CHINA FINANCIAL LEASING GROUP LIMITED
中國金融租賃集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

PROPOSED REFRESHMENT OF THE GENERAL MANDATE TO ISSUE SHARES

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As the Existing General Mandate has been utilised almost in full, in order to allow for flexibility to raise further capital to finance future investments and/or for future business development, the Board proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares not exceeding 20% of the total number of issued Shares of the Company as at the date of passing of an ordinary resolution for approving such refreshment. Subject to the passing of such resolution at the EGM and based on the total number of 741,949,882 issued Shares as at the date of this announcement and assuming that the Company does not issue or repurchase any Shares prior to the EGM, the refreshment of the Existing General Mandate will allow the Directors to allot, issue and deal with up to 148,389,976 new Shares, being 20% of the total number of issued Shares of the Company as at the date of this announcement.

* *For identification purpose only*

GENERAL

As the proposed refreshment of the Existing General Mandate is made before the next annual general meeting of the Company, pursuant to Rule 13.36(4) of the Listing Rules, the refreshment of the Existing General Mandate will be subject to the approval of the Independent Shareholders by way of an ordinary resolution at the EGM at which any controlling shareholders of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution approving the refreshment of the Existing General Mandate.

A circular containing, among other things, (i) details of the proposed refreshment of the Existing General Mandate; (ii) the recommendations from the Independent Board Committee and the Independent Financial Adviser in relation to the proposed refreshment of the Existing General Mandate; and (iii) a notice convening the EGM to be despatched to the Shareholders as soon as practicable.

REFRESHMENT OF THE EXISTING GENERAL MANDATE

Pursuant to an ordinary resolution passed by the Shareholders at the AGM, the Directors were granted the Existing General Mandate to allot, issue and deal with up to 124,389,976 Shares, representing 20% of the total number of issued Shares as at the date of passing of the relevant resolution approving the Existing General Mandate until the revocation, variation or expiration of the Existing General Mandate.

During the period from the grant of the Existing General Mandate to the date of this announcement, a total of 120,000,000 Shares were issued at HK$0.29 per Share by utilising the Existing General Mandate on 27 October 2016 pursuant to the placing agreement entered into between the Company and Supreme China Securities Limited on 12 October 2016. The net amount of proceeds raised was approximately HK$33.88 million.

Since the AGM and except for the proposed grant of the New General Mandate herein, the Company has not refreshed its Existing General Mandate.

As at the date of this announcement, the Company did not have any plan, arrangement, understanding, intention, negotiation (either concluded or in progress) on any potential transaction which would involve issue of securities of the Company that require disclosure under the Listing Rules. The Company will comply with the applicable disclosure requirements under the Listing Rules in respect of any actual or potential investment(s) and/or fund raising exercise(s) as and when appropriate.

As at the date of this announcement, the Company had an aggregate of 741,949,882 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the date of this announcement and the date of the EGM, the Company would be allowed under the New General Mandate to allot and issue 148,389,976 new Shares, being 20% of the total number of issued Shares of the Company as at the date of this announcement. The New General Mandate is valid until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law of the Cayman Islands or any other applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

REASONS FOR THE NEW GENERAL MANDATE

The Company is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed securities in Hong Kong. The Group is also engaged in investment in the PRC.

As at 31 December 2016, the Group's cash and bank balances was approximately HK$751,000 and the Group did not had any borrowing or debt financing. As at 31 December 2016, the Group had diversified portfolio of investments in listed securities in Hong Kong of approximately HK$66,245,000 and it allows the Group to realize the investments in stock markets from time to time. Based on the projection of the Company, barring unforeseen circumstances, it is estimated that the working capital requirement for the Group for the next twelve months will be approximately HK$11.59 million, mainly comprises staff salaries of approximately HK$6.13 million, directors' emoluments of approximately HK$1.32 million, investment management fee of approximately HK$660,000 and consultancy fee of approximately HK$720,000. Having considered the above working capital requirement, the Company will maintain a positive cash position and to meet the working capital requirement through the net proceeds from the realization of investments in listed securities. However, the realization of investments for supporting working capital requirement may not maximize Shareholders' returns due to the realization may not grasp the right time and there may be additional funding requirement of the Company to cover any unexpected circumstances, such as changes in market conditions or opportunities, which may increase the working capital requirement of the Company. Therefore, the Directors consider that it will be a merit for the Group to have additional working capital for its ongoing investment activities and for coping with any business challenges.

As at the date of this announcement, taking into account its existing cash and bank balances and other available resources, the Board estimates that the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this announcement in the absence of any unforeseen circumstances.

The Board considers that equity financing through the use of a general mandate is an important fund-raising channel to the Group, as it (i) does not create any payment of interest obligations on the Group and does not require the provision of collaterals as compared with debt financing; (ii) is less costly than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability and flexibility to capture any fund raising or prospective investment opportunity as and when it arises. The Board considers that the ability to issue new Shares under the New General Mandate for equity financing purpose is crucial in a competitive and rapidly changing investment environment and in times of volatile market conditions.

In particular, given the Company is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed securities in Hong Kong, the performance and business operation of the Company is directly related to the fluctuations of the equity markets and changes in the global economy. The Directors consider that funding requirement or appropriate investment opportunities may arise at any time prior to the next annual general meeting and decision may have to be made within a limited period of time in such event particularly due to the high volatility of the stock markets that the Company primarily invests in. In case the Group has identified suitable investment targets, it may utilise the New General Mandate to raise funding for settling the consideration for such investments. For prudence and flexibility, the Directors consider that it is in the interests of the Company and the Shareholders to refresh the Existing General Mandate so as to provide sufficient resources and financial flexibility to enable the Company to capture investment opportunities in time and to maximize Shareholders' returns. In addition, if any potential investors offer attractive terms for investment in the Shares and subject to the market conditions, the New General Mandate will enable the Directors to conduct an equity fund raising exercise by issuing equity securities within a relatively short period of time, the net proceeds of which will support the Group's business development. The Directors therefore believe that the refreshment of the Existing General Mandate will provide flexibility in the source of funding and allow the Company to grasp any potential opportunities in a timely manner.

As compared with the use of a general mandate, the use of a specific mandate for fund raising purpose will be cautiously considered by the Company, given that the Company will have to comply with the notice period requirement for convening a special general meeting in order to seek for such specific mandate from Shareholders and face uncertainties as the specific mandate may not be obtained in a timely manner, which may limit the Company's ability to timely execute and fund its investment activities, such as stock market transactions.

In terms of bank and debt financing, not only that it may be subject to lengthy due diligence and documentation negotiations as compared to equity financing, the Company may also have to bear interest payment obligations coupled with such bank and debt financing. The Directors are also of the view that (i) the ability of the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the then prevailing market condition; and (ii) debt financing may require pledge of assets and/or other kind of securities which may possibly reduce the Group's flexibility in managing its portfolio. Based on the aforementioned reasons, the Board consider debt financing to be relatively uncertain and time-consuming as compared to equity financing for the Group to obtain additional funding. The Company will only be cautiously considered as and when appropriate to reduce possible liquidity issue.

In addition to bank and debt financing, there also exists other means of equity fund raising such as rights issue which may not have an immediate dilution impact. However, not only that it would be difficult to identify any underwriter to underwrite the rights issue as required under the Listing Rules, the costs for the Company to undergo such equity fund raising exercise will be relatively high as compared to equity financing through the use of a general mandate.

It is noted that it normally takes more than three months to raise funds by rights issue or open offer and it may not allow the Company to grasp potential opportunities in a timely manner. In addition, rights issue and open offer will incur higher underwriting commission and involve extra administrative work and additional cost for the trading arrangements. Although rights issue and open offer would be offered to the Shareholders on a pro rata entitlement basis, those qualifying shareholders who choose not to take up their assured entitlements in full would have dilution to their shareholding interests in the Company.

Should any future funding needs arise or attractive terms for investment in Shares become available from potential investors, the Board will be able to respond to the market and such investment opportunities promptly because such a fund raising exercise pursuant to a general mandate provides the Company a more simple and less lead time process than other types of fund raising exercises.

Although the Company does not have any immediate plans for any new issue of Shares under the New General Mandate as at the date of this announcement, taking into account that (i) the Existing General Mandate has been utilised as to 120,000,000 new Shares under the placing. Such 120,000,000 new Shares were allotted and issued on 27 October 2016 by the Company and represented approximately 96.47% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate; (ii) net proceeds from the equity fund raising activities over the past 12 months immediately preceding the date of this announcement were utilised for investments and allocated for supporting daily operating expenses, the Board believes that the proposed grant of the New General Mandate prior to the next annual general meeting (i.e. on or before late June 2017) is expected be around four months from the date of this announcement which is in the best interests of the Company and the Shareholders as a whole by maintaining the flexibility for any future allotment and issue of Shares by the Board necessary for the Group's future business development; (iii) the above flexibility outweigh the dilution effect of the existing Shareholders as the Company is able to respond in a timely and effective manner to take advantages of any material investment opportunities for the benefit of the Company and its Shareholders as a whole; and (iv) the shareholding interests of all the Shareholders will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate as listed under the section headed "Potential dilution on shareholdings", the Directors consider such potential dilution to shareholdings of the public Shareholders to be acceptable.

The Directors have exercised due and careful consideration when choosing the best financing method available to the Company. The grant of the New General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, the Directors are of the view that the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

Based on the above, the Company considers that equity financing through the use of the New General Mandate is an appropriate way to raise funds for the Company.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The following are the equity fund raising activities conducted by the Group in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
12 May 2016	Placing of 50,000,000 new Shares under general mandate	Approximately HK$28.13 million	General working capital and potential investments to be identified	Used as intended (1)
12 October 2016	Placing of 120,000,000 new Shares under general mandate	Approximately HK$33.88 million	General working capital and potential investments to be identified	Used as intended (2)

Note 1: a total of approximately HK$25.94 million has been utilised to invest in five investees, i.e., Huarong Investment Stock Corporation Limited (stock code: 2277) (invested approximately HK$3,809,000), Glory Flame Holdings Limited (stock code: 8059) (invested approximately HK$4,726,000), REXLot Holdings Limited (stock code: 555) (invested approximately HK$3,954,000), KSL Holdings Limited (stock code: 8170) (invested approximately HK$3,908,000) and King Force Group Holdings Limited (stock code: 8315) (invested approximately HK$9,545,000). The remaining approximately HK$2.19 million has been allocated for supporting daily operating expenses.

Note 2: a total of approximately HK$33 million has been utilised to invest in five investees, i.e., KSL Holdings Limited (stock code: 8170) (invested approximately HK$5,200,000), China Internet Investment Finance Holdings Limited (stock code: 810) (invested approximately HK$8,491,000), Grand Peace Group Holdings Limited (stock code: 8108) (invested approximately HK$11,015,000), REXLot Holdings Limited (stock code: 555) (invested approximately HK$7,307,000) and Glory Flame Holdings Limited (stock code: 8059) (invested of the remaining amount of HK$33 million approximately HK$987,000). The remaining approximately HK$880,000 has been allocated for supporting daily operating expenses.

POTENTIAL DILUTION ON SHAREHOLDINGS

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon full utilisation of the New General Mandate (assuming no other Shares are issued and/or repurchased by the Company from the date of this announcement up to and including the date of the EGM), for illustrative and reference purpose:

Name of Shareholders	As at the date of this announcement		Upon full utilisation of the New General Mandate	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Li Denian *(Note)*	167,010,000	22.51%	167,010,000	18.76%
Public Shareholders	574,939,882	77.49%	574,939,882	64.57%
Shares to be issued under the New General Mandate	–	–	148,389,976	16.67%
Total	741,949,882	100.00%	890,339,858	100.00%

Note: Mr. Li Denian held (i) 77,770,000 Shares in his own capacity and (ii) 89,240,000 Shares through Dragon Metro Limited, a company incorporated in the Republic of Seychelles and is wholly-owned by Mr. Li Denian.

Upon full utilisation of the New General Mandate, 148,389,976 Shares will be issued, representing 20% of the total number of issued Shares of the Company as at the date of this announcement and approximately 16.67% of the total number of issued Shares of the Company as enlarged by the Shares issued under the New General Mandate. Assuming that the Company does not issue and/or repurchase any Shares from the date of this announcement up to and including the date of the EGM, the aggregate shareholding of the public Shareholders will decrease from approximately 77.49% as at the date of this announcement to approximately 64.57% upon full utilisation of the New General Mandate, representing a potential maximum dilution in public shareholding by approximately 16.67%. If the New General Mandate is granted and fully utilised, it may result in a cumulative dilution effect of approximately 35.76% in the shareholding of the public Shareholders as enlarged by the issue of new Shares under the New General Mandate and the fund raising activities conducted by the Company in the past 12 months immediately prior to the date of this announcement. Although the grant of the New General Mandate and the fund raising activities of the Company in the past twelve month period as listed under the section headed "Equity fund raising activities in the past 12 months" will cause/have caused dilution in the Shares, the Board will be able to respond to the market and investment opportunities promptly because such a fund raising exercise pursuant to a general mandate provides the Company a more simple and less lead time process than other types of fund raising exercises and avoid the uncertainties and circumstances where a specific mandate may not be obtained in a timely manner.

GENERAL

As the proposed refreshment of the Existing General Mandate is being made before the next annual general meeting of the Company, pursuant to Rule 13.36(4) of the Listing Rules, the refreshment of the Existing General Mandate will be subject to the approval of the Independent Shareholders by way of an ordinary resolution at the EGM at which any controlling shareholders of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution approving the refreshment of the Existing General Mandate.

The Board has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Gan Wei Ping, Mr. Yip Ming, Mr. Lau Siu Hang and Mr. Tsang Chung Sing Edward, to consider and, if appropriate, make a recommendation to the Independent Shareholders (i) as to whether the proposed refreshment of the Existing General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. The Company has appointed Akron Corporate Finance Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed refreshment of the Existing General Mandate.

A circular containing, among other things, details of (i) details of the proposed refreshment of the Existing General Mandate; (ii) details of the recommendations from the Independent Board Committee and the Independent Financial Adviser in relation to the proposed refreshment of the Existing General Mandate; and (iii) a notice convening the EGM to be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

"AGM"	the annual general meeting of the Company held on 25 May 2016
"associate(s)"	has the meaning ascribed to this term under the Listing Rules
"Board"	the board of directors
"Company"	China Financial Leasing Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
"controlling shareholder(s)"	has the meaning ascribed to this term under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the resolution in respect of the proposed refreshment of the Existing General Mandate
"Existing General Mandate"	the general mandate approved at the AGM to grant to the Directors to allot, issue and deal with Shares of up to 124,389,976 Shares, i.e. 20% of the total number of issued Shares of the Company on the date of the passing of the relevant ordinary resolution
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee consisting of all the independent non-executive Directors established by the Board to advise the Independent Shareholders in respect of the proposed refreshment of the Existing General Mandate
"Independent Financial Adviser"	Akron Corporate Finance Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing General Mandate
"Independent Shareholders"	any Shareholders other than the controlling shareholders of the Company and their associates or, where there are no controlling shareholders, any Shareholders other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"New General Mandate"	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the total number of issued Shares of the Company on the date of the passing of the relevant ordinary resolution
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.02 each in the issued share capital of the Company

"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

By order of the Board
CHINA FINANCIAL LEASING GROUP LIMITED
Wong Ka Shing
Company Secretary

Hong Kong, 13 February 2017

As at the date of this announcement, the board of Directors of the Company comprises Mr. Jim Ka Shun as executive Director, Mr. Gan Wei Ping, Mr. Yip Ming, Mr. Lau Siu Hang and Mr. Tsang Chung Sing Edward as independent non-executive Directors.