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CHINA INNOVATIVE FINANCE GROUP LIMITED

中國新金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 412)

CONNECTED TRANSACTION PROPOSED OFF-MARKET REPURCHASE OF LISTCO SHARES

The Vendors, the Purchaser, the Company and the Guarantors entered into the S&P Agreement and the Supplemental Agreement in 2015 regarding the Acquisition at the Base Consideration. Pursuant to the Amended S&P Agreement, the Base Consideration shall be subject to adjustment by way of repurchase of the Listco Shares at nil consideration.

The adjustment event has arisen and, subject to the fulfillments of the conditions precedent, the Vendors shall sell, and the Company shall repurchase, the Completion Accounts Repurchase Shares at nil consideration.

Pursuant to the Repurchase Code, the Share Repurchase shall be subject to the approvals of the Executive and at least three-fourths of the Independent Shareholders. The Share Repurchase also constitutes connected transaction and shall be subject to reporting, announcement and Independent Shareholders' approval requirement.

A circular containing further details of the terms of the Share Repurchase and letters from the independent financial adviser and the independent board committee, together with the notice of SGM will be distributed to the Shareholders as soon as possible.

Reference is made to the Announcement and the Circular in relation to, among other things, the Acquisition.

THE AMENDED S&P AGREEMENT

As disclosed in the Announcement and the Circular, on 8 April 2015, the Vendors, the Purchaser, the Company and the Guarantors entered into the S&P Agreement. On 29 July 2015, the aforesaid parties entered into the Supplemental Agreement. Pursuant to the Amended S&P Agreement, the Vendors agreed to sell, and the Purchaser agreed to purchase, the Offered Shares, representing the entire issued share capital of the Target Company.

Completion has taken place on the Completion Date.

THE CONSIDERATION AND THE ADJUSTMENT TO CONSIDERATION

According to the Amended S&P Agreement, as the consideration for the sale and transfer of the Offered Shares, the Purchaser shall pay the Base Consideration to the Vendors upon Completion. The total amount of the Base Consideration shall be HK\$1,558,334,000, of which HK\$1,508,065,161 shall be paid for China Hover Dragon Offered Shares and HK\$50,268,839 shall be paid for Mr. Gao Offered Shares. The Purchaser shall pay the Base Consideration for China Hover Dragon Offered Shares and Mr. Gao Offered Shares by way of allotment and issue of the Base Consideration Shares by the Company to China Hover Dragon and Mr. Gao, respectively at the issue price of HK\$0.66 per consideration share.

The Purchaser shall, after the Completion Date, complete the Draft Completion Audited Accounts and upon approval of the Vendors, finalize the Completion Audited Accounts. If the net asset value as stated in the Completion Audited Accounts is less than HK\$389,000,000, the Base Consideration shall be adjusted. The number of Listco Shares (the “**Completion Accounts Repurchase Shares**”) to be sold by the Vendors to the Company shall be calculated by reference to 4.006 times of the shortfall of the assumed net asset value of the Target Company as at Completion Date of HK\$389,000,000 and divided by the issue price of HK\$0.66 per consideration share. The Vendors shall be obliged to sell the Completion Accounts Repurchase Shares to the Company at nil consideration and the Company shall repurchase the same. The number of Completion Accounts Repurchase Shares to be repurchased at nil consideration shall be calculated as follows:

Completion Accounts Repurchase Shares =
(HK\$389,000,000 – the net asset value as stated in the Completion Audited Accounts) x 4.006/HK\$0.66

Further details about the adjustment to Base Consideration, the basis upon which the consideration for the Acquisition was determined, the reasons for and benefit of the Acquisition and the information (including financial information) of the Target Group are set out in the Announcement and the Circular.

COMPLETION AUDITED ACCOUNTS AND NUMBER OF COMPLETION ACCOUNTS REPURCHASE SHARES

According to the Completion Audited Accounts, which was issued in April 2016, the net asset value of the Target Company as at 31 August 2015 was HK\$368,933,116. Accordingly, the Base Consideration shall be adjusted in accordance with the formula as set out above.

Pursuant to the above formula, the number of Completion Accounts Repurchase Shares to be repurchased by the Company at nil consideration shall be 121,799,905, including 117,870,876 Shares to be repurchased from China Hover Dragon and 3,929,029 Shares to be repurchased from Mr. Gao. Subject to the fulfillment of the conditions precedent as set out below, it is anticipated that completion of the Share Repurchase will take place before 30 September 2016.

The Completion Accounts Repurchase Shares as repurchased by the Company will be cancelled accordingly.

The closing price of the Listco Shares on 11 March 2016, being the last trading days of the Listco Shares before the date of this announcement, was HK\$0.95. The average closing price of the Listco Shares during the 5, 10 and 20 consecutive trading days up to 11 March 2016 was HK\$0.936, HK\$0.843 and HK\$0.795 respectively.

IMPLICATIONS UNDER THE REPURCHASE CODE AND LISTING RULES

Pursuant to Rule 2 of the Repurchase Code, the Share Repurchase must be approved by the Executive. The Share Repurchase is also conditional upon the approval by at least three-fourths of the votes cast on a poll by Independent Shareholders present in person or by proxy at the SGM. In accordance with the Repurchase Code, the Vendors and their respective concert parties are required to abstain from voting in respect of the Share Repurchase.

As at the date of this announcement, China Hover Dragon held 2,290,565,191 Listco Shares, representing approximately 11.86% of the entire issued share capital of the Company and is accordingly a substantial shareholder of the Company. Further, China Hover Dragon is owned by Mr. Ji (an executive Director) and Ms. Wang as to 50% and 50% respectively. Accordingly, China Hover Dragon is an associate of Mr. Ji. China Hover Dragon is thus a connected person of the Company under the Listing Rules and the repurchase of the relevant Completion Accounts Repurchase Shares from China Hover Dragon constitute a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for being a Shareholder, Mr. Gao is a third party independent of the Company and connected persons of the Company.

CONDITIONS

The Share Repurchase is conditional upon, amongst other things:

- (i) the approval by the Executive of the Share Repurchase;
- (ii) the approval of the Share Repurchase by at least three-fourths of the votes cast at the SGM on a poll by Independent Shareholders; and
- (iii) compliance with the relevant laws of Bermuda.

The conditions cannot be waived and the Share Repurchase could not be proceeded if any of the conditions precedent is not fulfilled.

SHAREHOLDING STRUCTURE AFTER THE SHARE REPURCHASE

Set out below is the shareholding structure summary of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Share Repurchase.

Shareholder	As at the date of this announcement		Immediately after completion of Share Repurchase	
	No. of Listco Shares	Approx. %	No. of Listco Shares	Approx. %
Hao Tian Development Group Limited (<i>Note 1</i>)	5,241,500,000	27.14%	5,241,500,000	27.32%
Yau Wai Lung (<i>Note 2</i>)	3,676,708,000	19.04%	3,676,708,000	19.16%
Huang Rulun (<i>Note 3</i>)	2,320,000,000	12.01%	2,320,000,000	12.09%
Mr. Ji (<i>Note 4</i>)	2,290,565,191	11.86%	2,172,694,315	11.32%
Mr. Gao	76,164,907	0.39%	72,235,878	0.38%
Other Public Shareholders	<u>5,705,510,244</u>	<u>29.56%</u>	<u>5,705,510,244</u>	<u>29.73%</u>
Total	<u>19,310,448,342</u>	<u>100%</u>	<u>19,188,648,437</u>	<u>100%</u>

Notes:

1. Hao Tian Development Group Limited is deemed to be interested in the 5,241,500,000 Listco 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.
2. Yau Wai Lung, an executive Director, is deemed to be interested in the 3,676,708,000 Listco Shares held by Leading Fortune International Group Limited by virtue of his 100% beneficial interest in Leading Fortune International Group Limited.
3. Huang Rulun is deemed to be interested in 2,320,000,000 Listco 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, an executive Director, is deemed to be interested in 2,284,947,214 Listco Shares held by China Hover Dragon pursuant to the SFO by virtue of Chinanet Consultancy Limited (wholly-owned by Mr. Ji) holding 50% of the issued shares of China Hover Dragon. Mr. Ji is interested in 5,617,977 Listco Shares as part of the annual emolument for his terms of office as executive Director, deputy chairman and chief executive of the Company commencing from 11 September 2015.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISOR

Nuada Limited has been appointed as the independent financial advisor to make recommendations to the independent board committee of the Company and the Independent Shareholders in respect of the Share Repurchase.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE

A committee of independent non-executive Directors of the Company has been appointed to advise the Independent Shareholders on the Share Repurchase.

VIEWS OF THE DIRECTORS

The Share Repurchase is carried out in accordance with the terms of the Amended S&P Agreement and the Directors (excluding the independent non-executive Directors whose views will be rendered after considering the recommendation from the independent financial advisor of the Company) believe that the Share Repurchase is fair and reasonable and are in the interest of the Shareholders and the Company as a whole and therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

Mr. Ji, an executive Director, a substantial shareholder of the Company and a 50% beneficial shareholder of China Hover Dragon, has material interest in the Share Repurchase and has abstained from voting on the board resolutions approving the Share Repurchase.

INFORMATION ON THE GROUP AND THE VENDORS

The Company is an investment holding company, and the Group is currently principally engaged in investment in listed securities, money lending and financial leasing. Based on the latest published unaudited condensed consolidated statement of financial position of the Company, the net assets value of the Company as at 30 September 2015 was HK\$2,635,012,000 (equivalent to approximately HK\$0.136 per Listco Share based on 19,304,830,365 Listco Shares in issue as at 30 September 2015). Based on the latest audited consolidated income statement of the Company (i) for the year ended 31 March 2015, the audited loss of the Company before and after tax credit from continuing operations for the year ended 31 March 2015 was HK\$102,733,000 and HK\$101,435,000 respectively; and (ii) for the year ended 31 March 2014, the profit before and after tax credit from continuing operations of the Company for the year ended 31 March 2014 was HK\$283,547,000 and HK\$287,638,000 respectively.

China Hover Dragon is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is beneficially, indirectly held by Mr. Ji as to 50% and directly held by Ms. Wang as to 50%.

Mr. Gao is a PRC citizen.

GENERAL

A SGM will be convened and held to consider and, if thought fit, to approve the Share Repurchase. Since time is needed for the Company to prepare the relevant information and submission to the SFC and the Stock Exchange, a circular containing further details of the Share Repurchase and letters from the independent financial adviser and the independent board committee, together with the notice of the SGM and the form of proxy, will be distributed to the Shareholders as soon as practicable, which is expected to be in early July 2016.

The Vendors and such other Shareholders that are deemed by the SFC or the Stock Exchange to be interested in the Share Repurchase and their respective concert parties and associates will abstain from voting at the SGM on the resolutions to approve the Share Repurchase.

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

WARNING

AS COMPLETION OF THE SHARE REPURCHASE IS SUBJECT TO THE FULFILMENT OF VARIOUS CONDITIONS PRECEDENT, THE SHARE REPURCHASE MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE LISTCO SHARES.

DEFINITIONS

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

“Acquisition”	the acquisition of the Offered Shares by the Purchaser from the Vendors pursuant to the terms and conditions of the Amended S&P Agreement
“Amended S&P Agreement”	the S&P Agreement (as amended by the Supplemental Agreement)
“Announcement”	the announcement dated 10 April 2015 made by the Company in relation to the Acquisition
“associates”	has the same meaning ascribed thereto in the Listing Rules
“Base Consideration”	<p>the consideration required to be paid by the Purchaser to the Vendors pursuant to the Amended S&P Agreement for the sale and transfer of the Offered Shares, being HK\$1,558,334,000, of which the consideration for:</p> <ul style="list-style-type: none">(i) China Hover Dragon Offered Shares was 96.77% of the Base Consideration (i.e. HK\$1,508,065,161); and(ii) Mr. Gao Offered Shares was 3.23% of the Base Consideration (i.e. HK\$50,268,839)
“Base Consideration Shares”	<p>an aggregate of 2,361,112,121 new Listco Shares allotted and issued by the Company to the Vendors upon Completion, which was calculated based on the 5-day average closing price of HK\$0.66 per Listco Share prior to the close of market on 2 April, 2015; of which, the Company has allotted and issued:</p> <ul style="list-style-type: none">(i) 2,284,947,214 new Listco Shares to China Hover Dragon; and(ii) 76,164,907 new Listco Shares to Mr. Gao respectively upon Completion
“Board”	the board of Directors
“China Hover Dragon”	China Hover Dragon Group Limited, a company incorporated under the laws of the British Virgin Islands, which held 96.77% issued share capital of the Target Company (i.e. 300,000,000 shares in the Target Company) before the Acquisition, and being one of the Vendors which sold 300,000,000 shares in the Target Company

“China Hover Dragon Offered Shares	300,000,000 shares in the Target Company sold by China Hover Dragon to the Purchaser under the Amended S&P Agreement
“Circular”	the circular of the Company dated 30 July 2015
“Company”	China Innovative Finance Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 412)
“Completion”	completion of the Acquisition in accordance with the terms of the Amended S&P Agreement
“Completion Audited Accounts”	the audited consolidated balance sheet (with all the notes) of the Target Company as at the Completion Date, and the audited consolidated income statement and the audited consolidated cash flow statement for the eight months ended the Completion Date
“Completion Date”	1 September 2015, being the date on which Completion has taken place
“Director(s)”	the director(s) of the Company, from time to time
“Draft Completion Audited Accounts”	the draft audited consolidated balance sheet (containing all the notes) of the Target Company as at the Completion Date prepared in accordance with the S&P Agreement, as well as the audited consolidated income statement and audited consolidated cash flow statement for the eight months ended the Completion Date
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Ji and Ms. Wang
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders who do not have any material interest in the Share Repurchase and are independent of and not connected with the Vendors and the Guarantors and their respective associates, being Shareholders other than China Hover Dragon and such other Shareholders that are deemed by the SFC or the Stock Exchange to be interested in the Share Repurchase and its concert parties and associates
“Listco Shares”	ordinary shares of HK\$0.00025 per share in the capital of the Company

“Mr. Gao”	Mr. Gao Chuanyi, who held 3.23% of the issued share capital of the Target Company (i.e. 10,000,000 shares in the Target Company) before the Acquisition, and being one of the Vendors who sold to the Purchaser 10,000,000 shares in the Target Company
“Mr. Gao Offered Shares”	10,000,000 shares in the Target Company sold by Mr. Gao to the Purchaser under the Amended S&P Agreement
“Mr. Ji”	Mr. Ji Kewei, an executive Director who indirectly holds 50% of the issued shares of China Hover Dragon and a Guarantor under the S&P Agreement
“Ms. Wang”	Ms. Wang Zi Yi, who directly holds 50% of the issued shares of China Hover Dragon and a Guarantor under the S&P Agreement
“Net Profit After Tax”	the net operating profit after tax as indicated in the audited consolidated financial statements (except for any exceptional, unusual, recurring or extraordinary items)
“Offered Shares”	the 310,000,000 shares in the Target Company sold by the Vendors to the Purchaser pursuant to the terms of the Amended S&P Agreement, being the aggregate of the China Hover Dragon Offered Shares and Mr. Gao Offered Shares
“Purchaser”	Shinning Seas Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Repurchase Code”	the Hong Kong Code on Share Buy-backs
“S&P Agreement”	the agreement dated 8 April 2015 (as supplemented by the Supplemental Agreement) made among the Vendors, the Purchaser, the Guarantors and the Company in relation to the Acquisition
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to approve the Share Repurchase
“Share Repurchase”	the proposed repurchase of the Completion Accounts Repurchase Shares by the Company pursuant to the Amended S&P Agreement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the S&P Agreement dated 29 July 2015 between the Vendors, the Purchaser, the Guarantors and the Company amending certain terms of the S&P Agreement

“Target Company”	Hong Kong Leasing Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendors”	China Hover Dragon and Mr. Gao

By Order of the Board
China Innovative Finance Group Limited
Yau Wai Lung
Executive Director

Hong Kong, 15 April 2016

As at the date of this announcement, the Company has three executive directors, being Mr. Ji Kewei, Mr. Yau Wai Lung and Mr. Ma Chao; one non-executive director, being Mr. Qiu Jianyang; and three independent non-executive directors, being Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping.