engineering projects in countries along the "One Belt, One Road" route achieved a turnover of approximately US$76.0 billion, an increase of approximately 9.7% over the previous year. As such, opportunities for equipment leasing and infrastructure facility leasing have increased as the PRC steps up investments in infrastructure projects in countries along the "One Belt, One Road" route.

Increased innovation and opening-up of financial services section: The PRC launched the Shanghai Pilot Free Trade Zone (the "**Shanghai FTZ**") in 2013 as a testing ground for innovating financial services. Within the Shanghai FTZ, financial leasing companies have been granted with tax subsidies and have been allowed to conduct commercial factoring.

The Tianjin Pilot Free Trade Zone was launched in 2015 (the "**Tianjin FTZ**") by the government as a measure to further open up the country's finance industry. In the Tianjin FTZ, financial leasing is a key sector that the government aims to foster with preferential policies.

Massive equipment and machinery demand from SMEs with limited financing sources: The PRC has a very different banking system compared with other major economic entities around the world. Most of the banks operate under the PRC government, and the number of small individual banks and other bank-affiliated financing institutions is limited. For SMEs, compared with traditional bank loans, finance leasing generally offers a less stringent application process and a more flexible financing agreement in terms of interest rate and payment schedule. In addition, since financial leasing is mainly based on equipment leasing, with massive equipment demand from SMEs' manufacturing and restructuring needs, financial leasing can provide a time-saving financing solution for the SMEs without increasing companies' leverage ratio dramatically. The massive equipment demand is expected to continually drive the finance leasing market in the next few years.

Cutting edge machinery and equipment continue attracting finance leasing companies: Cutting edge machinery and equipment are important tools for industrial companies to improve technologies and production efficiency. However, these kinds of machines mainly need to be imported from foreign countries with a premium price, which occupies a great portion of company capital. Financial leasing companies are targeting these industries with increasing demand for advanced machinery and equipment to help them address their financing difficulties and allow them to purchase high-end machinery and equipment.

A growing number of construction companies are starting to lease machinery and Equipment: There are a number of construction companies that have recently started to lease machinery for their building projects as an important way to improve their cash flow. The competition among construction machinery companies in the PRC has been intensified and construction companies are trying to find more options to attain high-end machinery and equipment. Financial leasing not only can stimulate the use of idle construction machinery from construction companies, but also becomes an important intermediary to match the demand and supply of construction machinery and equipment in the PRC.

As mentioned in the 2017 Annual Results, the government of the PRC has expressly indicated that "One Belt, One Road" initiative is an important strategic concept to support many countries to enhance infrastructure and embark on international capacity cooperation. The numerous investment fields of "One Belt, One Road", including infrastructure construction (including financial and social infrastructure), real estate development, and medical facilities and equipment, require the involvement of financial leasing company to make better use of the funds. The Company, through the investment in the Target Group's business, intends to explore the investment opportunities presented over 60 countries along "One Belt, One Road".

Taking into account that:

(i) the above-mentioned positive financial performance and business perspective of the Target Group;

(ii) the Acquisition represents an opportunity to broaden and strengthen the Group's financial leasing business segment and investment in listed and unlisted securities business segment;

(iii) the Acquisition will realise the above-mentioned potential synergies between the Company, the Target Group and the Hi-Speed Group in terms of "One Belt, One Road" business opportunities and the background and resources of the Hi-Speed Group in terms of branding, distribution channel and capital resources to the Target Group;

(iv) the benefits of introduction of the Hi-Speed Group as a controlling Shareholder through the Acquisition as mentioned above; and

(v) the positive industry prospect of the financial leasing industry in the PRC and the key market drivers attributable to the "One Belt, One Road" initiative, we consider the Acquisition is in the interests of the Company and the Shareholders as a whole and will bring benefits to the Company in terms of synergy effects and enlargement of income bases from a long term perspective.

2. Principal terms of the Acquisition Agreement

Acquisition consideration

Pursuant to the Agreement, the Purchaser agreed to acquire, and the Seller agreed to sell, 40.0% of the issued share capital of the Target Company at the Consideration, subject to the terms and conditions of the Agreement. The Consideration shall be HK$1,500,000,000, which shall be satisfied by the allotment and issuance of 5,000,000,000 Consideration Shares at the Issue Price of HK$0.3 per Consideration Share by the Company to the Seller at Completion.

The Consideration was determined after arm's length negotiation between the Purchaser and the Seller on normal commercial terms after taking into account a number of factors including but not limited to the net asset value of the Operating Subsidiary of the Target Group as at 31 December 2016 and the business prospects of the Target Group. The Consideration represents approximately 1.77 times of the net asset value of the Operating Subsidiary as at 31 December 2016 attributable to the 40.0% shareholding interest of the Target Company to be acquired by the Company.

In order to assess the fairness and reasonableness of the Consideration, we have researched companies listed on the Stock Exchange with similar business nature of the Target Group in the website of the Stock Exchange to perform comparison analysis. Given that the Target Group is principally engaged in financial leasing business in the PRC, purchasing assets subject to a lease within and out of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC, we have attempted to identify comparable companies in which is based on the criteria of (i) having financial leasing business in function in the latest full financial year based on the latest annual report as at the Last Trading Day; and (ii) deriving at least 50% of total revenue from financial leasing business in the latest full financial year based on the latest annual report as at the Last Trading Day, and selected 6 market comparable companies (the "**Market Comparable Companies**") as set out in the table below, which is an exhaustive list of comparable companies we were able to identify from the Stock Exchange's website satisfying the above selection criteria. In our below analysis, the implied value of the equity of the Target Group of approximately HK$3,750.0 million is derived from the consideration for 40.0% shareholding of the Target Group amounted to HK$1,500.0 million divided by 40.0% (the "**Implied Value**").

Stock Code	Company	CAGR of net profit for the previous three full financial years (the "Net Profit CAGR")	Profit-earnings ratio (the "PE Ratio") *(Note 1)*	Price/Earnings to growth ratio (the "PEG Ratio") *(Note 2)*	CAGR of the turnover for the previous three full financial years (the "Revenue CAGR")	Price-to-book ratio (the "PB Ratio") *(Note 3)*
1606	China Development Bank Financial Leasing Co., Ltd *(Note 4)*	(9.7%)	14.04	NA *(Note 2)*	(2.3%)	0.98
1848	China Aircraft Leasing Group Holdings Limited *(Note 5)*	45.2%	9.80	21.67	32.7%	2.06
3963	China Rongzhong Financial Holdings Company Limited *(Note 6)*	(14.3%)	9.67	NA *(Note 2)*	(3.5)%	0.58
730	Shougang Concord Grand (Group) Limited *(Note 7)*	NA *(Note 7)*	NA *(Note 1)*	NA *(Note 2)*	48.1%	0.45
2666	Universal Medical Financial & Technical Advisory Services Company Limited *(Note 8)*	38.2%	11.84	30.98	31.9%	1.57
3360	Far East Horizon Limited *(Note 9)*	12.0%	8.71	72.31	17.7%	1.01
	Maximum	**45.2%**	**14.04**	**72.31**	**48.1%**	**2.06**
	Minimum	**(14.3%)**	**8.71**	**21.67**	**(3.5)%**	**0.45**
	Median	**12.0%**	**9.80**	**30.98**	**20.7%**	**1.00**
	Mean	**14.3%**	**10.81**	**41.65**	**24.8%**	**1.11**
	The Target Group	**109.0%**	**53.19** *(Note 10)*	**48.81** *(Note 11)*	**126.5%**	**1.78** *(Note 12)*

Source: the Stock Exchange

Remark: The calculation is based that any amount denominated in RMB was translated into HK$ at the rate of HK$1 = RMB0.88478 (being the RMB central parity rate by the People's Bank of China as at the Last Trading Day)

Notes:

1. The PE Ratios of the Market Comparable Companies are calculated by dividing the share prices of the Market Comparable Companies as at the Last Trading Day by the earning per share of the Market Comparable Companies for their latest financial year respectively, while the earning per share is computed based on the profit for the latest financial year and the total issued share capital of the Market Comparable Companies according to the latest monthly return as at the Last Trading Day. The PE Ratio is not applicable to Market Comparable Companies incurred loss for their latest financial year.

2. The PEG Ratios of the Market Comparable Companies are calculated by dividing the PE ratios by the CAGR of the profit for the year of the Market Comparable Companies in their latest three full financial years. The PEG Ratio is not applicable to Market Comparable Companies incurred negative CAGR for the latest previous three financial years as at the Last Trading Day.

3. The PB Ratios of the Market Comparable Companies are calculated by dividing the share prices of the Market Comparable Companies as at the Last Trading Day by the latest consolidated net asset value per share of the Market Comparable Companies in their latest financial reports as at the Last Trading Day.

4. China Development Bank Financial Leasing Co., Ltd. is principally engaged in provision of leasing services to customers in industries including aviation, infrastructure, shipping, commercial vehicle and construction machinery.

5. China Aircraft Leasing Group Holdings Limited is principally engaged in provision of full value-chain aircraft solutions including aircraft operating lease and finance lease, sales and leaseback, fleet planning consultation, structured financing, fleet replacement package deal, third party aircraft resale and aircraft disassembly.

6. China Rongzhong Financial Holdings Company Limited is principally engaged in provision of financial leasing services in the PRC.

7. Shougang Concord Grand (Group) Limited is principally engaged in financial leasing and other financial services, property leasing and provision of building management services and asset management. It recorded a negative growth rate of approximately 6.44 times from FY2014 to FY2015, which its CAGR cannot be computed. Therefore, CAGR is not applicable.

8. Universal Medical Financial & Technical Advisory Services Company Limited is principally engaged in provision of integrated healthcare services including equipment financing, healthcare industry, equipment and financing advisory services and clinical department upgrade services.

9. Far East Horizon Limited is principally engaged in provision of finance by array of assets under finance lease arrangements, operating lease arrangements, entrusted loan arrangements, factoring, provision of advisory services, equipment operation business and other services in PRC.

10. The PE Ratio of the Target Group is calculated by dividing the above-mentioned Implied Value of approximately HK$3,750.0 million by the profit for the year of the Target Group of approximately HK$70.5 million for the financial year end 31 December 2016.

11. The PEG Ratio of the Target Group is calculated by dividing the above-mentioned Implied Value of approximately HK$3,750.0 million by the profit for the year of the Target Group of approximately HK$70.5 million for the financial year end 31 December 2016 and the CAGR of the profit of the Target Group in the latest three full financial years.

12. The PB Ratio of the Target Group is calculated by dividing the above-mentioned Implied Value of approximately HK$3,750.0 million by the audited consolidated net asset of the Target Group of approximately HK$2,107.2 million as at 31 December 2016.

The PE Ratio of the Target Group is above the range of the PE Ratios of the Market Comparable Companies. As mentioned in the section of this letter headed "Information of the Target Company, the Seller and Shandong Rural", we consider leveraged on professional management, branding, distribution channel and capital resources of the Hi-Speed Group, the Target Group has experienced a significant organic growth in terms of net profits since its early startup stage in 2014 and is of positive business prospect. Therefore, having considered that the Net Profit CAGR of the Target Group is also well above the range of that of the Market Comparable Companies, we consider PEG Ratio, being the multiple in assessing companies with high growth potential, is a more reasonable measure in assessing the Consideration. The PEG Ratio of the Target Group is within of range of the PEG Ratios of the Market Comparable Companies, but is lied above the median and mean of the PEG Ratios of the Market Comparable Companies.

Upon comparison, the PB Ratio of the Target Group is within of range of the PB Ratios of the Market Comparable Companies, but lies above the median and mean of the PB Ratios of the Market Comparable Companies. As mentioned in the section of this letter headed "Reasons for and benefits of the Acquisition", we understand the Target Group has experienced a significant organic growth in terms of turnover and net profits. In 2014, the revenue of the Target Group has been increased from approximately HK$27.6 million to HK$141.6 million during the three financial years ended 31 December 2016, representing a CAGR of approximately 126.5%. The profit for the year of the Target Group has been increased from approximately HK$16.1 million to HK$70.5 million during the three financial years ended 31 December 2016, representing a CAGR of approximately 109.0%. Therefore, we consider Market Comparable Companies of positive Revenue CAGR and Profit CAGR are more appropriate comparable companies to address the fundamentals of the Target Group in terms of an upward business growth trend.

In this regard, for the purpose of illustration of a comparison analysis of PB Ratios to address the above-mentioned fundamentals of the Target Group, we shortlisted the Market Comparable Companies for closer comparison in terms of upward business growth trend as indicated by the positive Revenue CAGR and Net Profit CAGR. As such, the revised PB Ratios comparison table (the "**Revised PB Ratio Analysis**") is as set out below:

Stock Code	**Company**	**Revenue CAGR**	**Net Profit CAGR**	**PB Ratio**
1848	China Aircraft Leasing Group Holdings Limited	32.7%	45.2%	2.06
2666	Universal Medical Financial & Technical Advisory Services Company Limited	31.9%	38.2%	1.57
3360	Far East Horizon Limited	17.7%	12.0%	1.01
	Maximum	32.7%	45.2%	2.06
	Minimum	17.7%	12.0%	1.01
	Median	31.9%	38.2%	1.57
	Mean	27.4%	31.8%	1.55
	The Target Group	126.5%	109.0%	1.78

As shown in the analysis above, the PB ratio of the Target Group is within the range of the PB ratios of the above Market Comparable Companies. In addition, it is comparable to the median and mean of the PB ratios of the above Market Comparable Companies of approximately 1.57 and 1.55 respectively.

Having taking into account:

(i) the Acquisition will realise potential synergies between the Company, the Target Group and the Hi-Speed Group as discussed in the section of the letter headed "Reasons for and benefits of the Acquisition";

(ii) the high Revenue CAGR and Net Profit CAGR of the Target Group in comparison to those of the Market Comparable Companies;

(iii) the PB Ratio of the Target Company, as the primary indicator to assess the Acquisition as mentioned in the section of the Circular headed "Basis of the Consideration", is comparable to the median and mean of the Market Comparable Companies under the Revised PB Ratio Analysis; and

(iv) the Target Group has entered into a growth stage with strong and diversified client bases leveraged from its background of the Hi-Speed Group and is of positive business perspective.

We consider the relatively higher PEG Ratio and PB Ratio of the Target Group in comparison to the mean and the median of those of the Market Comparable Companies are justifiable and the Consideration for the Acquisition is fair and reasonable to the Company and the Shareholders as a whole.

Mode of settlement of the Consideration

Pursuant to the Agreement, the Consideration of HK$1,500,000,000 shall be satisfied by the allotment and issuance of 5,000,000,000 Consideration Shares at the Issue Price of HK$0.3 per Consideration Share by the Company to the Seller at Completion. As stated in the Letter from the Board, the Issue Price was determined after arm's length negotiation between the Purchaser and the Seller by reference to the prevailing trading price of the Shares and the closing price of the Shares prior to the negotiation.

For our assessment purpose, we note that the Issue Price of HK$0.3 per Consideration Share represents:

(a) a discount of about 6.3% over the closing price of HK$0.32 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of about 6.3% over the closing price of HK$0.32 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of about 3.2% over the average of the closing prices of approximately HK$0.31 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(d) a discount of about 2.6% to the average of the closing prices of approximately HK$0.308 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(e) a discount of about 9.4% to the average of the closing prices of approximately HK$0.331 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

(f) a discount of about 29.9% to the average of the closing prices of approximately HK$0.428 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;

(g) a discount of about 48.9% to the average of the closing prices of approximately HK$0.587 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;

(h) a premium of about 130.8% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK$0.13 per Share as at 30 September 2016 as published in the 2016 Interim Report, calculated based on the unaudited net assets attributable to the Shareholders of approximately HK$2,515.25 million as at 30 September 2016 and the 19,188,648,437 Shares in issue as at the date of the Agreement; and

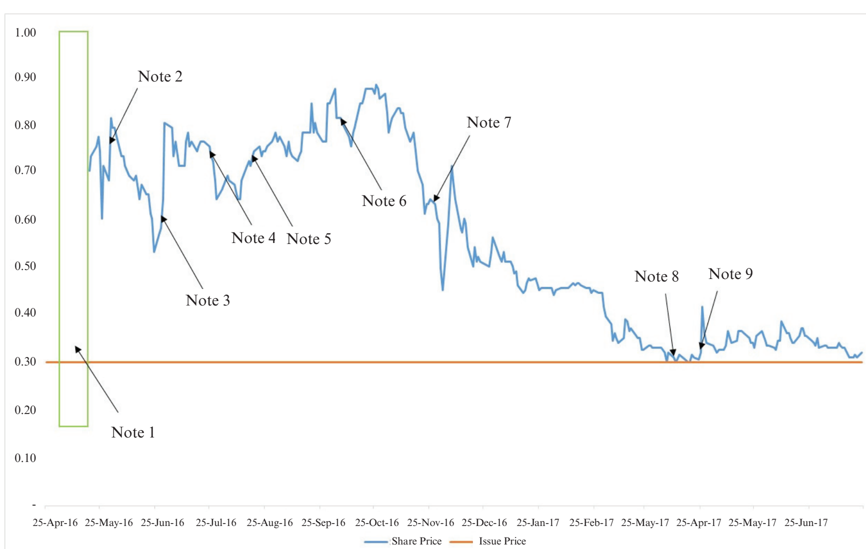
(i) a premium of about 76.5% over the audited consolidated net asset value attributable to the Shareholders of approximately HK$0.17 per Share as at 31 March 2017 as published in the 2017 Annual Results, calculated based on the audited net assets attributable to the Shareholders of approximately HK$3,186.67 million as at 31 March 2017 and the 19,188,648,437 Shares in issue as at the date of the Agreement.

For the purpose of assessing the fairness and reasonableness of the Issue Price, the following approaches are further taken into consideration:

(i) Review of historical performance of Shares

Historical performance of Shares

Set out below is the movement of the closing prices of the Shares for the period of one year prior to the Last Trading Day, which means commencing from 25 April 2016, and up to the Latest Practicable Date (the "**Review Period**"), and a summary of announcements by the Company of significant transactions that took place during the Review Period:



Sources: the website of Stock Exchange and Infocast

Notes:

1. Publication of announcement of resumption of trading of Shares. The Company was under trading halt from 25 April 2016 to 18 May 2016 during the Review period.

2. Inclusion of Shares in the Morgan Stanley Capital International (MSCI) Hong Kong Small Cap Index became effective.

3. Publication of announcement of annual result for FY2016.

4. Publication of announcement of issue of US$40,000,000 secured convertible bonds under general mandate.

5. Publication of announcement of selection as a constituent of Hang Seng LargeCap & MidCap Index.

6. Publication of announcement of profit warning.

7. Publication of announcement of interim result for the six months ended 30 September 2016.

8. Publication of announcement of positive profit alert.

9. Publication of the Announcement.

During the Review Period, the Shares closed on the Stock Exchange were between a low of HK$0.30 per Shares on 6, 11, 18 and 19 April 2017 and a high of HK$0. 88 per Share on 26 October 2016. The Issue Price represents the lowest closing price per Share and a discount of approximately 65.9% to the highest closing price per Share in the Review Period. The average closing price of the Shares in the Review Period was approximately HK$0.592 per Share, where the Issue Price represents a discount of approximately 49.4% to it.

(a) Trading halt and resumption of trading

On 14 March 2016, the Company entered into a sale and purchase agreement with an independent third party for the acquisition of a target company engaging in business of financial consultancy business in the PRC. Therefore, trading of the Shares was halted pending the release of the announcement of the acquisition. On 18 May 2016, the Company announced the acquisition was terminated as the Stock Exchange took the view that the acquisition would constitute a reverse takeover under Rule 14.06(6) of the Listing Rules. The trading of the Shares resumed on 19 May 2016.

(b) Annual financial performance for the FY2016 and inclusion in market benchmark indices

On 31 May 2016, after trading hours, the Company was included in Morgan Stanley Capital International (MSCI) Hong Kong Small Cap Index. The annual results of the Group for the FY2016 was published on 27 June 2016, showing the Company recorded a profit for the year attributable to the owners of the Company of approximately HK$71.7 million in comparison to a loss for the year attributable to the owners of the Company of approximately HK$128.7 million. The Shares therefore recorded a gradually upward trending from the bottom in June. On 27 July 2016, the Company published an announcement in relation to the issuance of the US$40,000,000 secured convertible bonds under general mandate. The price of the Shares dropped, which may reveal the Shareholders had uncertainty on the effect from the issuance of the convertible bonds in the market. The Company was selected as a constituent of the Hang Seng Composite LargeCap & MidCap Index after trading hours on 2 September 2016. It enabled the Shares to be traded under the Shanghai-Hong Kong Stock Connect Scheme. The financial performance of the Company and the inclusion in the market benchmark indices maintained the Shares at the price range of HK$0.53 to HK$0.84 between May and September 2016, which was a relatively top level of the price range of the Shares during the Review Period.

(c) Loss-making interim financial performance for the six months ended 30 September 2016

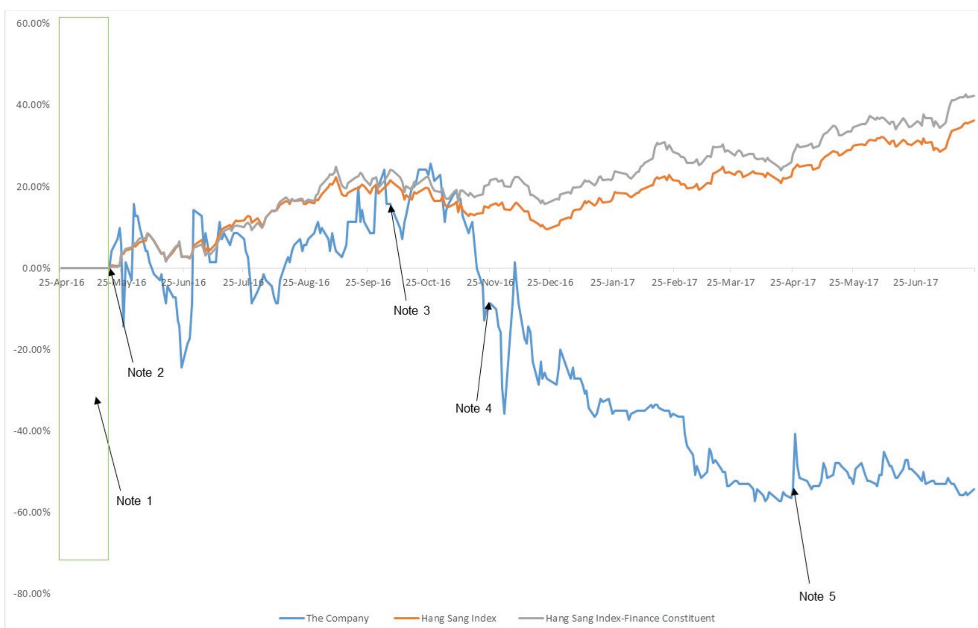
On 7 October 2016, profit warning announcement of the Company was published. On 28 November 2016, interim results of the Company for the six months ended 30 September 2016 was published and it revealed that the loss of the Company was worse than that in the same period in 2015. According to the 2016 Annual Report, the Company recorded profit for the year attributable to owners of the Company of approximately HK$71.7 million with the net fair value gains on investments at fair value through profit or loss of approximately HK$240.8 million. However, the 2016 Interim Report revealed that the Company recorded the net fair value loss on investments at fair value through profit or loss of approximately HK$539.6 million, resulting in loss for the six months period attributable to the owners of the Company of approximately HK$550.7 million. The Share price therefore dropped.

(d) Publication of the Announcement

An announcement of positive profit alert and the Announcement were published on 11 April 2017 and 25 April 2017 respectively. The Shares closed between HK$0.31 and HK$0.415 from the publication of the Announcement up to the Latest Practicable Date. The closing price of the Shares surged after the publication of the Announcement and fluctuated with a price range above the Issued Price, which shows that it might be related to market expectations of the benefits that will be brought to the Group as a result of the Acquisition and the effect from the positive financial result during FY2017 as mentioned in the section of this letter headed "information of the Company, the Group and the Purchaser."

Historical performance of Shares in comparison to Hang Seng Index and Hang Seng Index — Finance Constituent

Set out below is the relative comparison analysis in percentage between the movement in closing prices of the Shares and index levels of Hang Seng Index and Hang Seng Index — Finance Constituent during the Review Period. The below relative comparison analysis is based on the movements of the closing prices of the Shares and index levels of Hang Seng Index and Hang Seng Index — Finance Constituent as percentages in comparison to the closing price of the Share and index levels of Hang Seng Index and Hang Seng Index — Finance Constituent as at the day of resumption of trading of the Company as at 19 May 2016, being the first trading day of the Company during the Review Period (the "**Resumption Day**").



Source: the website of Stock Exchange and Infocast

Notes:

1. The above-mentioned relative comparison analysis is not applicable for the Review Period from 25 April 2016 to 18 May 2016 due to trading halt of the Company during such period.

2. Publication of announcement of resumption of trading of Shares on 19 May 2016.

3. Publication of announcement of profit warning.

4. Publication of announcement of interim result for the six months ended 30 September 2016.

5. Publication of the Announcement.

During the Review Period, the mean and median of the movements of the Share in comparison to the Share price as at the Resumption Day are -17.48% and -14.29%. On the other hand, the mean and median of the movements of Hang Seng Index in comparison to its index level as at the Resumption Day are 17.18% and 17.16%; and the mean and median of the movements of Hang Seng Index — Finance Constituent in comparison to its index level as at the Resumption Day are 20.55% and 21.31%.

Since the Resumption Day, the movements of Share prices are fluctuated in comparison to those of Hang Seng Index and Hang Seng Index — Finance Constituent. Upon the release of profit warning announcement and the interim results of the Company as at 7 October 2016 and 28 November 2016 respectively which revealed that the loss of the Company was worse than that in the same period in 2015, the descending trend of the movements of the Share price began in comparison to the continuous upward trend of Hang Seng Index and Hang Seng Index-Finance Constituent. This revealed the Shareholders are lack of confidence on the prospect of the Company due to the weak financial performance while the upward trend of Hang Seng Index and Hang Seng Index-Finance Constituent indicated positive market sentiment during the same period. Upon the entering into of the Agreement, in contrast of the loss of 54.29% based on the Share prices movement from the Resumption Day to the Last Trading Day, the returns on Hang Seng Index and Hang Seng Index-Finance Constituent based on their index levels from the Resumption Day to the Last Trading Day are 24.17% and 28.04%, respectively.

Based on the above, the Share price of the Company is generally underperformed in comparison to the index level of Hang Seng Index and Hang Seng Index-Finance Constituent in terms of the above-mentioned relative comparison analysis. As mentioned in the sections of this letter headed "Historical performance of Share" and "Historical performance of Shares in comparison to Hang Seng Index and Hang Seng Index — Finance Constituent", the descending trend of the Share price and the Share price movements in percentage were mainly attributable the lack of confidence of Shareholders to the Company as a result of its weak financial performance even though the market sentiment indicated by Hang Seng Index and Hang Seng Index-Finance Constituent is positive. Therefore, we consider a discount on the Issue Price to the prevailing market value of the Share is justifiable given that the underperformance of Share price in comparison to that of Hang Seng Index and Hang Seng Index-Finance Constituent indicated relatively weak market confidence on the Company.

Historical trading volume of Shares

Set out below in the table are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

Month	**Highest daily trading volume (number of Shares)**	**Average daily trading volume (number of Shares)**	**Approximately % of the average daily trading volume to total number of issued Shares as at the end of each relevant month** *(Note 1)*	**Approximately % of average daily trading volume to total number of issued Shares held by public Shareholders as at the end of each relevant month** *(Note 2)*
2016				
April *(Note 3)*	—	—	—	—
May *(Note 3)*	52,794,000	22,768,144	0.12%	0.22%
June	45,726,192	15,224,455	0.08%	0.15%
July	55,356,028	17,405,883	0.09%	0.17%
August	12,018,000	2,102,524	0.01%	0.02%
September	14,340,880	7,395,141	0.04%	0.07%
October	23,743,440	14,540,630	0.08%	0.14%
November	72,234,000	32,517,077	0.17%	0.32%
December	140,563,920	46,032,902	0.24%	0.45%
2017				
January	16,326,060	9,244,872	0.05%	0.09%
February	13,950,000	6,841,814	0.04%	0.07%
March	59,060,048	8,841,586	0.05%	0.09%
April	2,308,958,976	140,071,128	0.73%	1.38%
May	17,694,288	3,779,040	0.02%	0.04%
June	20,240,976	2,715,853	0.01%	0.03%
July (Up to the Latest Practicable Date)	3,013,836	1,237,129	0.01%	0.01%
		Maximum	**0.73%**	**1.38%**
		Minimum	**0.01%**	**0.01%**
		Median	**0.05%**	**0.09%**
		Mean	**0.11%**	**0.22%**

Source: Infocast

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the relevant month/period by the number of trading days during the relevant month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. In our computation, we assumed Share held by public Shareholders in the Review Period to be the Shares held by Shareholders other than the Seller and its concert parties and other substantial Shareholders as at the Latest Practicable Date.

3. Trading of the Shares on the Stock Exchange was halted from 9:00 a.m. on 14 March 2016. The trading of the Shares was resumed at 9:00 a.m. on 19 May 2016.

The average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.01% to approximately 0.73%, and the average trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.01% to approximately 1.38% in the Review Period. We noted that there was a substantial increase in trading volume of the Shares subsequent to the Last Trading Date, which was most likely stimulated by the publication of the Announcement and the positive expectation of the Shareholders and investors on the Group due to the proposed Acquisition. In addition, the average daily trading volumes of the Shares as a percentage of public float of the Company did not exceed 1.0% which were basically below 0.5% before the publication of the Announcement and surged to approximately 1.38% in April 2017 and subsequent to the date of the Announcement. Subsequent to April 2017, the monthly average daily trading volumes of the Shares as a percentage of public float of the Company has dropped to 0.04%, 0.03% and 0.01% during May, June and July 2017 (up to the Latest Practicable Date), respectively. In this regard, Shareholders should note that the relatively high level of average daily trading volume in April 2017 subsequent to the date of the Announcement, which is higher than the median and mean of the above-mentioned average daily trading volumes of the Shares as a percentages of public float of the Company during the Review Period, may not persist.

Based on the above, the trading in the Shares was generally thin during the Review Period despite the relatively higher trading volume in April 2017. In view of the above, we consider that the trading volume of the Shares was relatively thin during the Review Period, and a discount on the Issue Price to the prevailing market value of the Shares is justifiable given that the Share's relatively low liquidity may imply lack of interest from potential investors to invest in general.

(ii) Comparison of the Issue Price against comparable companies

In order to assess the fairness and reasonableness of the Issue Price, we have researched companies listed on the Stock Exchange with similar business nature of the Company in the website of the Stock Exchange to perform comparison analysis of the Issue Price against comparable companies. Given the major business segment of the Group being investment in listed and unlisted securities, money lending and financial leasing businesses in Hong Kong and the PRC, we have attempted to identify comparable companies in which (i) the companies are listed on the Main Board of the Stock Exchange; (ii) the companies are both principally engaged in investment in listed and unlisted securities, money lending operations and financial leasing business which in aggregate generated at least

50% of revenue for such companies according to the latest annual report as at the Last Trading Day; (iii) the geographic segments in the PRC and/or Hong Kong generated at least 90% of revenue in aggregate for each of such companies according to the latest annual report as at the Last Trading Day; and (iv) the market capitalisation is below HK$15 billion. To the best of our knowledge and endeavour, we have identified 5 comparable companies (the "**Comparable Companies**") in the table below, which is an exhaustive list of comparable companies we were able to identify from the Stock Exchange's website satisfying the above selection criteria:

We have adopted two commonly adopted valuation methodologies, namely PE Ratio and PB Ratio in assessing the fairness and reasonableness of the price of the Consideration Shares.

Stock code	**Company name**	**Market capitalisation** *(Note 1)* *HK$ million*	**PE Ratio** *(Note 2)*	**PB Ratio** *(Note 3)*
508.HK	Dingyi Group Investment Ltd. ("Dingyi") *(Note 4)*	6,814.1	NA *(Note 2)*	11.98
931.HK	China LNG Group Ltd. *(Note 5)*	9,360.3	101.72	6.77
3623.HK	China Success Finance Group Holdings Ltd. *(Note 6)*	913.0	41.74	0.84
3903.HK	Hanhua Financial Holding Co., Ltd. *(Note 7)*	3,312.0	12.12	0.43
6878.HK	Differ Group Holding Co. Ltd. *(Note 8)*	3,049.9	19.91	2.62
		Maximum	**101.72**	**11.98**
		Minimum	**12.12**	**0.43**
		Median	**30.83**	**2.62**
		Mean	**43.87**	**4.53**
The Company	**(Based on the closing price as at the Last Trading Day)**	**6,140.4**	**85.64**	**2.44**
	(Based on the Issue Price)	**5,756.6**	**80.29**	**2.29**
		(Note 9)	*(Note 10)*	*(Note 11)*

Source: the Stock Exchange

Remark: The calculation is based that any amount denominated in RMB was translated into HK$ at the rate of HK$1 = RMB0.88478 (being the RMB central parity rate by the People's Bank of China as at the Last Trading Day)

Notes:

1. The market capitalisations of the Comparable Companies are calculated by multiplying the share price as at the Last Trading Day and the number of issued shares of the respective companies according to the latest monthly return as at the Last Trading Day.

2. The PE Ratios of the Comparable Companies are calculated by dividing their market capitalisation by the net profit attributable to the equity holders of the respective companies according to their latest audited financial reports as at the Last Trading Day. The PE Ratio is not applicable to Comparable Companies incurred loss for the previous financial year.

3. The PB Ratios of the Comparable Companies are calculated by dividing their market capitalisation by the net assets value attributable to equity holders of the respective companies according to their latest financial reports as at the Last Trading Day.

4. Dingyi Group Investment Ltd. is principally engaged in securities trading, wine trading, food and beverages business, loan financing and metal trading.

5. China LNG Group Ltd. is principally engaged in the development of liquefied natural gas ("**LNG**") businesses, provision of finance leasing services for LNG vehicles, vessels and equipment in the PRC, trading of securities, properties investment and financial services.

6. China Success Finance Group Holdings Ltd is principally engaged in provision of financial and non-financial guarantees services, financial leasing and financial consultancy services in the PRC.

7. Hanhua Financial Holding Co., Ltd. is principally engaged in provision of financial services to serve the financing and business needs of SMEs and microenterprises such as credit guarantee, small loans, internet finance, financial factoring, capital management and financing leases in the PRC.

8. Differ Group Holding Co. Ltd. is principally engaged in provision of guarantee services, express loan services, financial services, finance lease services and asset management services.

9. The market capitalisation of the Company is calculated by multiplying (i) the Issue Price of HK0.30 / (ii) the closing price as at the Last Trading Day of HK$0.32 and the number of issued shares of the Company as at the Last Trading Day.

10. The PE Ratios of the Company are calculated by dividing its market capitalization base on (i) the closing price as at the Last Trading Day or (ii) the Issued Price by the net profit attributable to the equity holders of the Company according to its latest latest audited financial report as at the Last Trading Day.

11. The PB Ratios of the Company are calculated by dividing its market capitalization base on (i) the closing price as at the Last Trading Day or (ii) the Issued Price by the net assets value attributable to equity holders of the Company according to its latest financial report as at the Last Trading Day.

As shown in the table above, the PE Ratios of the Company based on (i) the closing price as at the Last Trading Day; and (ii) the Issue Price are both much higher than the mean and median of those of the Comparable Companies.

According to the 2017 Annual Result of the Company, the unaudited consolidated net asset value of the Company attributable to the Shareholders is approximately HK$0.17 per Share as at 31 March 2017. The Issue Price of HK$0.3 per Share represents a premium of approximately 76.5% over the unaudited consolidated net asset value attributable to the Shareholders per Share of the Group as at 31 March 2017. Further, the PB Ratios of the Company based on (i) the closing price as at the Last Trading Day; and (ii) the Issue Price amounted to approximately 2.44 and approximately 2.29 respectively.

As shown in the table above, the PB Ratio of the Comparable Companies ranged from approximately 0.43 to approximately 11.98. The PB Ratios of the Company based on (i) the closing price as at the Last Trading Day; and (ii) the Issue Price lies below the mean and median of the PB Ratios of the Comparable Companies amounted to approximately 4.53 and 2.62, respectively.

Given that (i) the above analysis on the mean and median of the Group in comparison to those of Comparable Companies does not exhibit consistent pattern; (ii) the range of the PB Ratios of the Comparable Companies are extremely wide; and (iii) the PB Ratio of Dingyi is substantially higher than rest of the Comparable Companies which may create anomalous result and distort the PB Ratios, we would like to illustrate a adjusted comparison analysis to assess the Issue Price by excluding Dingyi with relatively extreme PB Ratio to avoid any distortion for the reasons as we note that: the share price of Dingyi surged from HK$0.76 in February 2017 to HK$1.30 in April 2017, which represents an increase of approximately 71.1%. The average daily trading volumes of the shares of Dingyi in February 2017 and April 2017 were approximately 6,368,510 shares and 23,849,176 shares respectively. Dingyi also recorded net assets of approximately HK$568.8 million as at 30 September 2016 in comparison to the net liabilities of approximately HK$214.3 million as at 31 March 2015 mainly attributable to the exercise of convertible bonds in aggregate amount of HK$580 million by the controlling shareholder of Dingyi and other bondholders during the financial year ended 31 March 2016. Having taken into account (i) the consecutive loss position of Dingyi during the financial years ended 31 March 2012 and 2016; (ii) the surge of the share price of Dingyi and the respective increasing average daily trading volume from February 2017 to April 2017 may be related to the speculation activities by the investors; and (iii) the turnaround change from net liability position of HK$214.3 million as at 31 March 2015 to net asset position of HK$568.8 million for as at 30 September 2016 due to corporate action by the controlling shareholder and bondholder of Dingyi, we consider the PB ratio of Dingyi may not be indicative as (i) the current share price of Dingyi may not reflect the fundamentals of Dingyi; and (ii) the latest net asset position of Dingyi as at 30 September 2016 may be distorted by corporate action and does not fully address its financial position in respective period.

Set out below is the revised PB Ratios comparison table with exclusion of Dingyi:

Stock code	Company name		PB Ratio *(Note 1)*
931.HK	China LNG Group Ltd.		6.77
3623.HK	China Success Finance Group Holdings Ltd.		0.84
3903.HK	Hanhua Financial Holding Co., Ltd.		0.43
6878.HK	Differ Group Holding Co. Ltd.		2.62
		Maximum	**6.77**
		Minimum	**0.43**
		Median	**1.73**
		Mean	**2.67**
412.HK	**(Based on the closing price as at the Last Trading Day)**		**2.44**
	(Based on the Issue Price)		**2.29** *(Note 2 and 3)*

Remark: The calculation is based that any amount denominated in RMB was translated into HK$ at the rate of HK$1 = RMB0.88478 (being the RMB central parity rate by the People's Bank of China as at the Last Trading Day)

Notes:

1. The PB Ratios of the Comparable Companies are calculated by dividing their market capitalisation by the net assets value attributable to equity holders of the respective companies according to their latest financial reports as at the Last Trading Day;

2. The market capitalisation of the Company is calculated by multiplying (i) the Issue Price of HK0.30/(ii) the closing price as at the Last Trading Day of HK$0.32 and the number of issued shares of the Company according to the latest monthly returns as at the Last Trading Day.

3. The PB Ratios of the Company are calculated by dividing its market capitalization base on (i) the closing price as at the Last Trading Day or (ii) the Issued Price by the net assets value attributable to equity holders of the Company according to its latest financial report as at the Last Trading Day.

As shown in the table above, the PB Ratio of the Comparable Companies ranged from approximately 0.43 to approximately 6.77. We note that the PB Ratios of the Company based on (i) the closing price as at the Last Trading Day; and (ii) the Issue Price lies above the median of the PB Ratios of approximately 1.73 and is comparable to the mean of the PB Ratios of approximately 2.67 among the Comparable Companies, excluding Dingyi.

Having considered that the (i) PE Ratio of the Company based on the Issue Price is above the mean and median of the PE Ratios of approximately 43.87 and 30.83 respectively among the Comparable Companies; (ii) PB Ratio of the Company based on the Issued Price is high than the median of the PB Ratios of the Comparable Companies of approximately 1.73 with exclusion of Dingyi and is comparable to the mean of the PB Ratios of the Comparable Companies of approximately 2.67 with exclusion of Dingyi, we are of the view that the Issue Price of the Consideration Shares to be allotted and issued to the Seller is fair and reasonable in comparison to the existing trading price levels among the Comparable Companies.

(iii) Comparison of the Issue Price against comparable transactions

Apart from the previous analysis, we attempted to assess the fairness and reasonableness of the terms of the Acquisition from the angle of comparison of the Issue Price against acquisition transactions for the equity of financial leasing company. In this regard, we have researched relevant transactions for equity share acquisition of financial leasing company involving issuance of consideration shares by the listed companies in the website of the Stock Exchange. Given the nature of the Acquisition, we have attempted to identify comparable transactions in which (i) the issuers are listed on the Stock Exchange; (ii) acquisition of financial leasing company; and (iii) the settlement method of considerations of the respective equity acquisition transactions fully or partly involve the issuance of ordinary shares in two full years prior to the Last Trading Day, the period of which covers different cycles of the fluctuation of Hang Seng Index and Hang Seng Index — Finance Constituent as a general indication of market conditions and sentiment. We consider the selection criteria of the comparable transactions are reasonable and appropriate. Based on the above criteria, we identified the below three comparable transactions (the "**Comparable Transactions**"), which is an exhaustive list of comparable transactions we were able to identify from the Stock Exchange's website satisfying the above selection criteria.

				Premium/(Discount) of the issue price over/(to) the average closing price of				
Date of announcement	**Stock code**	**Company name**	**The profit/(loss) after tax for the latest finance year of the target group on the date of the relevant announcement or agreement**	**Last trading day on the date of the relevant announcement or agreement**	**Last five consecutive trading days prior to the date of the relevant announcement or agreement**	**Last ten consecutive trading days prior to the date of the relevant announcement or agreement**	**Last 30 consecutive trading days prior to the date of the relevant announcement or agreement**	**Premium/ (Discount) of the issue price over/(to) the net asset value per share based on the latest financial report as at the date of the relevant announcement or agreement**
14 November 2016	875.HK	China Finance Investment Holdings Limited ("**CFI**")	RMB(6,000)	(19.69%)	(5.72%)	2.38%	(0.58%)	456.79%
4 March 2016	1303.HK	Huili Resource (Group) Limited ("**Huili**")	RMB(210,300)	(17.21%)	(18.81%)	(20.66%)	(12.17%)	336.42%
		Maximum		(17.21%)	(5.72%)	2.38%	(0.58%)	456.79%
		Minimum		(19.69%)	(18.81%)	(20.66%)	(12.17%)	336.42%
		Median		(18.45%)	(12.27%)	(9.14%)	(6.38%)	396.60%
		Mean		(18.45%)	(12.27%)	(9.14%)	(6.38%)	396.60%
25 April 2017	412.HK	The Company	HK$70,504,000	(6.25%)	(3.23%)	(2.60%)	(9.23%)	128.87%
Excluded Comparable Transaction								
Beijing Jingcheng Machinery Electric Company Limited	187.HK	The issue price is based on the relevant trading price of the share of the company over the 20 trading days preceding the general meeting of the company in regard to the underlying acquisition transaction. Since the acquisition transaction has been terminated on 3 July 2016 before such general meeting, the comparable transaction was excluded in the above Comparable Transactions analysis.						

As illustrated in the above, the issue prices of the Comparable Transactions ranged from a discount of approximately 17.21% to 19.69% to the closing price of the last trading day of the Comparable Transactions (the "**Market Range I**") with the same median and mean of discount of approximately 18.45%; from a discount of approximately 5.72% to 18.81% to the average closing price of the five trading days prior to the last trading day of the Comparable Transactions (the "**Market Range II**") with the same median and mean of discount of approximately 3.23%; from a discount of approximately 20.66% to a premium of approximately 2.38% to/over the average closing price of the last ten trading days prior to the last trading day of the Comparable Transactions (the "**Market Range III**") with the same median and mean of discount of approximately 9.14%; from a discount of approximately 0.58% to 12.17% to the average closing price of the 30 trading days prior to the last trading day of the Comparable Transactions (the "**Market Range IV**") with the same median and mean of discount of approximately 6.38%; and from a premium of approximately 336.42% to 456.79% to net asset value per share based on the latest financial report as at the last trading day of the Comparable Transaction (the "**Market Range V**") with the same median and mean of premium of approximately 396.60%. In addition, the target companies under Comparable Transactions of CFI and Huili both recorded loss after tax for the latest financial year prior to the last trading day of the Comparable Transactions in comparison to the net profit after tax of the Target Group amounted to approximately HK$70.5 million for the latest financial year prior to the Last Trading Day.

We note that the Issue Price represents a discount of approximately 6.25% to the closing price of the Shares on the Last Trading Date (the "**Issue Price Discount I**"), a discount of approximately 3.23% to the average closing price of the Shares on five trading days prior to the Last Trading Day (the "**Issue Price Discount II**"), a discount of approximately 2.60% to the average closing price of the Shares on ten trading days prior to the Last Trading Day (the "**Issue Price Discount III**"), a discount of approximately 9.23% to the average closing price of the Shares on 30 trading days prior to the Last Trading Days (the "**Issue Price Discount IV**") and a premium of approximately 128.87% to the net asset value per Share of the Company based on its financial report as at the Last Trading Day (the "**Issue Price Premium I**").

The Issue Price Discount I, the Issue Price Discount II and the Issue Price Discount III are lower than the mean and median of the discounts/premium under the Market Range I, the Market Range II and the Market Range III, respectively. The Issue Price Discount IV is slightly deeper than the median and mean of the discounts under Market Range IV but is still within the range. The Issue Price Premium I lies below the Market Range V. We note that CFI has recorded consecutive net losses for the four financial years ended between 31 December 2013 and 2016 and Huili has recorded consecutive net losses for the five financial years ended between 31 December 2012 and 2016 which led to the consecutive shrinkage of net asset bases of the Comparable Companies. In comparison, the Company has recorded net profit for the financial years ended 31 March 2016 and

2014. Therefore, we consider the comparison of the issue price and net asset value per share for the Acquisition and Comparable Transactions does not conclude a meaningful result and the Issue Premium I, being 128.87%, is justifiable. Having considered (i) the Issue Price Discount I, the Issue Price Discount II and the Issue Price Discount III are lower than the mean and median of the discounts/premium under the Market Range I, the Market Range II and the Market Range III, respectively; (ii) the Acquisition will realise potential synergies between the Company, the Target Group and the Hi-Speed Group as discussed in the section of this letter headed "Reasons for and benefits of the Acquisition", we consider the Issue Price is fair and reasonable.

Financial effects of the Acquisition

(i) Effect on assets and liabilities

Based on the unaudited pro forma financial information in Appendix IV to the Circular, the total assets of the Group as at 31 March 2017 would increase from approximately HK$4,735.8 million to approximately HK$6,331.8 million resulted from the increase in non-current assets of approximately HK$1,600.0 million which is mainly attributable to the increment of the available-for-sale investment amounted to HK$1,600.0 million based on 5,000 million Consideration Shares for the Acquisition and the Share price of HK$0.32, being the closing price on the Last Trading Day; and its total liabilities as at 31 March 2017 remains unchanged as the Consideration shall be satisfied by the allotment and issuance by the Company of Consideration Shares to the Seller. As such, the net asset value of the Company will increase from HK$3,186.7 million to HK$4,782.7 million upon completion of the Acquisition.

Therefore, we consider the net asset value per Share will increase from approximately HK$0.17 to HK$0.25 upon Acquisition Completion and the Acquisition will have positive impact on the net asset value of the Group.

(ii) Effect on earnings

As disclosed in the 2017 Annual Results, the profit for the year attributable to owners of the Company is approximately HK$159.4 million for the year ended 31 March 2017.

We concur with the management of the Company that the Acquisition will allow the Group to realise potential synergies as discussed in the section of this letter headed "Reasons for and benefits of the Acquisition", which will improve the profitability of the Group both for the financial leasing segment and the investment in listed and unlisted securities segment of the Group.

As a result, we are of the view that the Acquisition will have a potential positive impact on the earnings of the Group.

(iii) Effect on cash or working capital

Based on the 2017 Annual Results, the Group recorded current assets of approximately HK$2,293.5 million including cash and cash equivalents of approximately HK$220.5 million and current liabilities of approximately HK$300.8 million as at 31 March 2017.

Given the Consideration will be fully settled by allotting and issuing Consideration Shares to the Seller, we consider that save and except for the estimated expenses of approximately HK$4.0 million in connection with the Acquisition, there will be no impact on the cash or working capital of the Group.

(iv) Effect on gearing

As at 31 March 2017, the Group's total borrowings and total assets amounted to approximately HK$1,274.9 million and HK$4,735.8 million respectively, and the gearing ratio (being total borrowings divided by total assets) stood at approximately 26.9%. As the Consideration for the Acquisition will be settled by allotment and issue of Consideration Shares to the Seller, it is currently anticipated that the gearing position of the Group would decrease to a lower level, because its total asset of the Group would be enhanced following completion of the Acquisition while the liabilities of the Group shall remain unchanged.

Based on the foregoing, the Acquisition would have an overall positive effect on the financial position of the Group. On such basis, we are of the view that the Acquisition is in the interest of the Company and the Independent Shareholders as a whole.

Dilution effect on shareholding interest of the existing public Shareholders

Assuming there will not be any change in the issued share capital of the Company from the date of the Latest Practicable Date up to the Completion of the Acquisition (other than changes as a result of Acquisition), set out below is the table of the shareholdings in the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion:

	As at the Latest Practicable Date		**Immediately upon Completion of the Acquisition**	
	Number of Shares held	**Approximate percentage of total issued Shares**	**Number of Shares held**	**Approximate percentage of total issued Shares**
Shareholders				
The Seller and its concert parties				
Shandong Hi-Speed Group Co. Limited (山東高速集團有限公司) *(Note 1)*	5,489,648,350	28.5%	10,459,648,350	43.2%
Sub-total	5,459,648,350	28.5%	10,459,648,350	43.2%
Other substantial Shareholders				
Li Shao Yu and her concert parties *(Note 2, 5)*	3,547,689,650	18.5%	3,547,689,650	14.7%
Sub-total	3,547,689,650	18.5%	3,547,689,650	14.7%
Public Shareholders				
Huang Rulun and his concert parties *(Note 3, 5)*	1,320,000,000	6.9%	1,320,000,000	5.5%
Ji Kewei and his concert parties *(Note 4, 5)*	1,089,156,146	5.7%	1,089,156,146	4.5%
Wang Zi Yi *(Note 5)*	1,083,538,169	5.7%	1,083,538,169	4.5%
Other Public Shareholders	6,688,616,122	34.7%	6,688,616,122	27.6%
Sub-total	10,181,310,437	53.0%	10,181,310,437	42.1%
Total	19,188,648,437	100.0%	24,188,648,437	100.0%

Notes:

1. Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the SFO by virtue of Shandong Hi-Speed (Hong Kong) International Capital Limited, a company incorporated in Hong Kong with limited liability, being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd., a company incorporated in the PRC with limited liability. In addition, Shandong Hi-Speed Group Co., Ltd. is also deemed to be interested in the 5,000,000,000 Consideration Shares to be issued to the Seller pursuant to the SFO by virtue of the Seller being a subsidiary of Shandong Rural, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd.

2. Ms. Li Shao Yu is deemed to be interested in the 3,503,559,650 Shares held by Hao Tian Management (Hong Kong) Limited pursuant to the SFO by virtue of Hao Tian Management (Hong Kong) Limited being a subsidiary of Win Team Investments Limited, which in turn is a subsidiary of Hao Tian Development Group Limited, which in turn is a subsidiary of Asia Link Capital Investment Holdings Limited, in which Ms. Li Shao Yu holds 100% beneficial interest. In addition, Ms. Li Shao Yu is deemed to be interested in the 44,130,000 Shares held by TRXY Development (HK) Limited pursuant to the SFO by virtue of TRXY Development (HK) Limited being owned as to 90% and 9%, respectively, by Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited, both of which are wholly-owned by Ms. Li Shao Yu.

3. Mr. Huang Rulun is deemed to be interested in the 1,320,000,000 Shares held by Century Golden Resources Investment Co. Ltd. pursuant to the SFO by virtue of his controlling interest in Century Golden Resources Investment Co. Ltd.

4. Mr. Ji Kewei is deemed to be interested in 1,083,538,169 Shares held by Chinanet Consultancy Limited pursuant to the SFO by virtue of Chinanet Consultancy Limited being wholly-owned by its executive director, Mr. Ji Kewei. Mr. Ji Kewei is also beneficially interested in 5,617,977 Shares.

5. As at the Latest Practicable Date, each of Ms. Li Shao Yu, Mr. Huang Rulun, Mr. Ji Kewei and Ms. Wang Zi Yi is not a Director and nor is any one of them a concert party of the Seller.

Although there will be a dilution effect to the shareholding interest of the existing public shareholders as a result of the Acquisition, we have, however taken into account (i) the potential synergies to be realised between the Group, the Target Group and the Hi-Speed Group as mentioned in the section of this letter headed "Reasons for and benefits of the Acquisition"; (ii) the generally thin liquidity in the trading of the Shares and the Share price performance during the Review Period as mentioned in the section of this letter headed "Review of historical performance of Shares"; (iii) the Consideration is fair and reasonable as mentioned in the section of this letter headed "Acquisition consideration"; and (iv) the Issue Price is fair and reasonable as mentioned in the section of this letter headed "Comparison of the Issue Price against comparable companies", we consider that the shareholding dilution effects upon Completion is acceptable so far as the Independent Shareholders concerned.

B. WHITEWASH WAIVER

As at the Latest Practicable Date, the Seller and parties acting in concert with it were interested in 5,459,648,350 Shares, representing approximately 28.5% of the total issued share capital of the Company.

Upon Completion, the shareholding of the Seller and parties acting in concert with it will be interested in 10,459,648,350 Shares, representing approximately 43.2% of the total issued share capital of the Company as enlarged by the issuance of the Consideration Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Seller would be obliged to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Seller and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive.

In this regard, the Seller has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of the Acquisition pursuant to the Agreement. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, (i) approval by the Independent Shareholders at the SGM by way of a poll; and (ii) the Seller and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company from the Latest Practicable Date and up to Completion unless with the prior consent of the Executive.

The Independent Shareholders should also note that the grant and approval of the Whitewash Waiver is one of the condition precedent of the Completion. In the case where the Acquisition is approved by the Independent Shareholders in the SGM and the Whitewash Waiver is not granted or approved by the Independent Shareholders, the Agreement will not become unconditional and the Acquisition will not proceed.

The Independent Shareholders should also note that the Executive may or may not grant the Whitewash Waiver. The granting of the Whitewash Waiver is a condition which is not capable of being waived. If the Whitewash Waiver is not obtained and/or approved by the Independent Shareholders, the Acquisition will not proceed.

On the other hand, Independent Shareholders should note that the Seller and parties acting in concert with it shall remain as the single largest group of Shareholders upon completion of the Acquisition. The granting and approval of the Whitewash Waiver will enable the Group and all the Shareholders, including the Independent Shareholders, to take the opportunity to enjoy the potential benefits upon completion of the Acquisition.

Having considered the benefits of the Acquisition as mentioned in the previous sections in this letter, we are of the view that the granting of the Whitewash Waiver, which is a prerequisite for the Completion, is fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and we are of the view that the purpose of the Acquisition and the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is fair and reasonable, and in the interest of the Independent Shareholders as a whole.

RECOMMENDATION

Based on the above principal factors and reasons, we are of the view that the terms of the Acquisition are on normal commercial terms, in the ordinary course of business of the Group and fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition are in the interests of the Company and the Independent Shareholders. On the basis that the grant of the Whitewash Waiver is a condition of the Agreement, we also consider that the grant of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the CT Independent Board Committee and the Whitewash Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Louis Chan**
Managing Director	*Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2015, 31 March 2016 and 31 March 2017 are disclosed in the annual reports of the Company for the years ended 31 March 2015 and 31 March 2016 and the annual results announcement of the Company for the year ended 31 March 2017, respectively, together with the relevant notes thereto, which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.cifg.com.hk/) as follows:

- The Annual Report 2015 of the Company for the 12 months ended 31 March 2015 published on 27 July 2015 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0727/LTN201507271186.pdf)

- The Annual Report 2016 of the Company for the 12 months ended 31 March 2016 published on 14 July 2016 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0714/LTN20160714133.pdf)

- The annual results announcement of the Company for the 12 months ended 31 March 2017 published on 2 July 2017 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0702/LTN20170702059.pdf)

2. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated results and financial information of the Group for the three years ended 31 March 2015, 2016 and 2017, details of which were extracted from the annual reports of the Company for each of the years ended 31 March 2015 and 2016 and the annual results announcement of the Company for the year ended 31 March 2017:

	For the year ended 31 March		
RESULTS	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Continuing operations			
REVENUE	3,797	96,992	193,511
COST OF SERVICES	—	(43,276)	(115,202)
Fair value gains on investments at fair value through profit or loss, net	33,907	240,842	409,448
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(27,653)	111,939	190,798
Income tax expense	(5,280)	(41,459)	(31,442)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(32,933)	70,480	159,356
Discontinued operations			
Profit/(loss) for the year from discontinued operations	(95,794)	1,216	—
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	(128,727)	71,696	159,356
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing and discontinued operations			
Basic	HK(0.76) cents	HK0.39 cents	HK0.83 cents
Diluted	HK(0.76) cents	HK0.39 cents	HK0.83 cents
From continuing operations			
Basic	HK(0.19) cents	HK0.38 cents	HK0.83 cents
Diluted	HK(0.19) cents	HK0.38 cents	HK0.83 cents

ASSETS AND LIABILITIES	As at 31 March 2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total assets	1,644,249	5,897,307	4,735,830
Total liabilities	(223,176)	(2,737,952)	(1,549,161)
Net assets	1,421,073	3,159,355	3,186,669

Graham H.Y. Chan & Co, the auditor of the Company, did not issue any qualified opinion on the financial statements of the Group for the year ended 31 March 2015. HLB Hodgson Impey Cheng Limited, the auditor of the Company, did not issue any qualified opinion on the financial statements of the Group for the year ended 31 March 2016 and 31 March 2017.

3. AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2017

The following is the audited financial information of the Group for the year ended 31 March 2017 as extracted from the annual results announcement of the Company for the year ended 31 March 2017:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations			
REVENUE	5	193,511	96,992
COST OF SERVICES		(115,202)	(43,276)
Other income	6	3,347	5,887
Other net loss	6	(21,937)	(47,256)
Fair value gains on investments at fair value through profit or loss, net	7	409,448	240,842
Employee benefit expenses	7	(52,357)	(38,131)
Depreciation	7	(15,257)	(6,522)
Minimum lease payments under operating lease in respect of land and buildings		(9,959)	(8,401)
Administrative expenses		(87,313)	(46,163)
Finance costs	8	(113,483)	(42,033)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	190,798	111,939
Income tax expense	9	(31,442)	(41,459)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		159,356	70,480
Discontinued operations			
Profit for the year from discontinued operations		—	1,216
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		159,356	71,696
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing and discontinued operations			
Basic	10	HK0.83 cents	HK0.39 cents
Diluted	10	HK0.83 cents	HK0.39 cents
From continuing operations			
Basic	10	HK0.83 cents	HK0.38 cents
Diluted	10	HK0.83 cents	HK0.38 cents

Details of dividend are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017	**2016**
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	159,356	71,696
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to consolidated income statement:		
Release of translation reserve arising on disposal of subsidiaries	—	2,698
Exchange difference arising on translation of foreign operations	(60,077)	(4,672)
TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR	(60,077)	(1,974)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	99,279	69,722

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		153,569	168,698
Intangible assets		1,248,269	1,243,156
Available-for-sale investments		345,400	4,600
Finance lease receivables	12	411,133	664,576
Investments at fair value through profit or loss	13	253,795	96,010
Loans receivables	14	—	155,500
Restricted cash		30,126	72,127
Total non-current assets		2,442,292	2,404,667
CURRENT ASSETS			
Available-for-sale investments		—	340,800
Finance lease receivables	12	215,995	260,404
Investments at fair value through profit or loss	13	1,578,957	2,185,079
Loans receivables	14	56,503	20,000
Prepayments, deposits and other receivables		196,487	321,532
Restricted cash		25,052	37,204
Cash and cash equivalents		220,544	327,621
Total current assets		2,293,538	3,492,640
CURRENT LIABILITIES			
Other payables and accruals		80,442	207,183
Tax payable		2,035	1,382
Borrowings		218,314	922,381
Total current liabilities		300,791	1,130,946
NET CURRENT ASSETS		1,992,747	2,361,694
TOTAL ASSETS LESS CURRENT LIABILITIES		4,435,039	4,766,361
NON-CURRENT LIABILITIES			
Borrowings		313,105	499,000
Convertible bonds		743,522	937,705
Deferred tax liabilities		191,743	170,301
Total non-current liabilities		1,248,370	1,607,006
Net assets		3,186,669	3,159,355
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital		4,797	4,828
Reserves		3,181,872	3,154,527
Total equity		3,186,669	3,159,355

Notes:

1. CORPORATE INFORMATION

China Innovative Finance Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and Rooms 1405–1410, 14th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

The Company acts as an investment holding company and its subsidiaries (together with the Company, collectively referred to as the "Group") involves in various kinds of financial services, including financial leasing, operation of an asset trading platform, investments in securities, money lending and investment holding.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared under the historical cost basis, except for investments at fair value through profit or loss, which have been measured at fair values, as appropriate.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amended HKFRSs ("amended HKFRSs") issued by the HKICPA which have become effective for the accounting period beginning on or after 1 April 2016.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The application of the amended HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and amended HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[4]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
5 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The Directors anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting as most hedging instruments are expected to meet hedge designation and hedge effectiveness upon the application of new hedging requirements.

However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition and the allocation of total consideration to respective performance obligations based on relative fair values may be affected, and more disclosures relating to revenue is required. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the Directors do not anticipate that the application of these amended HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements in the future.

4. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's chief operating decision maker ("CODM"). For the year ended 31 March 2017, the Group had three reportable operating segments from continuing operations. Details are as follows:

(i) the investments in securities segment engages primarily in the purchase and sale of securities and derivatives and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;

(ii) the money lending segment engages primarily in money lending operations; and

(iii) the financial leasing segment engages primarily in the direct financial leasing, advisory services and asset trading platform.

CODM monitors the results of the Group's operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Group's performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that unallocated income, unallocated finance costs and unallocated expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets such as property, plant and equipment; and

- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities such as other payables and accruals.

	Investments in securities		Money lending		Financial leasing		Unallocated		Consolidated	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:										
Revenue from external customers	7,919	—	20,763	8,215	164,543	88,777	286	—	193,511	96,992
Segment results	234,932	177,257	20,660	(39,747)	208,378	69,655	—	—	463,970	207,165
Reconciliations:										
Unallocated income									3,611	123
Unallocated finance costs									(112,002)	(38,420)
Unallocated expenses*									(164,781)	(56,929)
Profit before tax from continuing operations									190,798	111,939
Other segment information:										
Finance costs	(645)	(2,621)	—	—	(836)	(992)	(112,002)	(38,420)	(113,483)	(42,033)
Depreciation	—	—	—	—	(4,625)	(3,476)	(10,632)	(3,046)	(15,257)	(6,522)
Fair value gains on investments at fair value through profit or loss, net**	241,536	184,133	—	—	167,912	56,709	—	—	409,448	240,842
Impairment loss on available-for-sale investment	(771)	—	—	—	—	—	—	—	(771)	—
Impairment loss on loans receivables	—	—	—	(45,000)	—	—	—	—	—	(45,000)
Impairment loss on interest receivables	—	—	—	(2,232)	—	—	—	—	—	(2,232)
Loss on disposal of property, plant and equipment	—	—	—	—	—	—	(3)	(24)	(3)	(24)
Loss on redemption of convertible bonds	—	—	—	—	—	—	(21,934)	—	(21,934)	—
Capital expenditure***	—	—	—	—	—	455	1,282	2,913	1,282	3,368

* Unallocated expense mainly included employee benefit expenses of approximately HK$36,463,000 (2016: HK$24,047,000), legal and professional fees of approximately HK$10,757,000 (2016: HK$11,432,000) and exchange loss of approximately HK$14,054,000 (2016: HK$10,271,000).

** For the year ended 31 March 2017, there was a fair value gain on investments at fair value through profit or loss of approximately HK$167,912,000 (2016: HK$56,709,000) included in the segment results of the financial leasing segment. The fair value gain on investment at fair value through profit or loss under the financial leasing segment represented an unrealised fair value gain on an unlisted investment. Such investment has not been classified as held for trading. Significant involvement from the management of financial leasing segment had been made on acquisition of such unlisted investment, including investment analysis, contract negotiation with the sellers and project monitoring and management. Moreover, all of the related purchase costs and expenses of such investment were also recorded under the financial leasing segment. Therefore, such fair value gain on investment have been recorded under the financial leasing segment for the years ended 31 March 2017 and 2016.

The whole financial leasing segment are separately and regularly reviewed by the CODM to make decisions about resources to be allocated to the segment and assess its performance.

*** Capital expenditure consists of additions to property, plant and equipment and intangible asset.

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable operating segments:

	2017	2016
	HK$'000	*HK$'000*
Segment assets:		
Investment in securities	1,610,243	2,217,712
Money lending	118,434	327,403
Financial leasing	2,295,786	2,633,497
	4,024,463	5,178,612
Unallocated assets	711,367	718,695
Total assets	4,735,830	5,897,307
Segment liabilities:		
Investment in securities	5,665	634,325
Financial leasing	496,627	787,858
	502,292	1,422,183
Unallocated liabilities	1,046,869	1,315,769
Total liabilities	1,549,161	2,737,952

Revenue from external customers

The Group's revenue from continuing operations is substantially derived from its external customers in Hong Kong and other parts of the People's Republic of China ("PRC").

Information about major customers

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	40,907	38,174

Geographical information

The Group's operations are mainly located in Hong Kong and other parts of the PRC. The geographical information about the Group's revenue based on the locations of the customers and non-current assets based on the locations of the assets is set out below:

	Revenue from external customers		**Non-current assets** *(note)*	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	28,968	8,215	159,960	157,928
Other parts of the PRC	164,543	88,777	1,272,004	1,326,053
	193,511	96,992	1,431,964	1,483,981

Note: Non-current assets exclude available-for-sale investments, finance lease receivables, investments at fair value through profit or loss and loans receivables.

5. REVENUE

Revenue, which is also the Group's turnover, represents interest income from money lending operations; leasing and consultancy services income from financial leasing operations; handling fee income and dividend and interest income from investments at fair value through profit or loss during the year.

	2017	2016
	HK$'000	*HK$'000*
An analysis of revenue from continuing operations is as follows:		
Financial leasing income	105,484	48,315
Consultancy services income	54,098	38,982
Interest income from money lending operations	19,121	6,183
Interest income from a convertible bond	190	—
Handling fee income	6,889	3,512
Dividend income from investments at fair value through profit or loss	7,729	—
	193,511	96,992

6. OTHER INCOME AND OTHER NET LOSS

	2017	2016
	HK$'000	*HK$'000*
Other income:		
An analysis of other income from continuing operations is as follows:		
Bank interest income	2,422	3,307
Government subsidy *(note)*	681	2,377
Sundry income	244	203
	3,347	5,887
Other net loss:		
Loss on disposal of property, plant and equipment	(3)	(24)
Loss on redemption of convertible bonds	(21,934)	—
Impairment loss on loans receivables	—	(45,000)
Impairment loss on interest receivables	—	(2,232)
	(21,937)	(47,256)

Note: This is the one-off subsidy received from the PRC government regarding the setting up of financial institution in Shanghai Pudong area.

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration:		
— audit services	2,400	2,349
— non-audit services	619	2,688
	3,019	5,037
Employee benefit expenses:		
Directors' remuneration:		
— Fee	1,092	638
— Salaries and allowances	10,085	8,302
— Retirement benefit scheme contributions (defined contribution scheme)*	53	36
— Emolument Shares	2,726	2,781
Sub-total	13,956	11,757
Other staff's costs:		
— Salaries and allowances	36,207	20,313
— Retirement benefit scheme contributions (defined contribution scheme)*	2,194	1,061
— Inducement fee	—	5,000
Sub-total	38,401	26,374
Total employee benefit expenses	52,357	38,131
Sales proceeds from disposal of securities	(769,716)	(189,768)
Carrying amount of securities	724,108	176,184
Realised gains from investments at fair value through profit or loss — securities *(note 13(b)(ii))*	(45,608)	(13,584)
Unrealised (gains)/losses from investments at fair value through profit or loss — securities and bond *(note 13(b)(i))*	(867,184)	262,732
Fair value (gains)/losses on investments at fair value through profit or loss — securities and bond, net	(912,792)	249,148
Realised losses from investments at fair value through profit or loss — derivative financial instruments *(note)*	503,344	4,587
Unrealised gains from investments at fair value through profit or loss — derivative financial instruments	—	(494,577)
Fair value losses/(gains) on investments at fair value through profit or loss — derivative financial instruments, net	503,344	(489,990)
Fair value gains on investment at fair value through profit or loss, net	(409,448)	(240,842)
Net foreign exchange loss	14,054	10,271
Impairment loss on available-for-sale investments	771	—
Impairment loss on loans receivables	—	45,000
Impairment loss on interest receivables	—	2,232
Loss on disposal of property, plant and equipment	3	24
Loss on redemption of convertible bonds	21,934	—
Depreciation	15,257	6,522

Note:

The amount mainly included realised losses on call option of China New City Commercial Development Ltd. of HK$495,400,000.

* As at 31 March 2017, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2016: Nil).

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
An analysis of finance costs from continuing operations is as follows:		
Interest on bank borrowings wholly repayable within five year	7,688	2,671
Interest on margin and other loans	645	2,621
Amortised interest on bonds	1,142	1,138
Amortised interest on convertible bonds	104,008	35,603
	113,483	42,033

9. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not generate any assessable profits for both years.

The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2016: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	2017	2016
	HK$'000	*HK$'000*
Current tax		
— Over-provision for Hong Kong Profits Tax in prior year	—	432
— PRC Enterprise Income Tax	(5,630)	(4,316)
— Under-provision for PRC Enterprise Income Tax	(337)	—
	(5,967)	(3,884)
Deferred tax expense	(25,475)	(37,575)
Total income tax expense recognised in consolidated income statement	(31,442)	(41,459)

10. EARNINGS PER SHARE FOR PROFITS ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2017 *HK$'000*	2016 *HK$'000*
Earnings for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	159,356	71,696
Number of shares '000		
Weighted average number of ordinary shares for the purposes of basic earnings per share	19,236,701	18,293,308
Effect of dilutive potential ordinary shares		
Share options	63,958	94,507
Weighted average number of ordinary shares for the purposes of diluted earnings per share	19,300,659	18,387,815
Basic earnings per share (in HK cents)	0.83	0.39
Diluted earnings per share (in HK cents)	0.83	0.39

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2017 *HK$'000*	2016 *HK$'000*
Earnings for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	159,356	71,696
Less: Earnings for the year attributable to owners of the Company from discontinued operations	—	(1,216)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	159,356	70,480

Diluted earnings per share did not assume the conversion of convertible bonds since their assumed conversion had an anti-dilutive effect on earnings per share for the year ended 31 March 2017.

Diluted earnings per share assumed the exercise of the share options since the average share price of the Company is higher than the exercise price for the year ended 31 March 2017.

From discontinued operations

For the year ended 31 March 2016, basic and diluted earnings per share for the discounted operation was HK$0.01 cents per share, based on the earning from the discontinued operation of approximately HK$1,216,000, and the denominators are the same as those detailed above for basic and diluted earnings per share.

11. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2017 (2016: Nil), nor has any dividend been proposed since the end of the reporting period.

12. FINANCE LEASE RECEIVABLES

	2017	**2016**
	HK$'000	*HK$'000*
Present value of minimum lease payments receivables	627,128	924,980
Less: Current portion included under current assets	(215,995)	(260,404)
Amounts due after one year included under non-current assets	411,133	664,576

Financial lease receivables of approximately HK$450,557,000 (2016: HK$668,467,000) were pledged to secure the bank borrowings obtained by the Group.

The Directors are of the view that the credit risk inherent among the Group's outstanding finance lease receivables balances is low. The Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 31 March 2017.

Reconciliation between the minimum lease payments receivables and the present value of minimum lease payments receivables under such leases is set out below:

	2017	**2016**
	HK$'000	*HK$'000*
Minimum lease payments receivables	712,142	1,093,980
Less: Unearned finance income related to minimum lease payments receivables	(85,014)	(169,000)
Present value of minimum lease payments receivables	627,128	924,980

The table below analyses the Group's minimum lease payments receivables under finance leases by relevant maturity groupings:

	2017	**2016**
	HK$'000	*HK$'000*
— Within one year	268,247	337,485
— In the second year	333,254	282,439
— In the third to fifth years	110,641	474,056
	712,142	1,093,980

The table below analyses the Group's present value of minimum lease payments receivables under finance leases by relevant maturity groupings:

	2017	2016
	HK$'000	*HK$'000*
— Within one year	215,995	260,404
— In the second year	309,758	226,532
— In the third to fifth years	101,375	438,044
	627,128	924,980

The Group's finance lease receivables are denominated in Renminbi.

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Listed equity investment, at fair value *(notes a and b)*:		
In the PRC	253,795	96,010
Current assets		
Held-for-trading listed equity investments, at fair value *(note b)*:		
In Hong Kong	757,079	1,119,830
In elsewhere	—	4,933
Sub-total	757,079	1,124,763
Unlisted equity investment, at fair value *(note b)*:		
In elsewhere	265,837	—
Unlisted convertible bond, at fair value *(note b)*:		
In Hong Kong	394,190	—
Investment fund, at fair value		
In elsewhere	161,851	—
Sub-total	821,878	—
Total	1,578,957	1,124,763
Current assets		
Derivative financial instruments, at fair value:		
Call options		497,000
Futures contracts		562,678
Warrants		638
Total		1,060,316

Notes:

(a) The Group hold 29,951,000 shares (2016: 30,000,000 shares) of Yunnan Highway Construction Group ("Yunnan Highway"), representing 8.32% (2016: 8.33%) of its issued share capital. Shares of Yunnan Highway are listed in the National Equities Exchange and Quotations in the PRC during the year ended 31 March 2017.

(b) (i) Unrealised gains from investments at fair value through profit or loss — securities and bond:

Nature of investments	Number of shares held as at 31 March 2017	Percentage of shareholding as at 31 March 2017	Fair value/carrying amount as at 31 March 2017	as at 31 March 2017	Percentage to the Group's net assets as at 31 March 2016
		%	*HK$'000*	*HK$'000*	*%*
Non-current assets					
Listed equity investment in the PRC					
Yunnan Highway (Stock code: 839650)	29,951,000	8.32%	253,795	96,010	7.96%
Current assets					
Listed equity investments in Hong Kong					
China Smarter Energy Group Holdings Limited (stock code: 1004)	777,736,000	8.30%	614,411	559,970	19.28%
Far East Holdings International Limited (stock code: 36)	11,814,000	1.08%	8,979	7,442	0.28%
Huatai Securities Co., Ltd. (stock code: 6886)	2,600	—	39	48	—
Hao Tian Development Group Ltd. (stock code: 474)	330,000,000	7.89%	133,650	—	4.19%
Disposed securities			—	552,370	
			757,079	1,119,830	23.75%
Listed equity investments in the PRC					
Western Securities (stock code: 2673)	—	—	—	324	—
Guidong Electric Power (stock code: 660310)	—	—	—	4,608	—
Huaxia Bank (stock code: 600015)	—	—	—	1	—
			—	4,933	—

Nature of investments	Number of shares held as at 31 March 2017	Percentage of shareholding as at 31 March 2017 %	Fair value/carrying amount as at 31 March 2017 HK$'000	as at 31 March 2017 HK$'000	Percentage to the Group's net assets as at 31 March 2016 %
Unlisted equity investment outside Hong Kong					
Ba Shen Bai Asia Investment Limited	4,500	45.00%	265,837	—	8.34%
Unlisted convertible bond in Hong Kong					
Code Agriculture (Holdings) Limited (1,000,000,000 conversion shares)	—	N/A	394,190	—	12.37%
Investment fund outside Hong Kong					
Hong Kong Haitong International Investment Fund	200,000	N/A	161,851	—	5.08%
			1,578,957	1,124,763	49.54%

	HK$'000
Unrealised gains of Hong Kong securities and bond for the year, net	427,119
Unrealised gains of outside Hong Kong (including PRC) securities for the year, net	440,065
Unrealised gains from investments at fair value through profit or loss *(note 7)*	867,184

(b) (ii) Realised gains from investments at fair value through profit or loss — securities:

	Disposal amount HK$'000	Carrying amount HK$'000	Realised gains HK$'000
Realised gains of Hong Kong securities for the year, net	754,892	709,330	45,562
Realised gains of outside Hong Kong (including PRC) securities for the year, net	14,824	14,778	46
Realised gains from investments at fair value through profit or loss *(note 7)*	769,716	724,108	45,608

14. LOANS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Loans receivables	101,503	220,500
Less: allowance for impairment loss	(45,000)	(45,000)
	56,503	175,500
Less: amount classified as current assets	(56,503)	(20,000)
Non-current portion	—	155,500

Except for a loan receivable with a carrying amount of approximately HK$45,473,000 (2016: HK$155,500,000) as at 31 March 2017, which was secured by the pledge of collateral, all of the loans receivables as at 31 March 2017 and 2016 were unsecured.

An aged analysis of loans receivables, determined based on the age of the loans receivables since the effective drawn down date of the loans, as at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
Loans receivables:		
Within 90 days	45,424	175,500
181 days to one year	11,079	—
	56,503	175,500

The movements in the allowance for impairment loss of loans receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	45,000	—
Impairment loss for the year	—	45,000
At end of year	45,000	45,000

No impairment loss was recognised during the year ended 31 March 2017.

The allowance for impairment loss of loans receivable as at 31 March 2016 was an individually impaired loans receivable amount of HK$45,000,000 with an original carrying amount of HK$45,000,000.

The individually impaired loans receivable relates to a borrower that was in financial difficulties and had defaulted in the payments of both interest and principal.

An aged analysis of the loans receivable (that are not considered to be impaired) as at the end of the reporting period, based on the payment due date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	56,503	175,500

15. COMPARATIVE FIGURES

Certain comparative figures have been represented to current year's presentation.

4. STATEMENT OF INDEBTEDNESS

Indebtedness

As at the close of business on 31 May 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$1,226,297,000 which comprised (i) bank borrowings of approximately HK$446,820,000 which was secured by the Group's aircraft and finance lease receivables; (ii) unsecured bonds in the aggregate amount of approximately HK$20,272,000, which bear interest at 5% interest per annum; and (iii) convertible bonds due 2018 in the aggregate amount of approximately HK$759,205,000, which bear interest at 8% interest per annum, which one convertible bond of HK$378,940,000 was secured by the share capital of an indirect wholly owned subsidiary of the Company and two convertible bonds of HK$380,265,000 were unsecured. All of the outstanding borrowings of approximately HK$1,226,297,000 were unguaranteed.

Contingent liabilities

As at 31 May 2017, the Group had no material contingent liability.

Disclaimer

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 May 2017. To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 May 2017 and up to the Latest Practicable Date.

5. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the Acquisition and the financial resources available to the Group including internally generated funds and the available banking facilities, the Group will have sufficient working capital for its present operating requirements for at least the next twelve months from the date of this circular in the absence of unforeseeable circumstances.

6. MATERIAL ACQUISITIONS SINCE LATEST PUBLISHED AUDITED ACCOUNTS

Since 31 March 2017 (being the date to which the latest published audited accounts of the Company have been made up), the Group has entered into the Agreement on 25 April 2017, the details of which are set out in the Letter from the Board contained in this circular. No variation in the remuneration payable to and benefits in kind receivable by the Directors was involved in relation to the Acquisition.

Save for the Acquisition disclosed above, the Group does not have any material acquisition after the latest published audited accounts of the Company.

7. NO MATERIAL CHANGE

The Directors confirmed that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

8. FINANCIAL AND TRADING PROSPECTS

The Central Government of the PRC has clearly reiterated that the "One Belt, One Road" initiative would serve as an important strategic planning for the improvement of the infrastructures and the promotion of international cooperation to improve productivity among many countries, bringing a new driver for global economic growth. Under "One Belt, One Road" initiative, various investment opportunities will arise in areas such as construction of infrastructures (including financial and social infrastructure), real estate development, medical facilities and equipment which will require the participation of financial leasing companies to optimise the use of funds. By investing in global leasing operations, the Company will further tap into the potential investment opportunities offering in more than 60 countries along the "One Belt, One Road".

China Innovative Finance Group will target industry investment, asset management, financial leasing, and financial services; proactively expand international business, focusing on healthcare consumption; carry out public development and infrastructure construction projects in cities along "One Belt, One Road"; and pursue investment opportunities in such industries as environmental protection and new energies, thereby invigorating and advancing the operating lease business to achieve synergy of the business eco-chain, building up core value of the Group in capital investment and management, and strengthening the Group's core competitiveness.

Meanwhile, the Company will continue to implement its strategy for mergers and acquisitions, endeavouring to develop itself into an all-encompassing integrated financial service platform with full licenses. Currently, the Company will also actively seek opportunity for acquisition in mature overseas financial markets, with a view to diverting the Group's business risks while generating values for the Shareholders.

Upon the Completion, Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group") will become the ultimate controlling shareholder of the Company. Shandong Hi-Speed Group will conduct a review on the business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, Shandong Hi-Speed Group may explore other business opportunities for the Group which may involve acquisitions or investments in assets and/or businesses or cooperation with business partners of Shandong Hi-Speed Group with a view of enhancing the Group's business growth and asset base as well as broadening its income stream. As at the Latest Practicable Date, Shandong Hi-Speed Group has no plan, and has not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group or scale down or dispose of any existing business of the Group.

The following is the text of a report, prepared for the purpose of inclusion in this circular received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street Central
Hong Kong

The Directors
China Innovative Finance Group Limited

Rooms 1405–1410, 14th Floor
China Resources Building
26 Harbour Road, Wanchai
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA INNOVATIVE FINANCE GROUP LIMITED

Introduction

We report on the historical financial information of Shandong Hi-Speed (BVI) International Holdings Limited (the "Target Company") and its subsidiaries (together, the "Target Group"), which comprises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 31 March 2017, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 and three months ended 31 March 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information has been set out on pages II-4 to II-48 forms an integral part of this report, which has been prepared for inclusion in the circular of China Innovative Finance Group Limited (the "Company") dated 27 July 2017 (the "Circular") in connection with the acquisition of 40% equity interest in the Target Company by the Company.

Director's responsibility for the Historical Financial Information

The director of the Target Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the director determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2014, 2015 and 2016 and 31 March 2017 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 *Engagements to Review Financial Statements* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong
27 July 2017

A. FINANCIAL INFORMATION OF THE TARGET GROUP

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Consolidated Statements of Comprehensive Income

		For the year ended 31 December			For the three months ended 31 March	
		2014	2015	2016	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	6	27,611	42,973	141,606	14,003	50,444
Cost of services		(4,158)	(13,775)	(42,759)	(4,097)	(27,537)
Other income	7	900	428	387	101	85
Employee benefit expenses	8	(604)	(1,193)	(2,688)	(195)	(540)
Depreciation	8	(9)	(12)	(11)	(3)	(1)
Administrative expenses		(1,616)	(1,125)	(2,641)	(332)	(152)
Profit before tax	8	22,124	27,296	93,894	9,477	22,299
Income tax expense	11	(5,980)	(7,257)	(23,390)	(2,370)	(5,577)
Profit for the year/period		16,144	20,039	70,504	7,107	16,722
Other comprehensive (loss)/ income for the year/period						
Items that may be reclassified subsequently to consolidated income statement:						
Exchange difference arising on translation of foreign operations		(3,485)	(39,070)	(99,653)	21,813	33,343
Total other comprehensive (loss)/ income for the year/period		(3,485)	(39,070)	(99,653)	21,813	33,343
Total comprehensive income/ (loss) for the year/period		12,659	(19,031)	(29,149)	28,920	50,065
Profit for the year/period attributable to:						
Owners of the Target Company		16,144	20,039	70,504	7,107	16,722
Total comprehensive income/ (loss) for the year/period attributable to:						
Owners of the Target Company		12,659	(19,031)	(29,149)	28,920	50,065

Details of dividends are set out in Note 12 to the Historical Financial Information.

Consolidated Statements of Financial Position

	Notes	At 31 December 2014 HK$'000	At 31 December 2015 HK$'000	At 31 December 2016 HK$'000	At 31 March 2017 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	31	18	6	5
Finance lease receivables	15	254,930	748,699	741,117	974,944
Loans receivables	17	—	—	1,093,705	1,470,392
Time deposits	21	2,496	6,939	4,167	4,403
Total non-current assets		257,457	755,656	1,838,995	2,449,744
CURRENT ASSETS					
Finance lease receivables	15	1,301,207	182,667	958,346	928,858
Deposits and other receivables	16	15,192	4	6,651	6,751
Loans receivables	17	—	—	456,559	554,102
Amount due from intermediate holding company	18	—	—	377,842	406,404
Amount due from immediate holding company	19	—	—	1,500	1,524
Amounts due from fellow subsidiaries	20	62,395	58,827	45,973	46,701
Cash and cash equivalents	21	67,978	135,974	124,374	68,283
Total current assets		1,446,772	377,472	1,971,245	2,012,623
CURRENT LIABILITIES					
Other payables and accruals	22	16,744	22,304	25,434	34,672
Amount due to immediate holding company	23	1,228,931	—	—	—
Tax payable		5,083	3,264	10,896	5,880
Borrowings	24	97,785	213,921	186,504	268,368
Total current liabilities		1,348,543	239,489	222,834	308,920

	Notes	At 31 December 2014 HK$'000	At 31 December 2015 HK$'000	At 31 December 2016 HK$'000	At 31 March 2017 HK$'000
NET CURRENT ASSETS		98,229	137,983	1,748,411	1,703,703
TOTAL ASSETS LESS CURRENT LIABILITIES		355,686	893,639	3,587,406	4,153,447
NON-CURRENT LIABILITIES					
Other payables	22	30,039	21,507	21,407	23,086
Borrowings	24	125,277	141,250	1,458,774	1,973,071
Total non-current liabilities		155,316	162,757	1,480,181	1,996,157
Net assets		200,370	730,882	2,107,225	2,157,290
CAPITAL AND RESERVES					
Equity attributable to owners of the Target Company					
Issued capital	25	178,583	728,372	—	—
Reserves		21,787	2,510	2,107,225	2,157,290
Total equity		200,370	730,882	2,107,225	2,157,290

Consolidated Statements of Changes in Equity

	Attributable to owners of the Target Company					
	Issued capital	Statutory general reserve	Other reserve	Translation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	115,983	319	—	5,850	2,959	125,111
Profit for the year	—	—	—	—	16,144	16,144
Other comprehensive loss for the year	—	—	—	(3,485)	—	(3,485)
Total comprehensive income for the year	—	—	—	(3,485)	16,144	12,659
Issuance of new shares	62,600	—	—	—	—	62,600
Appropriation of reserve	—	1,614	—	—	(1,614)	—
At 31 December 2014 and 1 January 2015	178,583	1,933	—	2,365	17,489	200,370
Profit for the year	—	—	—	—	20,039	20,039
Other comprehensive loss for the year	—	—	—	(39,070)	—	(39,070)
Total comprehensive loss for the year	—	—	—	(39,070)	20,039	(19,031)
Issuance of new shares	549,789	—	—	—	—	549,789
Appropriation of reserve	—	2,004	—	—	(2,004)	—
Dividend paid	—	—	—	—	(246)	(246)
At 31 December 2015 and 1 January 2016	728,372	3,937	—	(36,705)	35,278	730,882
Profit for the year	—	—	—	—	70,504	70,504
Other comprehensive loss for the year	—	—	—	(99,653)	—	(99,653)
Total comprehensive loss for the year	—	—	—	(99,653)	70,504	(29,149)
Issuance of new shares	1,432,897	—	—	—	—	1,432,897
Effect of reorganisation	(2,161,269)	—	2,131,567	29,702	—	—
Appropriation of reserve	—	7,050	—	—	(7,050)	—
Dividend paid	—	—	—	—	(27,405)	(27,405)
At 31 December 2016 and 1 January 2017	—	10,987	2,131,567	(106,656)	71,327	2,107,225
Profit for the period	—	—	—	—	16,722	16,722
Other comprehensive income for the period	—	—	—	33,343	—	33,343
Total comprehensive income for the period	—	—	—	33,343	16,722	50,065
Appropriation of reserve	—	1,672	—	—	(1,672)	—
As at 31 March 2017	—	12,659	2,131,567	(73,313)	86,377	2,157,290
Unaudited:						
As at 1 January 2016	728,372	3,937	—	(36,705)	35,278	730,882
Profit for the period	—	—	—	—	7,107	7,107
Other comprehensive income for the period	—	—	—	21,813	—	21,813
Total comprehensive income for the period	—	—	—	21,813	7,107	28,920
Issuance of new share	420,255	—	—	—	—	420,255
Appropriation of reserve	—	711	—	—	(711)	—
As at 31 March 2016	1,148,627	4,648	—	(14,892)	41,674	1,180,057

Consolidated Statements of Cash Flows

	For the year ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities					
Profit before tax	22,124	27,296	93,894	9,477	22,299
Adjustments for:					
Interest expenses	2,846	13,517	38,540	3,916	26,837
Depreciation	9	12	11	3	1
Exchange loss, net	771	—	—	—	—
Interest income	(900)	(428)	(387)	(101)	(85)
Operating cash flows before movements in working capital	24,850	40,397	132,058	13,295	49,052
(Increase)/decrease in finance lease receivables	(385,928)	559,811	(860,262)	(667,550)	(537,742)
Increase in loans receivables	—	—	(1,627,546)	—	(90,472)
(Increase)/decrease in deposits and other receivables	(439)	676	(6,979)	(3)	4
Increase in amount due from intermediate holding company	—	—	(396,678)	—	—
Increase in amount due from immediate holding company	—	—	(1,575)	—	(22,618)
(Increase)/decrease in amount due from fellow subsidiaries	(62,950)	(23)	10,092	12,301	—
Increase/(decrease) in other payables and accruals	45,401	(2,078)	4,188	3,827	2,557
Decrease in amount due to immediate holding company	(252)	(1,211,402)	—	—	—
Cash used in operations	(379,318)	(612,619)	(2,746,702)	(638,130)	(599,219)
Tax paid	(1,915)	(8,854)	(15,189)	(3,672)	(10,775)
Net cash used in operating activities	(381,233)	(621,473)	(2,761,891)	(641,802)	(609,994)

	For the year ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from investing activities					
Purchase of property, plant and equipment	(20)	—	—	—	—
Interest received from structured deposits	243	63	—	—	—
Interest received from bank deposits	657	365	387	101	85
Proceeds on disposal of structured deposits	147,951	67,167	—	—	—
Purchases of structured deposits	(162,582)	(52,536)	—	—	—
Net cash (used in)/generated from investing activities	(13,751)	15,059	387	101	85
Cash flows from financing activities					
Dividend paid	—	(246)	(27,405)	—	—
New borrowings raised	239,210	265,825	1,620,838	118,540	616,431
Repayment of borrowings	(14,164)	(114,227)	(245,872)	(47,428)	(45,317)
Interest paid	(1,124)	(11,731)	(37,014)	(4,976)	(19,405)
Proceeds from issuance of shares	62,600	549,789	1,432,897	420,255	—
Net cash generated from financing activities	286,522	689,410	2,743,444	486,391	551,709
Net (decrease)/increase in cash and cash equivalents	(108,462)	82,996	(18,060)	(155,310)	(58,200)
Cash and cash equivalents at beginning of year/period	182,987	70,474	142,913	142,913	128,541
Effect of foreign exchange rate changes	(4,051)	(10,557)	3,688	28,608	2,345
Cash and cash equivalents at end of year/period	70,474	142,913	128,541	16,211	72,686
Analysis of the balances of cash and cash equivalents					
Time deposits and cash and bank balances	70,474	142,913	128,541	16,211	72,686

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

(a) General Information

The Target Company was incorporated in the British Virgin Islands on 8 September 2016 as an exempted company with limited liability. Its parent is Shandong International (Hong Kong) Limited, a company incorporated in Hong Kong and its ultimate holding company is Shandong Hi-Speed Group Co., Ltd., a company incorporated in the People's Republic of China (the "PRC").

The address of the registered office of the Target Company is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The principal place of business of the Target Company is 8th Floor, No.8 Long Ao North Road Lixia District, Jinan, Shandong, the PRC.

The Target Company is an investment holding company. The principal activity of the Target Group is provision of financial leasing services.

The functional currency of the Target Company is Renminbi ("RMB"). For the convenience of the Historical Financial Information users, the Historical Financial Information is presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

(b) Reorganisation

Pursuant to the Reorganisation carried out by the Target Group as fully explained in the section headed "Reorganisation" in the "History, Reorganisation and Corporate Structure" to the Circular and completed on 18 November 2016 by interspersing the Company and certain companies including Shandong International (Hong Kong) Limited (the "Controlling Shareholders") and Shandong Hi-Speed Group Co., Ltd. and the group entities, the Target Company has become the holding company of the group entities now comprising the Target Group. The Controlling Shareholders are regarded as parties acting in concert and a group of concerted shareholders. The Target Group comprising the Target Company and its subsidiaries resulting from the Reorganisation is therefore regarded as a continuing entity under common control.

Accordingly, the Historical Financial Information has been prepared on the basis as if the Target Company had always been holding company of the Target Group throughout the Relevant Periods by applying the principles of merger accounting. The consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows of the Target Group have been prepared as if the Reorganisation had been completed at the beginning of the Relevant Periods, or since the respective date of incorporation of the companies now comprising the Target Group, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 31 March 2017 have been prepared to present the assets and liabilities of the companies now comprising the Target Group using the existing carrying amounts of the principal business of the Target Group as if the current group structure had been in existence at that date taking into account the respective date of incorporation, where applicable.

As at the date of this report, the Target Company had direct and indirect interests in the following subsidiaries. The particulars of which are set out below:

Name of company	Place of incorporation/ establishment	Issued and fully paid ordinary capital/ registered capital	Equity interest held At 31 December 2014	2015	2016	At 31 March 2017	Principal activities
			%	%	%	%	
山東高速環球融資租賃有限公司 (Shandong Hi-Speed Global Finance and Leasing Company Limited* ("Global Finance"))[(i)]	PRC	RMB1,827,240,014	100%	100%	100%	100%	Provision of financial leasing services
Shandong Hi-Speed (Hong Kong) Global Financial Leasing Limited [(ii)]	Hong Kong	RMB100,000 [(iii)]	N/A	N/A	100%	100%	Inactive

All of the above subsidiaries and the Target Company now comprising the Target Group have adopted 31 December as their financial year end date.

Notes:

(i) The statutory financial statements of Global Finance for the year ended 31 December 2016 was prepared in accordance with relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP") and was audited by 山東道勤會計師事務所有限公司 Shandong Daoqin Certified Public Accountants Co., Ltd.*, certified public accountants registered in the PRC.

(ii) No audited financial statements were issued as it is newly incorporated and not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(iii) The registered capital has not been paid by the end of the Reporting Periods.

2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently adopted all the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for the Target Group's accounting periods beginning on 1 January 2017 throughout the Relevant Periods.

* *for identification only*

The Target Group has not early applied the following new and amended HKFRSs that have been issued but are not yet effective for the accounting period commencing from 1 January 2017.

Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 Cycle[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Classification to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 12	Foreign Currency Transactions and Advance Consideration[1]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2017 or 2018, as appropriate.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which are relevant to the Target Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The director anticipates that the application of HKFRS 9 in the future may not have a material impact on amounts reported and disclosures made in respect of the Target Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The director anticipates that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition and the allocation of total consideration to respective performance obligations based on relative fair values may be affected, and more disclosures relating to revenue is required.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Target Group is yet to assess the full impact of the standard on its financial position and result of operations.

Except as described above, the director of the Target Company does not anticipate that the application of other new and amended HKFRSs will have a material effect on the future financial statement of the Target Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The preparation of the Historical Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Target Group. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4 below.

The Historical Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Asset*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Target Company and entities controlled by the Target Company (its subsidiaries). Control is achieved when the Target Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use the power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated income statement from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Historical Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the director of the Target Company for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical location.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

(a) A person, or a close member of that person's family, is related to the Target Group if that person:

  (i) has control or joint control of the Target Group;

  (ii) has significant influence over the Target Group; or

  (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(b) An entity is related to the Target Group if any of the following conditions applies:

  (i) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

  (iii) both entities are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of the Target Group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Finance lease

A finance lease is a lease that the Target Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Target Group recognises the minimum lease amounts receivable by the Target Group as a finance lease receivable and records the unguaranteed residual value as an asset within the same category. The difference between (a) the aggregate of the minimum lease amounts and the unguaranteed residual value and (b) their present value (presented in the balance sheet as finance lease receivables — net) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the commencement of the lease; any increase or decrease in lease payments that result from subsequent changes on floating interest rate is recorded as an increase or a decrease in finance lease income in the period of the interest rate change.

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables, as appropriate. The Target Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any identified impairment loss (see accounting policy on impairment of financial assets below), unless the effect of discounting would be immaterial, in which case, they are stated at cost less any identified impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Target Group's continuing involvement in the asset. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

For finance lease receivables, the amount of loss impairment is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the implicit effective interest rate used on initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate. The Target Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follow:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the relevant group entities are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Target Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Company's own equity instruments.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expire.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the Target Company's statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the period. Taxable profit differs from profit as reported in profit or loss because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. The Target Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Target Group's activities as described below.

(i) Finance lease income

The income under finance lease is recognised in the consolidated income statement using the effective interest rate implicit in the lease over the term of the lease. Contingent rent is recognised as income in the period in which it is earned.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Target Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Retirement benefit scheme

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries in Mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The only obligation of the Target Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Target Group's contributions to the scheme are expensed as incurred.

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

In preparing the Historical Financial Information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Target Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Dividend distribution

Dividend distribution to the Target Company's shareholders is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Target Company's shareholders or director, where appropriate.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Classification of leases

The Target Group has entered into certain property, plant and equipment leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased to the lessees, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Target Group has excluded the property, plant and equipment from its consolidated statement of financial position and has instead, recognised finance lease receivables in their place. Otherwise the Target Group includes the property, plant and equipment under operating lease in property, plant and equipment. The determination of whether the Target Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

Impairment of loans receivables and interest receivables

The Target Group estimates impairment loss for loans receivables and the respective interest receivables resulting from the inability of the borrowers to make the required payment. The Target Group bases on the estimation of the aging of the loans receivables, interest receivables and borrowers creditworthiness.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainly at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimated impairment on loans receivables

The Target Group assesses at the end of each reporting period whether there is objective evidence that a loan receivable is impaired. To determine whether there is objective evidence of impairment, the Target Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The Target Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Target Group makes its estimates based on the ageing of its debtors' balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Target Group would be required to revise the basis of making the allowance and its future results would be affected.

Estimated impairment loss on finance lease receivables

The Target Group reviews the finance lease receivables portfolio on a regular basis, evaluates any indications of impairment, and assesses impairment loss in the case of impairment under specific circumstances. The director of the Target Company is of the views that there is no need to make any allowance for impairment loss for finance lease receivables based on their assessment.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Target Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimated impairment loss on other receivables

The Target Group assesses at the end of each reporting period whether there is objective evidence that loans and other receivables are impaired. To determine whether there is objective evidence of impairment, the Target Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

The Target Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Target Group makes its estimates based on the ageing of its debtors balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Target Group would be required to revise the basis of making the allowance and its future results would be affected.

5. OPERATING SEGMENT INFORMATION

The director of the Target Company determines its operating segments based on the reports that are used to make strategic decisions. For the Relevant Periods, the Target Group had two reportable operating segments. Details are as follows:

(i) the loan business segment engages primarily in loan operations; and

(ii) the financial leasing segment engages primarily in the direct financial leasing and sales and leaseback financing.

The director of the Target Company monitors the results of the Target Group's operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Target Group's performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Target Group's profit before tax except that unallocated income and unallocated expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets such as property, plant and equipment; and

- all liabilities are allocated to reportable segments other than current tax liabilities, and unallocated corporate liabilities such as other payables and accruals.

For the year ended 31 December 2014

	Loan	**Financial leasing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Revenue from external customers	—	27,611	27,611
Segment results	—	23,453	23,453
Reconciliation:			
Unallocated income			900
Unallocated expenses*			(2,229)
Profit before taxation			22,124
Other segment information:			
Depreciation — unallocated			(9)

For the year ended 31 December 2015

	Loan	Financial lease	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Revenue from external customers	—	42,973	42,973
Segment results	—	29,198	29,198
Reconciliation:			
Unallocated income			428
Unallocated expenses*			(2,330)
Profit before taxation			27,296
Other segment information:			
Depreciation — unallocated			(12)

For the year ended 31 December 2016

	Loan	Financial leasing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Revenue from external customers	64,002	77,604	141,606
Segment results	44,383	54,464	98,847
Reconciliation:			
Unallocated income			387
Unallocated expenses*			(5,340)
Profit before taxation			93,894
Other segment information:			
Depreciation — unallocated			(11)

For the three months ended 31 March 2017

	Loan	Financial leasing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Revenue from external customers	28,476	21,968	50,444
Segment results	7,964	14,943	22,907
Reconciliation:			
Unallocated income			85
Unallocated expenses*			(693)
Profit before taxation			22,299
Other segment information:			
Depreciation — unallocated			(1)

For the three months ended 31 March 2016 (unaudited)

	Loan	Financial leasing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Revenue from external customers	—	14,003	14,003
Segment results	—	9,906	9,906
Reconciliation:			
Unallocated income			101
Unallocated expenses*			(530)
Profit before taxation			9,477
Other segment information:			
Depreciation — unallocated			(3)

* Unallocated expenses mainly included employee benefit expenses of approximately HK$604,000, HK$1,193,000, HK$2,688,000, HK$195,000 and HK$540,000 for the years ended 31 December 2014, 2015 and 2016 and the three months period ended 31 March 2016 and 2017 respectively and exchange loss of approximately HK$771,000 for the year ended 31 December 2014.

The following is an analysis of the Target Group's assets and liabilities from continuing operations by reportable operating segments:

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets:				
Loan	—	—	1,553,358	2,028,155
Financial leasing	1,626,611	1,074,279	1,828,004	1,972,085
	1,626,611	1,074,279	3,381,362	4,000,240
Unallocated assets	77,618	58,849	428,878	462,127
Total assets	1,704,229	1,133,128	3,810,240	4,462,367
Segment liabilities:				
Loan	—	—	(1,285,844)	(1,651,935)
Financial leasing	(224,769)	(358,487)	(364,021)	(601,582)
	(224,769)	(358,487)	(1,649,865)	(2,253,517)
Unallocated liabilities	(1,279,090)	(43,759)	(53,150)	(51,560)
Total liabilities	(1,503,859)	(402,246)	(1,703,015)	(2,305,077)

Revenue from external customers

The Target Group's revenue is substantially derived from its external customers in the PRC.

Information about major customers

Revenue from customers individually contributing over 10% of the Target Group's revenue is as follows:

	For the year ended 31 December			For the three months ended 31 March	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	13,290	10,668	N/A[1]	1,659	N/A[1]
Customer B	8,913	9,065	29,024	2,050	7,737
Customer C	3,903	8,563	N/A[1]	N/A[1]	N/A[1]
Customer D	N/A[1]	9,002	N/A[1]	1,465	N/A[1]
Customer E	—	5,675	N/A[1]	2,624	N/A[1]
Customer F	—	—	26,124	—	N/A[1]
Customer G	—	—	19,193	—	8,959
Customer H	—	—	N/A[1]	—	6,068
Customer I	—	—	—	—	6,052
Customer J	—	—	N/A[1]	4,346	N/A[1]

1 The corresponding revenue contributed to less than 10 percent of the total revenue.

Geographical information

The geographical location of the specified non-current assets in based on the physical location of the asset. All of the Target Group's revenue and other income are generated in the PRC. In the opinion of the director of the Target Company, the Target Group's operation and centre of management are domiciled in the PRC, as one geographical location and therefore, no analysis of geographical information is presented.

6. REVENUE

Revenue, which is also the Target Group's turnover, represents (i) loan interest income from loan operations and (ii) leasing income from financial leasing operations during the year/period.

An analysis of revenue is as follows:

	For the year ended 31 December			For the three months ended 31 March	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Financial leasing income	27,611	42,973	77,604	14,003	21,968
Entrusted loan interest income	—	—	44,809	—	19,517
Loan interest income	—	—	19,193	—	8,959
	27,611	42,973	141,606	14,003	50,444

7. OTHER INCOME

An analysis of other income is as follows:

	For the year ended 31 December			For the three months ended 31 March	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank interest income	657	365	387	101	85
Interest income on structured deposit	243	63	—	—	—
	900	428	387	101	85

8. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging:

	For the year ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditors' remuneration *(note)*	61	—	34	—	—
Employee benefit expenses:					
Staff costs (including director's emoluments)					
— Salaries and allowances	570	1,148	2,528	169	478
— Retirement benefit scheme contributions	34	45	160	26	62
Total employee benefit expenses	604	1,193	2,688	195	540
Exchange loss, net	771	—	—	—	—
Interest expenses*	2,846	13,517	38,540	3,916	26,837
Depreciation of property, plant and equipment	9	12	11	3	1

Note: The auditors' remuneration was borne by a fellow subsidiary during the year ended 31 December 2015.

* The interest expenses were included in cost of services for the Relevant Periods.

9. DIRECTOR'S REMUNERATION

No emoluments have been paid to, or are payable to, the director of the Target Company, Mr. Zhang during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The emoluments for the five individuals with emoluments in the Target Group did not include any director of the Target Company for the Relevant Periods. The emoluments of the five highest paid individuals were as follows:

	For the year ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other allowances	515	933	1,623	94	259
Retirement benefit scheme contributions	34	43	97	19	37
	549	976	1,720	113	296

	For the year ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
	Number of employees	*Number of employees*	*Number of employees*	*Number of employees* (unaudited)	*Number of employees*
Their emoluments were within the following band:					
Nil–HK$1,000,000	3	5	5	5	5

11. INCOME TAX EXPENSE

PRC Enterprise Income Tax was provided for at the rate of 25% on the estimated assessable profit for the Relevant Periods

	For the year ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
PRC Enterprise Income Tax					
— Current year	5,980	7,257	23,658	2,370	5,577
— Over-provision in prior year/ period	—	—	(268)	—	—
	5,980	7,257	23,390	2,370	5,577

The income tax expense for the Relevant Periods can be reconciled to profit before tax for the consolidated statements of comprehensive income as follows:

	For the year ended 31 December			For the three months ended 31 March	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before tax	22,124	27,296	93,894	9,477	22,299
Tax at the statutory tax rates of different jurisdictions	5,531	6,824	23,473	2,369	5,575
Tax effect of expenses not deductible for tax purpose	449	433	185	1	2
Over-provision in prior year/ period	—	—	(268)	—	—
	5,980	7,257	23,390	2,370	5,577

12. DIVIDENDS

	For the year ended 31 December			For the three months ended 31 March	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Dividend paid during the year/period	—	246	27,405	—	—

No dividend was proposed since the end of the reporting period.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusions is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment
	HK$'000
At 1 January 2014:	
Cost and net carrying amount	21
At 1 January 2014, net of accumulated depreciation and impairment	21
Additions	20
Depreciation provided during the year	(9)
Exchange realignment	(1)
At 31 December 2014, net of accumulated depreciation and impairment	31
At 31 December 2014:	
Cost	40
Accumulated depreciation	(9)
Net carrying amount	31
At 1 January 2015, net of accumulated depreciation and impairment	31
Depreciation provided during the year	(12)
Exchange realignment	(1)
At 31 December 2015, net of accumulated depreciation and impairment	18
At 31 December 2015:	
Cost	38
Accumulated depreciation	(20)
Net carrying amount	18
At 1 January 2016, net of accumulated depreciation and impairment	18
Depreciation provided during the year	(11)
Exchange realignment	(1)
At 31 December 2016, net of accumulated depreciation and impairment	6
At 31 December 2016:	
Cost	36
Accumulated depreciation	(30)
Net carrying amount	6
At 1 January 2017, net of accumulated depreciation and impairment	6
Depreciation provided during the period	(1)
At 31 March 2017, net of accumulated depreciation and impairment	5
At 31 March 2017:	
Cost	36
Accumulated depreciation	(31)
Net carrying amount	5

15. FINANCE LEASE RECEIVABLES

	At 31 December 2014 HK$'000	At 31 December 2015 HK$'000	At 31 December 2016 HK$'000	At 31 March 2017 HK$'000
Present value of minimum lease payments receivables	1,556,137	931,366	1,699,463	1,903,802
Less:				
Current portion included under current assets	(1,301,207)	(182,667)	(958,346)	(928,858)
Amounts due after one year included under non-current assets	254,930	748,699	741,117	974,944

As at 31 December 2014, 2015 and 2016 and 31 March 2017, finance lease receivables of approximately HK$137,302,000, HK$75,286,000, HK$150,555,000 and HK$139,970,000 respectively were factored to secure the bank borrowings obtained by the Target Group.

The director of the Target Company is of the view that the credit risk inherent among the Target Group's outstanding finance lease receivables balances is low. The Target Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 31 December 2014, 2015 and 2016 and 31 March 2017.

Reconciliation between the minimum lease payments receivables and the present value of minimum lease payments receivables under such leases is set out below:

	At 31 December 2014 HK$'000	At 31 December 2015 HK$'000	At 31 December 2016 HK$'000	At 31 March 2017 HK$'000
Minimum lease payments receivables	1,613,949	973,750	1,769,470	1,995,581
Less:				
Unearned finance income related to minimum lease payments receivables	(57,812)	(42,384)	(70,007)	(91,779)
Present value of minimum lease payments receivables	1,556,137	931,366	1,699,463	1,903,802

The table below analyses the Target Group's minimum lease payments receivables under finance leases by relevant maturity groupings:

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
— Within one year	1,336,686	206,826	1,001,380	985,947
— In the second year	143,353	148,970	493,761	643,501
— In the third to fifth years	133,910	617,954	274,329	366,133
	1,613,949	973,750	1,769,470	1,995,581

The table below analyses the Target Group's present value of minimum lease payments receivables under finance leases by relevant maturity groupings:

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
— Within one year	1,301,207	182,667	958,346	928,858
— In the second year	128,894	137,523	473,411	616,168
— In the third to fifth years	126,036	611,176	267,706	358,776
	1,556,137	931,366	1,699,463	1,903,802

The Target Group's finance lease receivables are denominated in RMB.

The following table sets the finance lease receivables attributable to individual customers:

	At 31 December 2014		At 31 December 2015		At 31 December 2016		At 31 March 2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Customer A	1,176,120	75.58	524,656	56.33	1,179,761	69.43	1,195,283	62.78
Customer B	137,302	8.83	75,286	8.08	47,063	2.77	47,736	2.51
Customer C	129,040	8.29	80,544	8.65	37,801	2.22	28,751	1.51
Customer D	113,675	7.30	84,432	9.07	59,520	3.50	55,350	2.91
Customer E	—	—	166,448	17.87	99,490	5.85	86,520	4.54
Customer F	—	—	—	—	113,012	6.65	—	—
Customer G	—	—	—	—	22,366	1.32	22,652	1.19
Customer H	—	—	—	—	84,516	4.97	76,216	4.00
Customer I	—	—	—	—	55,934	3.29	47,352	2.49
Customer J	—	—	—	—	—	—	343,942	18.07
	1,556,137	100.00	931,366	100.00	1,699,463	100.00	1,903,802	100.00

Concentration of risks of financial assets with credit exposure

During the Relevant Periods, all the lessees of the Target Group are located in the PRC. If any of them experiences financial difficulties, the recovery of the Target Group's finance lease receivables through regular lease payments might be adversely affected and the Target Group may have to resort recovery through repossession of the leased assets.

During the Relevant Periods, the Target Group finance lease receivables were secured by collateral and deposit of approximately HK$22,887,000, HK$25,686,000 and HK$15,381,000 and HK$15,624,000respectively (note 22).

To manage this risk, the Target Group assesses the business performance of the lessee on a regular basis. In view of the fact that the lessee are operating smoothly and the sound collection history of the receivable due from them, management believes that the credit risk inherent in the Target Group's outstanding finance lease receivable balances from lessee is low.

16. DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Structured deposits	14,502	—	—	—
Interest receivables	—	—	3,094	3,661
Other receivable and deposits received	690	4	3,557	3,090
	15,192	4	6,651	6,751

17. LOANS RECEIVABLES

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loans receivables *(note)*	—	—	1,550,264	2,024,494
Less: amount classified as current assets	—	—	(456,559)	(554,102)
Non-current portion	—	—	1,093,705	1,470,392

Loans receivables represents arising from the loan business of the Target Group, and bear interest at ranging from 6.20%–8.00% per annum for both the year ended 31 December 2016 and 31 March 2017. The grants of the loan was approved and monitored by the Target Group's management.

Except for loans receivables with a carrying amount of approximately HK$348,207,000 and HK$353,722,000 as at 31 December 2016 and 31 March 2017 respectively, which were secured by pledge of collateral, all of the remaining loans receivables as at 31 December 2016 and 31 March 2017 were unsecured.

As at 31 December 2014, 2015 and 2016 and 31 March 2017, the Target Group had finance lease receivables of approximately HK$1,176,120,000, HK$524,656,000 and HK$1,179,761,000 and HK$1,195,283,000 respectively from ultimate holding company and fellow subsidiaries.

Note:

As at 31 December 2016 and 31 March 2017, entrusted loan of approximately HK$1,005,727,000 and HK$1,471,333,000 were provided to third parties through financial institutions in which approximately HK$644,554,000 and HK$652,881,000 was through a financial institution which is a fellow subsidiary of the Target Company.

An aged analysis of loans receivables, determined based on the age of the loans receivables since the effect drawn down date of the loan, as at 31 December 2014, 2015 and 2016 and 31 March 2017 is as follows:

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	—	456,559	554,102
After one year but within two year	—	—	826,993	1,199,456
After two years but within five years	—	—	133,356	135,468
Over five years	—	—	133,356	135,468
	—	—	1,550,264	2,024,494

An aged analysis of the loans receivables (that are not considered to be impaired) as at 31 December 2014, 2015 and 2016 and 31 March 2017, based on the payment due date, is as follows:

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	—	—	1,550,264	2,024,494

18. AMOUNT DUE FROM INTERMEDIATE HOLDING COMPANY

Name of intermediate holding company	Maximum outstanding amount during the year ended 31 December 2014	2015	2016	three months ended 31 March 2017	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
山東省農村經濟開發投資公司 (Shandong Province Rural Economic Development Investment Company*)	—	—	377,842	406,404	—	—	377,842	406,404

The amount due from intermediate holding company is unsecured, non-interest bearing and repayable on demand.

19. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

Name of immediate holding company	Maximum outstanding amount during the year ended 31 December 2014	2015	2016	three months ended 31 March 2017	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Shandong International (Hong Kong) Limited	—	—	1,500	1,524	—	—	1,500	1,524

The amount due from immediate holding company is unsecured, non-interest bearing and repayable on demand.

20. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

Name of fellow subsidiaries	Maximum outstanding amount during the year ended 31 December 2014	2015	2016	three months ended 31 March 2017	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
山東高速(上海)投資控股有限公司 (Shandong Hi-Speed (Shanghai) Investment Holding Company Limited*)	—	39	22	21	—	22	21	21
山東高速投資控股有限公司 (Shandong Hi-Speed Investment Holding Company Limited*)	62,395	62,395	58,805	46,680	62,395	58,805	45,952	46,680
					62,395	58,827	45,973	46,701

The amounts due from fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.

* *for identification only*

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises:

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances *(note)*	62,987	135,974	120,040	68,283
Time deposit	7,487	6,939	8,501	4,403
	70,474	142,913	128,541	72,686
Less: Time deposits over 12 months	(2,496)	(6,939)	(4,167)	(4,403)
Cash and cash equivalents	67,978	135,974	124,374	68,283

Cash and cash equivalents were denominated in the following currencies:

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	67,974	135,970	124,374	68,283
US Dollar ("US$")	4	4	—	—
Cash and cash equivalents	67,978	135,974	124,374	68,283

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Note: As at 31 December 2014, 2015 and 2016, and 31 March 2017, cash and cash equivalents of approximately HK$84,000, HK$468,000, HK$22,384,000 and HK$20,203,000 respectively was deposited in a bank which is a fellow subsidiary.

22. OTHER PAYABLES AND ACCRUALS

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Other payables				
— Amount received from lessee regarding leasing of property, plant and equipment *(note 15)*	17,895	16,277	13,158	13,366
— Others	12,144	5,230	8,249	9,720
	30,039	21,507	21,407	23,086

	At 31 December 2014 HK$'000	At 31 December 2015 HK$'000	At 31 December 2016 HK$'000	At 31 March 2017 HK$'000
Current				
Accrued expenses	62	—	32	—
Receipt in advance	9,983	1,089	7	11
Other payables				
— Amount received from lessee regarding leasing of property, plant and equipment *(note 15)*	4,992	9,409	2,223	2,258
— Interest payable *(note)*	1,707	3,316	4,587	12,078
— Others	—	8,490	18,585	20,325
	16,744	22,304	25,434	34,672

Note: It represents the provision of interest expenses on borrowings.

23. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company was unsecured, interest-free and fully repaid during the year ended 31 December 2015.

24. BORROWINGS

	At 31 December 2014 HK$'000	At 31 December 2015 HK$'000	At 31 December 2016 HK$'000	At 31 March 2017 HK$'000
Interest-bearing borrowings:				
— portion of borrowings due for repayment within one year	97,785	213,921	186,504	268,368
— portion of borrowings due for repayment after one year but within two years	83,747	81,692	143,695	543,794
— portion of borrowings due for repayment after two years but within five years	41,530	59,558	1,020,584	1,130,119
— portion of borrowings due for repayment after five years	—	—	294,495	299,158
	223,062	355,171	1,645,278	2,241,439
Less: amount classified as current liabilities	(97,785)	(213,921)	(186,504)	(268,368)
Amount classified as non-current liabilities	125,277	141,250	1,458,774	1,973,071
Analysed as:				
Secured	223,062	355,171	361,726	937,560
Unsecured	—	—	1,283,552	1,303,879
	223,062	355,171	1,645,278	2,241,439

As at 31 December 2014, 2015 and 2016 and 31 March 2017, the Target Group has term loans with an aggregate carrying amount of approximately HK$124,790,000, HK$315,477,000, HK$1,509,178,000 and HK$2,103,728,000 respectively and factoring loans with aggregate carrying amount of approximately HK$98,272,000, HK$39,694,000, HK$136,100,000 and HK$137,711,000 respectively.

As at 31 December 2014, 2015 and 2016 and 31 March 2017, approximately HK$124,790,000, HK$111,306,000 and HK$63,100,000 and HK$393,354,000 of the Target Group's term loans were variable-rate borrowings which carried effective interest at 6.49%, ranging from 5.10% to 5.93%, at 5.10% and ranging from 4.85% to 5.10% per annum respectively.

As at 31 December 2015 and 2016 and 31 March 2017, approximately HK$204,171,000, HK$ 1,446,078,000 and HK$1,710,374,000 of the Target Group's term loans were fixed-rate borrowings which carried effective interest rate ranging from 4.89% to 5.10%, 5.10% to 6.08% and 4.85% to 6.08% per annum respectively.

As at 31 December 2014, 2015 and 2016 and 31 March 2017, the Target Group's factoring loans were fixed-rate borrowings which carried effective interest at 5.96%, 5.96%, 4.36% and 4.36% per annum respectively.

As at 31 December 2014, 2015 and 2016 and 31 March 2017, the term loans with aggregate carrying amount of approximately HK$124,790,000, HK$315,477,000, HK$225,626,000 and HK$235,398,000 respectively were guaranteed by ultimate holding company and its fellow subsidiaries. As at 31 December 2014, 2015 and 2016, and 31 March 2017, the Target Group's factoring loans with aggregate carrying amount of approximately HK$98,272,000, HK$39,694,000, HK$136,100,000 and HK$137,711,000 respectively were secured by finance lease receivables with aggregate carrying amount of approximately HK$137,302,000, HK$75,286,000, HK$150,555,000 and HK$139,970,000 respectively.

As at 31 December 2015 and 31 March 2017, the Target Group had bank borrowing of approximately HK$48,338,000 and HK$338,670,000 from a fellow subsidiary respectively.

25. ISSUED CAPITAL

On 8 September 2016, the Target Company was incorporated in British Virgin Islands with authorised share capital of US$50,000 divided into 50,000 shares of a par value of US$1 each. On the date of incorporation, 1 share representing 100% of the issued share capital of the Target Company was allotted and issued but not fully paid at US$1 (equivalent to HK$8). There was no authorised and issued capital as at 31 December 2014 and 2015 as the Target Company has not yet been incorporated.

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business operations and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is total borrowings divided by total asset. Total borrowings represent borrowings. The Target Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 March 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total borrowings	223,062	355,171	1,645,278	2,241,439
Total assets	1,704,229	1,133,128	3,810,240	4,462,367
Gearing ratio	13.1%	31.3%	43.2%	50.2%

26. COMMITMENTS

The Target Group had no material commitments at the end of each of the Relevant Periods

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Target Group had the following material balances and transactions with related parties during the year/period:

Transactions:

Nature of related party relationship	Nature of transactions	For the year ended 31 December 2014	2015	2016	For the three months ended 31 March 2016	2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Ultimate holding company	Financial leasing income	8,913	7,982	13,172	2,050	1,418
Fellow subsidiaries	Financial leasing income	—	1,083	15,852	—	6,319
Fellow subsidiary	Bank borrowing interest expenses	—	235	2,059	589	2,104

Balances:

Details of the balances with the related parties at the end of the reporting period are set out in Notes 17, 18, 19, 20, 21 and 23.

Compensation of key management personnel of the Target Group:

	For the year ended 31 December			For the three months ended 31 March	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Short term employee benefits	316	759	1,830	54	176
Post-employment benefits	51	118	299	43	72
	367	877	2,129	97	248

Further details of director's emoluments and the five highest paid employees are included in notes 9 and 10, respectively, to the Historical Financial Information.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's major financial instruments comprise finance lease receivables, deposit and other receivables, loans receivables, time deposits, cash and cash equivalents, other payables and accruals and borrowings. Details of these financial instruments are disclosed in respective notes. The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk as further detailed below. The director of the Target Company reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group's interest rate risk mainly arises from finance lease receivables, loans receivables, time deposits, bank balances and borrowings. Bank balances and borrowings at floating rates expose the Target Group to cash flow interest rate risk. Finance lease receivables, loans receivables, time deposits and borrowings at fixed rates expose the Target Group to fair value interest rate risk. Details of these financial instruments are disclosed in respective notes. The Target Group currently does not have interest rate hedging policy. However, the management of the Target Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

An increase of 50 basis points in interest rates at the reporting date would have (decreased) or increased profit for the year/period by the amounts shown below. This analysis assumes that all other variables remain constant.

	For the year ended 31 December			For the three months ended 31 March	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Variable rate instruments	(284)	123	285	(471)	(1,637)

There was no material impact to the other components of equity for the Relevant Periods.

Credit risk

As at 31 December 2014, 2015 and 2016 and 31 March 2017, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to the failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets including loans receivables, finance lease receivables, deposits and other receivables, time deposits and cash and cash equivalents as stated in the consolidated statement of financial position.

The Target Group's loans receivables arise from the ordinary course of business of the Target Group and are closely monitored by the directors in charge of the Target Group's loan operations on an ongoing basis. In order to minimise the credit risk, the Target Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The director has overall responsibility for the Target Group's credit policies and oversees the credit quality of the Target Group's advance portfolio. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Target Group's credit risk is significantly reduced. Further quantitative data in respect of the Target Group's exposure to credit risk arising from loans receivables are disclosed in Note 17 to the Historical Financial Information.

The Target Group's finance lease receivables arise from the ordinary course of business of the Target Group and are closely monitored by the directors in charge of the Target Group's financial leasing operations on an ongoing basis. Further quantitative data in respect of the Target Group's exposure to credit risk arising from finance lease receivables are disclosed in Note 15 to the Historical Financial Information.

The credit risks of deposits and other receivables are low as the Target Group has not had any significant loss arising from non-performance by the counterparties in the past and management does not expect so in the future. The Target Group's liquid funds (mainly bank balances) are placed in various banks. The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

Liquidity risk

The Target Group's liquidity risk is managed by management on an ongoing basis by the raising of loans and/or equity funding to meet expected cash demands. The Target Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long terms.

The maturity profile of the Target Group's financial liabilities as at end of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2014			
	Less than 12 months	**1 to 5 years**	**Over 5 years**	**Total undiscounted cash flows**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	1,769	12,144	—	13,913
Amount due to immediate holding company	1,228,931	—	—	1,228,931
Borrowings	111,741	133,603	—	245,344
	1,342,441	145,747	—	1,488,188

	As at 31 December 2015			
	Less than 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flows
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	11,806	5,230	—	17,036
Borrowings	228,872	149,834	—	378,706
	240,678	155,064	—	395,742

	As at 31 December 2016			
	Less than 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flows
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	23,204	8,249	—	31,453
Borrowings	302,095	1,468,020	308,925	2,079,040
	325,299	1,476,269	308,925	2,110,493

	As at 31 March 2017			
	Less than 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flow
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	32,403	9,720	—	42,123
Borrowings	388,062	1,972,219	309,330	2,669,611
	420,465	1,981,939	309,330	2,711,734

Foreign currency risk

The Target Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Group entities. The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Target Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Fair value measurements

The director of the Target Company considers that the carrying amounts of the Target Group's financial instruments that are not measured at fair value approximate to their fair values.

29. CONTINGENT LIABILITIES

The Target Group had no significant contingent liabilities at the end of each of the Relevant Periods.

30. EVENTS AFTER ENDED OF REPORTING PERIOD

There was no other significant event happened after the end of the Relevant Periods.

31. STATEMENTS OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE TARGET COMPANY

(a) Statements of financial position of the Target Company

	Note	At 31 December 2016 HK$'000	At 31 March 2017 HK$'000
NON-CURRENT ASSETS			
Investment in a subsidiary		2,131,567	2,131,567
CURRENT ASSETS			
Amount due from immediate holding company		—	—
NET CURRENT ASSETS		—	—
TOTAL ASSETS LESS CURRENT LIABILITIES		2,131,567	2,131,567
Net assets		2,131,567	2,131,567
CAPITAL AND RESERVES			
Issued capital	25	—	—
Reserves		2,131,567	2,131,567
Total equity		2,131,567	2,131,567

(b) Movement of reserves of the Target Company

	Other reserves HK$'000
At 8 September 2016 (date of incorporation)	—
Effect of reorganisation	2,131,567
At 31 December 2016 and 31 March 2017	2,131,567

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Target Company are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Percentage of ownership interest — Held by the Target Company — at 31 December 2014 %	at 31 December 2015 %	at 31 December 2016 %	at 31 March 2017 %	Held by subsidiary of the Target Company — at 31 December 2014 %	at 31 December 2015 %	at 31 December 2016 %	at 31 March 2017 %	Principal activities
山東高速環球融資租賃有限公司 (Shandong Hi-Speed Global Finance and Leasing Company Limited*)	PRC	RMB1,827,240,014	100	100	100	100	—	—	—	—	Provision of financial leasing
Shandong Hi-Speed (Hong Kong) Global Financial Leasing Limited	Hong Kong	RMB100,000 *(note)*	N/A	N/A	—	—	N/A	N/A	100	100	Inactive

Note: The registered capital has not been paid by the end of the Relevant Periods.

* *for identification only*

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017. The following financial information is based on the Accountants' Report of the Target Group as set out in Appendix II.

Overview

The Target Company is an investment holding company incorporated in the BVI with limited liability, which holds the entire interest in the Operating Subsidiary, being its only operating subsidiary which is engaged in various leasing businesses, such as direct leasing, financial leasing and operating leasing in the PRC, purchasing assets subject to a lease within and out of the PRC, selling of leased products with residual value and operating business and main businesses related to its factoring business in the PRC. The Operating Subsidiary also holds the entire equity interest of Shandong Hi-Speed (Hong Kong) Global Financial Leasing Limited, which was established by the Operating Subsidiary during the year ended 31 December 2016 and is a dormant company.

As at the Latest Practicable Date, the Target Company is wholly-owned by the Seller. After Completion, the Target Company will be held as to 60% and 40% by the Seller and the Purchaser, respectively.

During the year ended 31 December 2014 and 31 December 2015, the Target Group was primarily engaged in finance lease operations in the PRC. The revenue of the Target Group increased from approximately HK$27,611,000 for the year ended 31 December 2014 to approximately HK$42,973,000 for the year ended 31 December 2015, it was mainly due to (1) the increased in number of leasing contract from four as at 31 December 2014 to seven as at 31 December 2015 and (2) as the company incorporated in the year ended 2012, majority of the leasing contracts were signed during the year ended 2014, so less than one year's revenue was recorded in 2014.

During the year ended 31 December 2016, the Target Group commenced its loan operations and entrusted loan operation in the PRC. One project was signed for loan operations and the revenue of loan operations approximately HK$19,193,000 for the year ended 31 December 2016. Four projects were signed for entrusted loan operations and the revenue of entrusted loan operations approximately HK$44,809,000 for the year ended 31 December 2016. Besides, the Target Group entered into seven new finance lease projects and recorded the revenue of approximately HK$77,604,000, representing an increase of approximately HK$34,631,000 as compared to 2015.

During the three months period ended 31 March 2017, one project was signed for entrusted loan operations and the revenue of entrusted loan operations was approximately HK$19,517,000 for the three months period ended 31 March 2017. One project was signed for finance lease projects and the revenue of finance lease operations was approximately

HK$21,968,000 for the three months period ended 31 March 2017. Besides, the Target Group recorded revenue from loan operations of approximately HK$8,959,000 for the three months period ended 31 March 2017.

Financial review

Segmental Information

For the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017, the Target Group's operation was based in the PRC and had two reportable operating segments, namely (i) the loan business segment primarily engaged in loan operations; and (ii) the financial leasing segment primarily engaged in direct financial leasing and sales and leaseback financing.

The financial leasing business had recorded revenue of approximately HK$27,611,000, HK$42,973,000, HK$77,604,000 and HK$21,968,000 for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017, respectively. The segment results of the financial leasing business was approximately HK$23,453,000, HK$29,198,000, HK$54,464,000 and HK$14,943,000 for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017, respectively.

The loan business segment had recorded nil for both revenue and segment results for the years ended 31 December 2014 and 2015, as the Target Group commenced its loan operations and entrusted loan operation in the PRC during 2016. For the year ended 31 December 2016 and the three months period ended 31 March 2017, the loan business segment had recorded revenue of approximately HK$64,002,000 and HK$28,476,000, respectively, and segment results of approximately HK$44,383,000 and HK$7,964,000, respectively.

Revenue

The Target Group's revenue is based on finance leasing income, entrusted loan interest income and loan interest income. The revenue increased from approximately HK$27,611,000 for the year ended 31 December 2014 to approximately HK$42,973,000 for the year ended 31 December 2015 mainly due to the increase in finance leasing income contributed by the continued income from finance leasing contracts in previous years as well as the income from new finance leasing contracts entered into by the Target Group during 2015. The revenue of the Target Group increased from approximately HK$42,973,000 for the year ended 31 December 2015 to approximately HK$141,606,000 for the year ended 31 December 2016 mainly due to the continued income from finance leasing contracts in previous years together with income from new finance leasing contracts entered into by the Target Group during 2016 as well as the additional income resulting from the commencement of the Target Group's entrusted loan operations and loan operations during 2016.

The revenue of the Target Group increased from approximately HK$14,003,000 for the three months period ended 31 March 2016 to approximately HK$50,444,000 for the three months period ended 31 March 2017 mainly due to the continued income from finance leasing contracts in previous years together with income from new finance leasing contracts entered into by the Target Group during 2016 as well as the additional income resulting from the commencement of the Target Group's entrusted loan operations and loan operations during 2016.

Cost of services

The cost of services of the Target Group increased from approximately HK$4,158,000 for the year ended 31 December 2014 to approximately HK$13,775,000 for the year ended 31 December 2015 and then further increased from approximately HK$42,759,000 for the year ended 31 December 2016, showing an increasing trend in line with the revenue growth and the expansion in operations of the Target Group.

The cost of services of the Target Group increase from approximately HK$4,097,000 for the three months period ended 31 March 2016 to approximately HK$27,537,000 for the three months period ended 31 March 2017 mainly reflecting the increasing trend in line with the revenue growth and the expansion in operations of the Target Group.

Gross profit margin

The gross profit margin of the Target Group decreased from approximately 84.9% for the year ended 31 December 2014 to approximately 67.9% for the year ended 31 December 2015. As the company mainly used internal funding for the leasing project in 2014, the amount of finance lease receivables was approximately HK$1,556,137,000 while the borrowings was approximately HK$223,062,000 as at 31 December 2014; and the amount of finance lease receivables was approximately HK$931,366,000 while the borrowings was approximately HK$355,171,000 as at 31 December 2015. Thus the gross profit margin decreased significantly. Moreover, the Target Group expected there will be a strong growth in business in 2016, so they increased the degree of leverage in 2015. The gross profit margin then remained stable at approximately 69.8% for the year ended 31 December 2016 mainly due to relatively more funds being available to the Target Group as a result of the increase of registered capital from USD95,000,000 to USD280,000,000 during 2016, which kept the relevant finance costs at a consistent level whilst the scale of financing leases of the Target Group continued to grow in 2016. The increase in finance lease receivables was approximately the same with the increase in borrowings from 2015 to 2016. The amount of finance lease receivables was approximately HK$931,366,000 while the borrowings was approximately HK$355,171,000 as at 31 December 2015; while the amount of finance lease receivables and loan receivables were approximately HK$3,249,727,000 while the borrowings were approximately 1,645,278,000 as at 31 December 2016; thus the gross profit margin remained at a consistent level.

The gross profit margin of the Target Group decreased from approximately 70.7% for the three months period ended 31 March 2016 to approximately 45.4% for the three months period ended 31 March 2017 mainly due to the utilisation of financial leverage in response to the increasing scale of financial leasing business, entrusted loan operations and loan operation.

Other income

The Target Group's other income mainly comprises of bank interest income and income on structured deposit. The other income decreased from approximately HK$900,000 for the year ended 31 December 2014 to approximately HK$428,000 for the year ended 31 December 2015 mainly due to the decrease in bank interest income as well as the decrease in income from structured deposit contributed by the lower level of working capital maintained by the Target Group during 2015 as a result of the increased demand driven by the growth in finance leases of the Target Group in 2016.

The other income of the Target Group decreased from approximately HK$428,000 for the year ended 31 December 2015 to approximately HK$387,000 for the year ended 31 December 2016 mainly contributed by the decrease in income from structured deposit due to the continued lower level of working capital maintained by the Target Group during 2016 as a result of the increased demand driven by the growth in finance leases and money lending operations of the Target Group in 2016.

The other income of the Target Group decreased from approximately HK$101,000 for the three months period ended 31 March 2016 to approximately HK$85,000 for the three months period ended 31 March 2017 mainly due to the decrease in bank interest income contributed by the lower level of working capital maintained by the Target Group during 2017 as a result of the increased demand driven by the growth in finance leases and loan operations.

Employee benefit expenses

The employee benefit expenses of the Target Group is mainly comprises of staff costs including salaries and allowances and retirement benefit scheme contributions. The employee benefit expenses increased from approximately HK$604,000 for the year ended 31 December 2014 to approximately HK$1,193,000 for the year ended 31 December 2015 and then further increased to approximately HK$2,688,000 for the year ended 31 December 2016 mainly due to the increase in the number of staff of the Target Group from three in 2014 to ten in 2016, in connection with the expansion of the Target Group's operations from 2014 to 2016.

The employee benefit expenses of the Target Group increased from approximately HK$195,000 for the three months period ended 31 March 2016 to approximately HK$540,000 for the three months period ended 31 March 2017 mainly due to the number of staff of the Target Group during the three months ended 31 March 2016 was increased to ten towards the end of the relevant period, whereas the number of staff of the Target Group was ten throughout the three months period ended 31 March 2017.

Depreciation

The depreciation expenses of the Target Group increased from approximately HK$9,000 for the year ended 31 December 2014 to approximately HK$12,000 for the year ended 31 December 2015 and then decreased to approximately HK$11,000 for the year ended 31 December 2016 mainly due to additions to office equipment having been incurred only for the year ended 31 December 2014.

The depreciation expenses of the Target Group decreased from approximately HK$3,000 for the three months period ended 31 March 2016 to approximately HK$1,000 for the three months period ended 31 March 2017 mainly due to no further additions to office equipment of the Target Group incurred since 31 December 2014.

Administrative expenses

The administrative expenses of the Target Group mainly comprises of stamp duty tax, business and other tax and legal and professional fee. The administrative expenses decreased from approximately HK$1,616,000 for the year ended 31 December 2014 to approximately HK$1,125,000 for the year ended 31 December 2015, mainly due to an exchange losses of approximately HK$771,000 recorded in 2014. The difference was due to the depreciation of USD/RMB during 2014 and the USD account was closed in the same year. The administrative expenses then increased to approximately HK$2,641,000 for the year ended 31 December 2016, mainly due to the increase in stamp duty tax, business and other tax expenses and legal and professional fee from approximately HK$816,000 to approximately HK$2,444,000. The trend of increase was in line with the increase in revenue of the Target Group.

The administrative expenses of the Target Group decreased from approximately HK$332,000 for the three months period ended 31 March 2016 to approximately HK$152,000 for the three months period ended 31 March 2017 mainly due to a business tax of approximately HK$145,000 recorded during the three months period ended 31 March 2016.

Income tax expense

The income tax expense mainly represents the PRC enterprise income tax provided for at the rate of 25% on the estimated assessable profit for the respective year/period. The income tax expense for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017 was approximately HK$5,980,000, HK$7,257,000, HK$23,390,000 and HK$5,577,000, respectively.

Profit for the year

As a result of the discussions above, the Target Group recorded profits for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017 of approximately HK$16,144,000, HK$20,039,000, HK$70,504,000 and HK$16,722,000, respectively.

Financial Position

As at 31 December 2014

The non-current assets and current assets of the Target Group as at 31 December 2014 were approximately HK$257,457,000 and HK$1,446,772,000, respectively. The Target Group's non-current assets as at 31 December 2014 mainly comprised of finance lease receivables, and the Target Group's current assets as at 31 December 2014 mainly comprised of finance lease receivables, amounts due from fellow subsidiaries and cash and cash equivalents.

The non-current liabilities and current liabilities of the Target Group as at 31 December 2014 were approximately HK$155,316,000 and HK$1,348,543,000, respectively. The Target Group's non-current liabilities as at 31 December 2014 mainly comprised of borrowings and other payables, and the Target Group's current liabilities as at 31 December 2014 mainly comprised of amount due to immediate holding company and borrowings.

As at 31 December 2015

The non-current assets and current assets of the Target Group as at 31 December 2015 were approximately HK$755,656,000 and HK$377,472,000, respectively. The Target Group's non-current assets as at 31 December 2015 mainly comprised of finance lease receivables, and the Target Group's current assets as at 31 December 2015 mainly comprised of finance lease receivables, amounts due from fellow subsidiaries and cash and cash equivalents.

The non-current liabilities and current liabilities of the Target Group as at 31 December 2015 were approximately HK$162,757,000 and HK$239,489,000, respectively. The Target Group's non-current liabilities as at 31 December 2015 mainly comprised of borrowings and other payables, and the Target Group's current liabilities as at 31 December 2015 mainly comprised of borrowings and other payables and accruals.

As at 31 December 2016

The non-current assets and current assets of the Target Group as at 31 December 2016 were approximately HK$1,838,995,000 and HK$1,971,245,000, respectively. The Target Group's non-current assets as at 31 December 2016 mainly comprised of finance lease receivables and loan receivables and the Target Group's current assets as at 31 December 2016 mainly comprised of finance lease receivables, loan receivables, amount due from intermediate holding company and cash and cash equivalents.

The non-current liabilities and current liabilities of the Target Group as at 31 December 2016 were approximately HK$1,480,181,000 and HK$222,834,000, respectively. The Target Group's non-current liabilities as at 31 December 2016 mainly comprised of borrowings and other payables, and the Target Group's current liabilities as at 31 December 2016 mainly comprised of borrowings and other payables and accruals.

As at 31 March 2017

The non-current assets and current assets of the Target Group as at 31 March 2017 were approximately HK$2,449,744,000 and HK$2,012,623,000, respectively. The Target Group's non-current assets as at 31 March 2017 mainly comprised of finance lease receivables and loan receivables, and the Target Group's current assets as at 31 March 2017 mainly comprised of finance lease receivables, loan receivables and amount due from intermediate holding company.

The non-current liabilities and current liabilities of the Target Group as at 31 March 2017 were approximately HK$1,996,157,000 and HK$308,920,000, respectively. The Target Group's non-current liabilities as at 31 March 2017 mainly comprised of borrowings and other payables, and the Target Group's current liabilities as at 31 March 2017 mainly comprised of borrowings and other payables and accruals.

Liquidity and financial resources

Net current assets

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group had net current assets of approximately HK$98,229,000, HK$137,983,000, HK$1,748,411,000 and HK$1,703,703,000, respectively. The increasing trend in net current assets primarily reflected increases in finance lease receivables, loan receivables, amount due from intermediate holding company and cash and cash equivalents as well as the decrease in amount due to immediate holding company, which aggregate effect was reduced by the increase in borrowings, other payables and accruals and tax payable as well as the decrease in amounts due from fellow subsidiaries.

Net cash flows

The Target Group recorded a net cash outflow of approximately HK$108,462,000 for the year ended 31 December 2014, mainly contributed by net cash used in operating activities and purchases of structured deposits, which effect was reduced by the new borrowings raised, proceeds on disposal of structured deposits and proceeds from issuance of shares. The Target Group recorded a net cash inflow of approximately HK$82,996,000 for the year ended 31 December 2015, mainly contributed by new borrowings raised and proceeds from issuance of shares, which effect was reduced by the net cash used in operating activities and repayment of borrowings. The Target Group recorded a net cash outflow of approximately HK$18,060,000 for the year ended 31 December 2016, mainly contributed by net cash used in operating activities and repayment of bank borrowings, which effect was reduced by the new borrowings raised and proceeds from issuance of shares. The Target Group recorded a net cash outflow of approximately HK$58,200,000 for the three months period ended 31 March 2017, mainly contributed by net cash used in operating activities and repayment of borrowings, which effect was reduced by new borrowings raised.

Bank borrowings and loans

The total bank borrowings of the Target Group as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017 was approximately HK$223,062,000, HK$355,171,000, HK$1,645,278,000 and HK$2,241,439,000, respectively. As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group had term loans with aggregate carrying amounts of approximately HK$124,790,000, HK$315,477,000, HK$1,509,178,000 and HK$2,103,728,000, respectively, and factoring loans with aggregate carrying amounts of approximately HK$98,272,000, HK$39,694,000, HK$136,100,000 and HK$137,711,000, respectively.

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, approximately HK$124,790,000, HK$111,306,000, HK$63,100,000 and HK$393,354,000 of the Target Group's term loans were variable-rate borrowings which carried effective interest at 6.49%, ranging from 5.10% to 5.93%, at 5.10% and ranging from 4.85% to 5.10% per annum, respectively.

As at 31 December 2015, 31 December 2016 and 31 March 2017, approximately HK$204,171,000 and HK$1,446,078,000 and HK$1,710,374,000 of the Target Group's term loans were fixed-rate borrowings which carried effective interest rate ranging from 4.89% to 5.10%, 5.10% to 6.08% and 4.85% to 6.08% per annum, respectively.

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group's factoring loans were fixed-rate borrowings which carried effective interest at 5.96%, 5.96%, 4.36% and 4.36% per annum, respectively.

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the term loans with aggregate carrying amounts of approximately HK$124,790,000, HK$315,477,000, HK$225,626,000 and HK$235,398,000, respectively, was guaranteed by the Target Company's ultimate holding company and its fellow subsidiaries. As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group's factoring loans with aggregate carrying amount of approximately HK$98,272,000, HK$39,694,000, HK$136,100,000 and HK$137,711,000, respectively, were secured by finance lease receivables with aggregate carrying amounts of approximately HK$137,302,000, HK$75,286,000, HK$150,555,000 and HK$139,970,000, respectively.

As at 31 December 2014, 31 December 2015 and 31 December 2016 and 31 March 2017, the borrowings of the Target Group were denominated in RMB, and the Target Group has no material balance of cash and cash equivalents denominated in currencies other than RMB.

For further details of the bank borrowings of, and relevant security and guarantees provided by, the Target Group as at 31 December 2014, 31 December 2015 and 31 December 2016 and 31 March 2017, please refer to note 24 of the Accountants' Report of the Target Group as set out in Appendix II.

Amount due to immediate holding company

As at 31 December 2014, 31 December 2015 and 31 December 2016 and 31 March 2017, the Target Group had amount due to immediate holding company of approximately HK$1,228,931,000, nil, nil and nil, respectively. The amount due to immediate holding company was unsecured, interest-free and fully repaid during the year ended 31 December 2015.

Equity

The total equity of the Target Group as at 31 December 2014, 31 December 2015 and 31 December 2016 and 31 March 2017 was approximately HK$200,370,000, HK$730,882,000, HK$2,107,225,000 and HK$2,157,290,000, respectively.

Charges on assets

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group's factoring loans with aggregate carrying amount of approximately HK$98,272,000, HK$39,694,000, HK$136,100,000 and HK$137,711,000, respectively, were secured by finance lease receivables with aggregate carrying amounts of approximately HK$137,302,000, HK$75,286,000, HK$150,555,000 and HK$139,970,000, respectively. Save for the above, the Target Group did not have any other charges against its assets as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017.

Commitments

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group did not have any material commitments.

Contingent Liabilities

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group did not have any material contingent liabilities.

Capital management and gearing ratio

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business operations and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders or issue new shares. The Target Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017.

The Target Group monitors capital using a gearing ratio, which is total borrowings divided by total asset. Total borrowings represent borrowings. The Target Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios were approximately 13.1%, 31.3%, 43.2% and 50.2% as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, respectively.

Interest rate risk

The Target Group's interest rate risk mainly arises from finance lease receivables, loans receivables, time deposits, bank balances and borrowings. Bank balances and borrowings at floating rates expose the Target Group to cash flow interest rate risk. Finance lease receivables, loans receivables, time deposits and borrowings at fixed rates expose the Target Group to fair value interest rate risk. Details of these financial instruments are disclosed in the respective notes in the Accountants' Report of the Target Group in Appendix II. The Target Group currently does not have interest rate hedging policy. However, the management of the Target Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to the failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets including loan receivable, finance lease receivables, deposits and other receivables, time deposits and cash and cash equivalents as stated in the consolidated statement of financial position.

The Target Group's loans receivable arise from the ordinary course of business of the Target Group and are closely monitored by the directors in charge of the Target Group's loan operations on an ongoing basis. In order to minimise the credit risk, the Target Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The director has overall responsibility for the Target Group's credit policies and oversees the credit quality of the Target Group's advance portfolio. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Target Group's credit risk is significantly reduced. Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivables are disclosed in note 17 to the Accountants' Report of the Target Group in Appendix II.

The Target Group's finance lease receivables arise from the ordinary course of business of the Target Group and are closely monitored by the directors in charge of the Target Group's financial leasing operations on an ongoing basis. Further quantitative data in respect of the Target Group's exposure to credit risk arising from finance lease receivables are disclosed in note 15 of the Accountants' Report of the Target Group in Appendix II.

The credit risks of deposits and other receivables are low as the Target Group has not had any significant loss arising from non-performance by the counterparties in the past and management does not expect so in the future. The Target Group's liquid funds (mainly bank balances) are placed in various banks. The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

Liquidity risk

The Target Group's liquidity risk is managed by management on an ongoing basis by the raising of loans and/or equity funding to meet expected cash demands. The Target Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long terms. For further details on liquidity risk, please refer to note 28 of the Accountants' Report of the Target Group in Appendix II.

Foreign currency risk

During the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017, the Target Group had minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Group entities. The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Target Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Significant investment

The Target Group did not hold any other significant investments as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017.

Material acquisitions and disposals

The Target Group did not have any material acquisitions and disposal of subsidiaries and associated companies for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017.

Employees and remuneration policies

As at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, the Target Group had 3, 5, 10 and 10 employees, respectively.

The Target Group remunerates its employees by reference to their qualifications, experiences, responsibilities, profitability of the Target Group and market conditions. The remuneration of the employees mainly comprises the basic salary, other allowances and retirement benefit scheme contributions.

Pursuant to the relevant regulations of the PRC government, the subsidiaries in PRC participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The only obligation of the Target Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Target Group's contributions to the scheme are expensed as incurred.

Future plans for material investments or capital assets

During the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months period ended 31 March 2017, the Target Group did not have any plans for material investments or capital assets in the coming year.

The following information does not form part of the accountant's reports on the financial information of the Group from HLB Hodgson Impey Cheng Limited, the Company's reporting accountants, as set out in "Appendix I — Financial Information of the Group", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Appendix I — Financial Information of the Group".

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative and unaudited pro forma financial information of China Innovative Finance Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") and Shandong Hi-Speed (BVI) International Holdings Limited (the "Target Company") and its subsidiaries (together referred to as the "Target Group") comprising the unaudited pro forma consolidated statement of financial position ("Unaudited Pro Forma Financial Information"), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of 40% issued share capital of Target Company (the "Acquisition") as if the Acquisition had been completed on 31 March 2017 for the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition had been completed as at 31 March 2017, where applicable, or any future dates.

The Unaudited Pro Forma Financial Information had been prepared using the accounting policies consistent with those of the Group as set out in the published announcement of annual results of the Group for the year ended 31 March 2017.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published announcement of annual results of the Group for the year ended 31 March 2017, the Accountants' Report of the Target Group and other financial information included elsewhere in this circular.

(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

I. Unaudited pro forma consolidated statement of financial position of the Group

	Consolidated statement of financial position of the Group as at 31 March 2017	Pro forma adjustments	Pro forma adjustments	Unaudited pro forma consolidated statement of financial position of the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
NON-CURRENT ASSETS				
Property, plant and equipment	153,569			153,569
Intangible assets	1,248,269			1,248,269
Available-for-sale investments	345,400	1,600,000		1,945,400
Finance lease receivables	411,113			411,133
Investments at fair value through profit or loss	253,795			253,795
Restricted cash	30,126			30,126
Total non-current assets	2,442,292			4,042,292
CURRENT ASSETS				
Finance lease receivables	215,995			215,995
Investment at fair value through profit or loss	1,578,957			1,578,957
Loans receivables	56,503			56,503
Prepayments, deposits and other receivables	196,487			196,487
Restricted cash	25,052			25,052
Cash and cash equivalents	220,544		(4,000)	216,544
Total current assets	2,293,538			2,289,538
CURRENT LIABILITIES				
Other payables and accruals	80,442			80,442
Tax payable	2,035			2,035
Borrowings	218,314			218,314
Total current liabilities	300,791			300,791
NET CURRENT ASSETS	1,992,747			1,988,747
TOTAL ASSETS LESS CURRENT LIABILITIES	4,435,039			6,031,039

	Consolidated statement of financial position of the Group as at 31 March 2017	Pro forma adjustments	Pro forma adjustments	Unaudited pro forma consolidated statement of financial position of the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
NON-CURRENT LIABILITIES				
Borrowings	313,105			313,105
Convertible bonds	743,522			743,522
Deferred tax liabilities	191,743			191,743
Total non-current liabilities	1,248,370			1,248,370
NET ASSETS	3,186,669			4,782,669
CAPITAL AND RESERVES				
Equity attributable to owners of the Company				
Issued capital	4,797	400		5,197
Reserves	3,181,872	1,599,600		4,781,472
			(4,000)	(4,000)
TOTAL EQUITY	3,186,669			4,782,669

Notes:

1. The amounts are extracted from the consolidated statement of financial position of the Group as at 31 March 2017 as set out in the Company's published announcement of annual results for the year ended 31 March 2017.

2. Viewlock Limited ("Viewlock") entered into the agreement with Shandong International (Hong Kong) Limited "Shandong International" (the "Agreement"), pursuant to which Viewlock conditionally agreed to acquire and Shandong International conditionally agreed to sell 40% of the issued share capital of the Target Company in accordance with the terms and conditions of the Agreement.

   The consideration of the Acquisition would be satisfied by the allotment and issuance by the Company of 5,000,000,000 consideration shares at the issue price of HK$0.32 per consideration share to Shandong International on completion. The consideration shares would be issued under a specific mandate to be sought at the special general meeting of the Company. Immediately upon completion, the Group will hold 40% of the total issued share capital of the Target Company (the "Investment").

   The issue price of HK$0.32 per consideration share is based on 25 April 2017, being the last day on which the shares were traded on The Stock Exchange of Hong Kong Limited prior to the issue of the announcement of major and connected transaction in relation to the acquisition of 40% equity interest in the Target Company assuming the Acquisition would have been completed on 25 April 2017.

The directors of the Company accounted for the Investment as available-for-sale financial assets at cost in accordance with Hong Kong Accounting Standard 39 *Financial Instruments: Recognition and Measurement* issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 39") as the directors of the Company have considered the Investment (i) does not fall within the Hong Kong Accounting Standard 28 (2011) *Investments in Associates and Joint Ventures* having considered that there is no significant influence over the Investment and (ii) does not have a quoted market price in an active market and whose fair value cannot be reliably measured resulting in measured at cost in accordance with Hong Kong Accounting Standard 39.

The directors of the Company have considered that there is no objective evidence regarding the Investment to be impaired in accordance with HKAS 39.

3. The adjustment represents estimated expenses incurred in connection with the Acquisition of which would be recognised in the Group's consolidated income statement upon completion of the Acquisition. This adjustment does not have continuing effect on the Group.

4. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017.

The following is the text of a report received from the reporting accountants of the Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this circular.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

The Directors
China Innovative Finance Group Limited
Rooms 1405–1410, 14/F.,
China Resources Building,
26 Harbour Road, Wanchai,
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA INNOVATIVE FINANCE GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Innovative Finance Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 March 2017 (the "Unaudited Pro Forma Financial Information"), and related notes as set out in Appendix IV of the circular issued by the Company (the "Circular"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been complied by the directors of the Company to illustrate the impact of the major and connected transaction in relation to the proposed acquisition of 40% issued share capital of Shandong Hi-Speed (BVI) International Holdings Limited (the "Target Company") on the Group's financial position as at 31 March 2017 as if they had taken place at 31 March 2017. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements for the year ended 31 March 2017, on which announcement of results has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

— the related pro forma adjustments give appropriate effect to those criteria; and

— the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467
Hong Kong
27 July 2017

The details of the Directors proposed to be re-elected at the SGM (as required by the Listing Rules) are set out as follows:

Mr. Li Hang

Mr. Li Hang, aged 47, appointed as a non-executive Director and chairman of the Board on 18 October 2016. Mr. Li is a chief accountant of Shandong Hi-Speed Group Co., Ltd., chairman of Shandong Hi-Speed Everbright Industrial Investment Fund Management Co., Ltd. and director of Shandong Expressway Company Limited, Weihai City Commercial Bank Co., Ltd. and Shandong Railway Construction Investment Company Limited. From 1994 to 2005, Mr. Li served a number of key positions in local and overseas offices of China Qingqi Group, and subsequently joined Shandong Hi-Speed Group Co., Ltd. in 2005. Mr. Li has over 20 years of working experience in corporate management and finance sectors.

Mr. Li holds a doctorate degree in management from Tongji University. He is a certified public accountant and senior accountant in China, a member of American Institute of Certified Public Accountants (AICPA), a member of Chartered Institute of Management Accountants (CIMA), a certified assets manager in China and a certified risks manager in China.

Mr. Li entered into a formal letter of appointment with the Company on 18 October 2016. The appointment of Mr. Li as non-executive director of the Company and chairman of the Board is for a term of three years commencing from 18 October 2016 and he is subject to retirement from the Board by rotation and re-election in accordance with the bye-laws of the Company. Mr. Li entitles to receive an annual emolument of HK$500,000, which is determined with reference to his duties and responsibilities of the Company, his qualifications, experience and the prevailing market conditions. In addition, Mr. Li may be entitled to a bonus as determined at the discretion of the Board with reference to his performance.

Save as disclosed above, (i) Mr. Li has not held any other directorships in any public companies the securities of which are listed in Hong Kong or overseas in the last three years; (ii) Mr. Li does not hold other positions in the Company or any of its subsidiaries; (iii) Mr. Li does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company; (iv) Mr. Li does not have any interest in the listed securities of the Company within the meaning of Part XV of the SFO; and (v) there is no information relating to Mr. Li that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the holders of securities of the Company.

Mr. Wang Zhenjiang

Mr. Wang Zhenjiang, aged 41, appointed as an executive director and vice president of the Company on 18 October 2016. Mr. Wang has been the vice head of Investment Development Division of Shandong Hi-Speed Group Co., Ltd. and director of Shandong Feicheng Rural Commercial Bank. Mr. Wang has extensive experience in accounting, banking and investment and had served a number of management positions in Weihai City Commercial Bank Co., Ltd.

Mr. Wang holds a master degree in business administration from Shandong University of Finance and is a certified public accountant in China.

Mr. Wang entered into a formal service contract with the Company on 18 October 2016. The appointment of Mr. Wang as executive director and vice president of the Company is for a term of three years commencing from 18 October 2016 and he is subject to retirement from the Board by rotation and re-election in accordance with the bye-laws of the Company. Mr. Wang entitles to receive an annual emolument of HK$1,500,000, which is determined with reference to his duties and responsibilities of the Company, his qualifications, experience and the prevailing market conditions. In addition, Mr. Wang may be entitled to a bonus as determined at the discretion of the Board with reference to his performance.

Save as disclosed above, (i) Mr. Wang has not held any other directorships in any public companies the securities of which are listed in Hong Kong or overseas in the last three years; (ii) Mr. Wang does not hold other positions in the Company or any of its subsidiaries; (iii) Mr. Wang does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company; (iv) Mr. Wang does not have any interest in the listed securities of the Company within the meaning of Part XV of the SFO; and (v) there is no information relating to Mr. Wang that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the holders of securities of the Company.

Ms. Cheng Yan

Ms. Cheng Yan, aged 53, appointed as an executive Director and chief executive of the Company on 9 December 2016. Ms. Cheng has been involved in financial investments for nearly 20 years. She has been a vice chief executive officer of Huarong International Holdings Limited (華融國際控股有限公司); chairman and executive director of Huarong International Financial Holdings Limited (stock code: 0993.HK); managing director, executive head of the global customer center, vice chairman of the investment banking division and supervisor of the natural resources division of BOCI Asia Limited (中銀國際控股(亞洲)有限公司); as well as a senior manager with a number of large enterprises and financial institutions. She specialises in the building of corporate business models and core competitive strengths, as well as the design of project investment models and deal structures. She has extensive experience in investment banking and financial investment, with a special focus on research relating to corporate innovation and sustainable growth.

Ms. Cheng is currently an independent non-executive director (and chairman of nomination committee and member of strategic and development committee and audit committee) of Fuyao Glass Industry Group Co., Ltd. (stock code: 3606.HK), representative of Hong Kong and Macau from the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, standing committee member of Beijing Overseas Association, committee member of Chinese Financial Association of Hong Kong, honorary secretary general of Chinese Asset Management Association of Hong Kong, life honorary president of Hong Kong Energy and Minerals United Associations (香港能源礦產聯合會), and deputy director of the economic committee of the China Democratic League Central Committee.

Ms. Cheng entered into a formal service contract with the Company on 9 December 2016. The appointment of Ms. Cheng as executive director and chief executive of the Company is for a term of three years commencing from 9 December 2016 and she is subject to retirement from the Board by rotation and re-election in accordance with the bye-laws of the Company. Ms. Cheng entitles to receive total annual emolument of HK$6,000,000 which are determined with reference to her duties and responsibilities of the Company, her qualifications, experience and the prevailing market conditions. In addition, Ms. Cheng may be entitled to share options (to be granted under the share option scheme of the Company adopted at the annual general meeting held on 18 August 2014) as determined at the discretion of the Board with reference to her performance.

Save as disclosed above, (i) Ms. Cheng has not held any other directorships in any public companies the securities of which are listed in Hong Kong or overseas in the last three years; (ii) Ms. Cheng does not hold other positions in the Company or any of its subsidiaries; (iii) Ms. Cheng does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company; (iv) Ms. Cheng does not have any interest in the listed securities of the Company within the meaning of Part XV of the SFO); and (v) there is no information relating to Ms. Cheng that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the holders of securities of the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than those relating to the Seller and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information relating to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Seller and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of the Seller) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Zeng Weibing (曾衛兵) and Mr. Wang Zhong (王眾), the Directors of the Seller, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last trading day of each of the six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the Last Trading Day; (iii) the last business day immediately preceding the date of the Announcement; and (iv) the Latest Practicable Date.

Date	Closing price per Share *HK$*
31 October 2016	0.860
30 November 2016	0.590
30 December 2016	0.560
27 January 2017	0.455
28 February 2017	0.445
31 March 2017	0.330
24 April 2017	0.305
25 April 2017 (being the Last Trading Day)	0.320
28 April 2017	0.340
31 May 2017	0.345
30 June 2017	0.330
25 July 2017 (being the Latest Practicable Date)	0.320

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the six months period immediately prior to the date of the Announcement and ending on the Latest Practicable Date were HK$0.3 per Share (recorded on 6 April 2017, 11 April 2017, 18 April 2017 and 19 April 2017) and HK$0.88 per Share (recorded on 26 October 2016) respectively.

3. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares) will be as follows:

(a) As at the Latest Practicable Date

Authorised:		*HK$*
2,000,000,000,000	Shares of HK$0.00025 each	500,000,000
Issued and fully paid:		
19,188,648,437	Shares of HK$0.00025 each	4,797,162

(b) Immediately after the issue and allotment of the Consideration Shares (assuming there is no other change to the share capital of the Company prior to the issue and allotment of the Consideration Shares)

Authorised:		*HK$*
2,000,000,000,000	Shares of HK$0.00025 each	500,000,000
Issued and fully paid:		
19,188,648,437	Shares as at the Latest Practicable Date	4,797,162
5,000,000,000	Consideration Shares to be issued	1,250,000
24,188,648,437		6,047,162

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting. The Consideration Shares to be issued upon Completion will rank *pari passu* in all respects with the existing Shares on the relevant date of allotment.

Since 31 March 2017 (being the date to which the latest published audited consolidated financial statements of the Group were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company.

As at the Latest Practicable Date, the Company has convertible bonds, options and an arrangement which were convertible or exchangeable into Shares, details of which are as follows:

(i) A convertible bond in a principal of USD50 million due on 28 October 2018 entitling the holders to convert into 573,529,411 Shares at a conversion price of HK$0.68 per conversion shares;

(ii) A convertible bond in a principal of USD40 million due on 24 December 2018 entitling the holders to convert into 433,333,333 Shares at a conversion price of HK$0.72 per conversion shares;

(iii) A convertible bond in a principal of USD10 million due on 16 August 2018 entitling the holders to convert into 108,333,333 Shares at a conversion price of HK$0.72 per conversion shares;

(iv) 169,400,000 share options granted under the Company's share option scheme approved on 18 August 2014, entitling the holders to convert into 169,400,000 Shares at an exercise price of HK$0.42; and

(v) Pursuant to a sale and purchase agreement of 8 April 2015, the Company shall issue a maximum of 781,212,121 additional shares as consideration for an acquisition if certain conditions are met. Please refer to the Company's announcement of 10 April 2015 and circular of 30 July 2015 for details.

Save for the above, the Company did not have any other outstanding options, derivatives, warrants or securities which were convertible or exchangeable into Shares.

4. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Number of Shares (Long position)	Number of underlying Shares (Long position)	Capacity	Percentage of total issued share capital as at Latest Practicable Date
Yau Wai Lung	—	169,400,000 *(Note 1)*	Beneficial owner	0.88%

Note:

1. The 169,400,000 underlying Shares are issuable upon the exercise of share options granted by the Company to Yau Wai Lung under the share option scheme of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which: (i) was a continuous contract with a notice period of 12 months or more; (ii) was a fixed term contract with more than 12 months to run irrespective of the notice period; (iii) has not been entered into or amended within 6 months before the date of the Announcement, being 25 April 2017 (including continuous and fixed term contracts); or (iv) was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

Since 31 March 2017, the date to which the latest published audited financial statements of the Group were made up, save as the fact that two of the Directors, Mr. Wang Zhenjiang and Mr. Li Hang had material interests in the Agreement and the transactions contemplated thereunder as they were directors of the Seller's associate and senior management of Shandong Hi-Speed Group Co., Ltd., respectively, none of the Directors or proposed Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

In addition, save as disclosed above, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

6. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date:

(a) save for the Agreement, there was no agreement, arrangement or understanding (including compensation arrangement) between the Seller or its concert parties and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Whitewash Waiver;

(b) the Seller and its concert parties was indirectly interested in 5,459,648,350 Shares, representing 28.5% of the total issued share capital of the Company. The Seller and its concert parties had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(c) none of the directors of the Seller were interested in the shareholdings in the Company, and they have not dealt for value in any securities of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(d) the Company did not hold, control or have any direction over any shares and any options, warrants, derivatives or convertible securities in respect of the Seller, or its concert parties, and it had not dealt for value in any such securities of the Seller or its concert parties during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(e) save as disclosed in the paragraph headed "4. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES" in this appendix, none of the Directors were interested in the shareholdings in the Seller, its concert parties or the Company, and they have not dealt for value in any such securities of the Seller, its concert parties or the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date. Therefore, the Directors will have no voting rights at the SGM to accept or reject the resolutions therein;

(f) China Construction Bank Corporation, through its indirect wholly-owned subsidiary, owns (i) a convertible bond issued by the Company with an outstanding principal amount of USD10 million entitling it to convert into 108,333,333 shares of the Company at a conversion price of HK$0.72 per share; and (ii) a call option issued by Hao Tian Development Group Limited ("**Hao Tian**") (stock code: 474) entitling it to subscribe for 80,729,170 shares of the Company at an exercise price of HK$1.44 per share. Please refer to the Company's announcements of 27 July 2016 and 5 January 2017 and Hao Tian's announcement of 7 July 2015 for details. Save for the above, none of (a) the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (excluding any exempt principal trader of such adviser(s) as recognised by the SFC as such for the purpose of the Takeovers Code); and (b) any fund managed on a discretionary basis by any fund manager connected with the Company (excluding any exempt fund manager as recognised by the SFC as such for the purpose of the Takeovers Code), owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date;

(g) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code;

(h) neither the Company nor any Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Shares;

(i) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Agreement and the transactions contemplated thereunder and the Whitewash Waiver;

(j) there was no agreement, arrangement or understanding (including compensation arrangement) between any Directors and any other persons which is conditional on or dependent upon the outcome of the Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and

(k) save for the Agreement, there is no material contract entered into by the Seller in which any Director has a material personal interest.

7. SERVICE CONTRACTS

None of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (including both continuous and fixed term contracts) had been entered into or amended within six months before the date of the Announcement. As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) were continuous contracts with a notice period of 12 months or more; or (b) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

8. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their close associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

10. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of the Announcement until the date of this circular, which is or may be material:

(a) the sale and purchase agreement dated 18 September 2015 entered into between Coastal Silk Limited (as buyer), an indirect wholly-owned subsidiary of the Company, Platinum City Holdings Limited (as one of the sellers), Able Victory Holdings Corporation (as one of the sellers), First Bonus Worldwide Limited (as one of the sellers), Honor Ace Development Limited (as one of the sellers), Metro Master Group Limited (as one of the sellers), the Company, Mr. Liu Jin Cheng (as guarantor and the sole ultimate beneficial shareholder of each of the sellers) and Charm Best Development Limited in relation to the sale and purchase of the entire issued share capital of Charm Best Development Limited for an aggregate consideration of RMB1,464 million, and the relevant termination agreement dated 29 February 2016. The sellers and the guarantor to this sale and purchase agreement were third parties independent of the Company and connected persons of the Company. Further details are set out in the announcement of the Company dated 18 September 2015;

(b) the agreement dated 15 September 2015 entered into between Mass Nation Investments Limited, an indirect wholly-owned subsidiary of the Company, Joint Global Limited and some of the other shareholders of HEC Capital Limited, which were third parties independent of the Company and were not connected persons of the Company, in relation to the transfer of 56,800,000 ordinary shares of HEC Shares Limited ("HEC Shares") from Mass Nation Investments Limited to Joint Global Limited and the allotment and issue of the ordinary shares of Joint Global Limited ("Joint Global Shares") to Mass Nation Investments Limited. The consideration for the transfer of the 56,800,000 HEC Shares with carrying amount of HK$340,800,000 was satisfied on a 1:1 basis by way of allotment and issue of 56,800,000 Joint Global Shares to Mass Nation Investments Limited. Further details are set out in the announcement of the Company dated 26 October 2016;

(c) the agreement dated 1 April 2016 entered into between Mass Nation Investments Limited and New Peak Limited, a third party independent of the Company and was not a connected person of the Company, pursuant to which New Peak Limited offered to accept the transfer of 56,800,000 Joint Global Shares from Mass Nation Investments Limited. As consideration for the transfer of Joint Global Shares, New Peak Limited agreed to transfer 48,000,000 HEC Shares to Mass Nation Investments Limited;

(d) the sales and purchase agreement dated 2 September 2016 entered into between the Group and Beijing Taitong Hengye Investment Company Limited*, a third party independent of the Company and was not a connected person of the Company, for the acquisition of the entire share capital of China Innovative Finance Zhonghong (ShenZhen) Business Factoring Company Limited at a total consideration of approximately HK$34,845,000. China Innovative Finance Zhonghong (ShenZhen) Business Factoring Company Limited is principally engaged in factoring business, provision of consultancy services and provision of financial guarantee in Shenzhen. Please refer to page 51 of the Interim Report 2016 of the Company for the 6 months ended 30 September 2016 published on 16 December 2016 for further details.

(e) the sale and purchase agreement dated 31 March 2017 entered into between Greater Chance Group Limited, an indirect wholly-owned subsidiary of the Company, and Leading Fortune International Group Limited, a company wholly owned by Mr. Yau Wai Lung, an executive director of the Company, in relation to the sale and purchase of the entire issued share capital of Park Rise Investments Limited for an aggregate consideration of HK$97,200,000. Further details are set out in the announcement of the Company dated 31 March 2017; and

(f) the Agreement.

11. QUALIFICATION

The following set out the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Octal Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the experts above was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which have been, since 31 March 2017 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

12. CONSENT

Each of Octal Capital Limited and HLB Hodgson Impey Cheng Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, report or certificate or summary of its opinion (as the case may be) and references to its name in the form and context in which they appear herein.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM; and (ii) on the websites of the Company (http://www.cifg.com.hk/) and the SFC (www.sfc.hk) from the date of this circular up to and including the date of the SGM:

(a) the Memorandum of Association and the Bye-laws of the Company and the articles of association of the Seller;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(c) the letter from the Board as set out in this circular;

(d) the letter from the CT Independent Board Committee as set out in this circular;

(e) the letter from the Whitewash Independent Board Committee as set out in this circular;

(f) the letter from the Independent Financial Adviser as set out in this circular;

(g) the unaudited pro forma financial information of the Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix IV to this circular;

(h) the Accountant's Report of the Target Group prepared by HLB Hodgson Impey Cheng Limited for each of the three years ended 31 December 2016 and the three months period ended 31 March 2017, the text of which is set out in Appendix II to this circular;

(i) the audited statutory financial statements of the Operating Subsidiary for the year ended 31 December 2016 as referred to in Appendix II to this circular;

(j) the written consents as set out in the section headed "Consent" in this appendix;

(k) the annual reports of the Company for each of the two financial years ended 31 March 2016, respectively;

(l) the annual results announcement of the Company for the year ended 31 March 2017;

(m) the Agreement; and

(n) this circular.

14. MISCELLANEOUS

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at Rooms 1405–1410, 14/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The joint secretaries of the Company are Mr. Hwang Hau-zen, Basil, who holds a solicitor's practising certificate with the Law Society of Hong Kong, and Mr. Yeung Chun Lap, Jacky, who is a member of the Hong Kong Institute of Certified Public Accountants.

(e) The full name and address of the Seller and its concert parties are as follows:

Name	Address
The Seller	Unit 3312, 33/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	No. 8 Long Ao North Road, Lixia District, Jinan, Shandong Province, China
Shandong Province Rural Economic Development Investment Company* (山東省農村經濟開發投資公司)	No.5006, Ao Ti Middle Road, Gaoxin District, Jinan, Shandong Province, China
Shandong Hi-Speed (BVI) International Holdings Limited (山東高速(BVI)國際控股有限公司)	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
Shandong Hi-Speed Global Finance and Leasing Company Limited* (山東高速環球融資租賃有限公司)	No. 8 Long Ao North Road, Lixia District, Jinan, Shandong Province, China
Shandong Hi-Speed (Hong Kong) Global Financial Leasing Limited (山東高速(香港)環球融資租賃有限公司)	Unit 3312, 33/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
Shandong Hi-Speed (BVI) Capital Management Limited (山東高速(BVI)資本管理有限公司)	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
Shandong Hi-Speed (Hong Kong) International Capital Limited (山東高速(香港)國際資本有限公司)	16/F., Nan Fung Tower,173 Des Voeux Road Central,Hong Kong

(f) The ultimate controlling shareholder of the Seller is Shandong Provincial State-owned Assets and Administration Commission. The director(s) and the immediate controlling shareholder(s) of the Seller and its concert parties are as follows:

Name	Director(s)	Immediate controlling shareholder(s)
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	Sun Liang (孫亮), Jiang Cheng (江成), Xu Junfeng (徐軍峰), Wang Sijun (王思軍), Yu Rongda (於永達), Song Jingyan (宋靖雁), Zhang Wen (張文)	Shandong Provincial State-owned Assets and Administration Commission
Shandong Province Rural Economic Development Investment Company* (山東省農村經濟開發投資公司)	N/A	Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)
The Seller	Zeng Weibing (曾衛兵), Wang Zhong (王眾)	Shandong Province Rural Economic Development Investment Company* (山東省農村經濟開發投資公司)
Shandong Hi-Speed (BVI) International Holdings Limited (山東高速(BVI)國際控股有限公司)	Zhangwei (張偉)	The Seller
Shandong Hi-Speed Global Finance and Leasing Company Limited* (山東高速環球融資租賃有限公司)	Zeng Weibing (曾衛兵)	Shandong Hi-Speed (BVI) International Holding Company Limited (山東高速(BVI)國際控股有限公司)
Shandong Hi-Speed (Hong Kong) Global Financial Leasing Limited (山東高速(香港)環球融資租賃有限公司)	Zeng Weibing (曾衛兵), Sun Aijun (孫愛軍)	Shandong Hi-Speed Global Finance and Leasing Company Limited* (山東高速環球融資租賃有限公司)
Shandong Hi-Speed (BVI) Capital Management Limited	Zhangwei (張偉)	Shandong Hi-Speed Group Co., Limited (山東高速集團有限公司)
Shandong Hi-Speed (Hong Kong) International Capital Limited	Zhangwei (張偉)	Shandong Hi-Speed (BVI) Capital Management Limited

(g) In the event of any inconsistencies, the English text of this circular and form of proxy shall prevail over the Chinese text.

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)

NOTICE IS HEREBY GIVEN that a special general meeting of China Innovative Finance Group Limited (the "Company") will be held at Board Room 6, M/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong at 9:30 a.m. on Friday, 18 August 2017 (the "**SGM**") for the purpose of considering and, if thought fit, pass the following resolutions as ordinary resolutions of the Company. Capitalised terms defined in the circular dated 27 July 2017 issued by the Company (the "**Circular**") shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTIONS

Resolution in relation to the Acquisition

"**THAT**:

1. (a) the Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the grant of the Specific Mandate for the allotment and issue of the Consideration Shares subject to the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified; and

   (c) the board of directors of the Company be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to or in connection with paragraphs (a) and/or (b) of this resolution no. 1."

Resolution in relation to the Whitewash Waiver

"**THAT**:

2. the Whitewash Waiver, granted or to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code waiving the obligation on the part of the Seller and parties acting in concert with it, to make a mandatory general offer for all the Shares that are not already owned or agreed to

be acquired by the Seller and parties acting in concert with it as a result of the Company allotting and issuing the Consideration Shares to the Seller, be and is hereby approved."

Resolution in relation to the Proposed Re-election of Directors

"**THAT**:

3. (a) Mr. Li Hang be re-elected as a non-executive Director;

   (b) Mr. Wang Zhenjiang be re-elected as an executive Director; and

   (c) Ms. Cheng Yan be re-elected as an executive Director."

Yours faithfully,
For and on behalf of the Board
China Innovative Finance Group Limited
Yau Wai Lung
Executive Director

Hong Kong, 27 July 2017

Notes:

1. The Seller and its concert parties (including Shandong Hi-Speed (Hong Kong) International Capital Limited) and any other Shareholder of the Company who is involved or interested in the Acquisition, the Specific Mandate and the Whitewash Waiver will be required to abstain from voting in respect of the resolutions to approve the Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver as set out in the ordinary resolution numbers 1 to 2 (inclusive) above. As at the Latest Practicable Date, Shandong Hi-Speed (Hong Kong) International Capital Limited, which held 5,459,648,350 Shares (representing 28.5% total issued share capital of the Company) and had control over the voting right in respect of its Shares, shall abstain from voting on the Acquisition, the Specific Mandate and the Whitewash Waiver at the SGM. Save as disclosed above, no Shareholder has a material interest in the Acquisition, the Specific Mandate and the Whitewash Waiver and is required to abstain from voting at the SGM in respect of the relevant resolutions. No Shareholder will be required to abstain from voting at the SGM in respect of the resolution in relation to the Proposed Re-election of Directors set out in ordinary resolution number 3 above.

2. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 14 August 2017. The register of members

of the Company will be closed from Tuesday, 15 August 2017 to Friday, 18 August 2017, both days inclusive, for determination of entitlements to attend and vote at the SGM and during which period no transfer of Shares will be registered.

3. Any Shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy needs not be a Shareholder.

4. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

5. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the joint holding.

7. The form of proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.

8. As at the date of this notice, 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.