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If you have sold or transferred all your shares in **China Innovative Finance Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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 BUY-BACK OF LISTCO SHARES AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

Nuada Limited

Corporate Finance Advisory

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

A notice convening the SGM to be held at YUE-Function Room, V234, 1/F, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:30 a.m. on Tuesday, 14 June 2016, is set out on pages 25 to 26 of this circular. 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 8 June 2016. The register of members of the Company will be closed from Friday, 10 June 2016 to Tuesday, 14 June 2016, both days inclusive, for determination of entitlements to attend and vote at the SGM during which period no transfer of Shares will be registered. A form of proxy for use by the Shareholders 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 holding of the SGM or any adjournment thereof. 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.

25 May 2016

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DEFINITIONS

In this Circular, unless the context otherwise requires, the following expressions 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> <p>(i) China Hover Dragon Offered Shares was 96.77% of the Base Consideration (i.e. HK\$1,508,065,161); and</p> <p>(ii) Mr. Gao Offered Shares was 3.23% of the Base Consideration (i.e. HK\$50,268,839)</p>
“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> <p>(i) 2,284,947,214 new Listco Shares to China Hover Dragon; and</p> <p>(ii) 76,164,907 new Listco Shares to Mr. Gao</p> <p>respectively upon Completion</p>
“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

DEFINITIONS

“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 People’s Republic of China
“Independent Board Committee”	the board committee comprising all independent non-executive Directors, which has been established to give advice to the Independent Shareholders in respect of the connected transaction and the off-market buy-back of Listco Shares

DEFINITIONS

“Independent Financial Adviser”	Nuada Limited, a corporation licensed to carry out type 1 (dealings in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Share Repurchase
“Independent Shareholders”	Shareholders who are independent of and not connected with the Vendors and the Guarantors and their respective associates
“Latest Practicable Date”	19 May 2016, the latest practicable date for ascertaining certain information for inclusion in this circular
“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

DEFINITIONS

“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 on Tuesday, 14 June 2016 to approve the Share Repurchase
“Shareholder(s)”	the shareholder(s) of the Company
“Share Repurchase”	the proposed repurchase of the Completion Accounts Repurchase Shares by the Company pursuant to the Amended S&P Agreement
“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



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:

Mr. Ji Kewei
Mr. Yau Wai Lung
Mr. Ma Chao

Non-executive director:

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:*

29th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

25 May 2016

To all Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED OFF-MARKET BUY-BACK OF LISTCO SHARES
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 15 and 21 April 2016 in relation to the connected transaction and the proposed off-market buy-back of the Listco Shares.

THE AMENDED S&P AGREEMENT

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

LETTER FROM THE BOARD

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, i.e. 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:

$$\begin{array}{lcl} \text{Completion Accounts} & & \\ \text{Repurchase Shares} & = & (\text{HK\$389,000,000} - \text{the net asset value as stated in the} \\ & & \text{Completion Audited Accounts}) \times 4.006 / \text{HK\$0.66} \end{array}$$

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.

LETTER FROM THE BOARD

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 19 May 2016, being the Latest Practicable Date, was HK\$0.700. The average closing price of the Listco Shares during the 5, 10 and 20 consecutive trading days up to 19 May 2016 was HK\$0.896, HK\$0.845 and HK\$0.791 respectively.

IMPLICATIONS UNDER THE REPURCHASE CODE AND LISTING RULES

The Share Repurchase will be made pursuant to the terms of the Amended S&P Agreement and therefore the Share Repurchase falls within the definition of an exempt share buy-back of The Codes on Takeovers and Mergers and Share Buy-backs. Therefore, no approval from the Executive nor three-fourth of the votes by the Independent Shareholders is required.

As at the Latest Practicable Date, China Hover Dragon held 2,284,947,214 Listco Shares, representing approximately 11.83% of the entire issued share capital of the Company and is accordingly a substantial shareholder of the Company. 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 of the Share Repurchase by the Independent Shareholders at the SGM on a poll; and
- (ii) compliance with the relevant laws of Bermuda.

LETTER FROM THE BOARD

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 Latest Practicable Date; and (ii) immediately after completion of the Share Repurchase, assuming there is no change to the issued share capital of the Company and the shareholding of the Shareholders (other than the Share Repurchase) between the Latest Practicable Date and the completion of Share Repurchase.

Shareholder	As at the		Immediately after completion of	
	Latest Practicable Date		Share Repurchase	
	<i>No. of</i>		<i>No. of</i>	
	<i>Listco Shares</i>	<i>Approx. %</i>	<i>Listco Shares</i>	<i>Approx. %</i>
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>100.00%</u>	<u>19,188,648,437</u>	<u>100.00%</u>

Notes:

- 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.
- 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.
- 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.
- Mr. Ji, an executive Director, through Chinanet Consultancy Limited which is wholly-owned by him, is now holding 50% of the issued shares of China Hover Dragon. The other 50% issued shares of China Hover Dragon is being held by Ms. Wang. Both Mr. Ji and Ms. Wang are deemed to be interested in 2,284,947,214 Listco Shares held by China Hover Dragon pursuant to the SFO. 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.

LETTER FROM THE BOARD

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISOR

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

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE

An Independent Board Committee 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 (including the independent non-executive Directors) 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 and indirectly held by Mr. Ji as to 50% and directly held by Ms. Wang as to 50%.

Mr. Gao is a PRC citizen.

LETTER FROM THE BOARD

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.

SPECIAL GENERAL MEETING

The SGM Notice is set out on pages 25 to 26 of this circular. An ordinary resolution in respect of the Share Repurchase will be proposed at the SGM.

A form of proxy for use by the Shareholders 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 holding of the SGM or any adjournment thereof. 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.

The Vendors and such other Shareholders that are deemed by the Stock Exchange to be interested in the Share Repurchase and their respective 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.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution set out in the notice of SGM will be voted by way of poll.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his name in the register. A Shareholder entitled to more than one vote is under no obligation to cast all his votes in the same way.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 12 to 13 of this circular, which contains its recommendation to the Independent Shareholders as to the Share Repurchase; and (ii) the letter from the independent financial adviser set out on pages 14 to 19 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Share Repurchase and reasons considered by it in arriving at its opinion.

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By Order 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)

25 May 2016

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED OFF-MARKET BUY-BACK OF LISTCO SHARES**

We refer to the circular dated 25 May 2016 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Share Repurchase is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Nuada Limited has been appointed as Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

Your attention is drawn to the letter from the Independent Financial Adviser in the Circular containing the advice of the Independent Financial Adviser in respect of the Share Repurchase.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

We have considered the principal factors taken into account by the Independent Financial Adviser in arriving at its opinion in respect of the Share Repurchase. We concur with the views of the Independent Financial Adviser that the Share Repurchase is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions in respect of the Share Repurchase.

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

To Shing Chuen
Independent
non-executive Director

Chung Yuk Lun
Independent
non-executive Director

Cheung Wing Ping
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 25 May 2016 prepared for the purpose of inclusion in this circular.

Nuada Limited

Corporate Finance Advisory

Unit 1805-08, 18/F
OfficePlus @ Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

25 May 2016

*To the Independent Board Committee
and the Independent Shareholders of
China Innovative Finance Group Limited*

Dear Sirs,

CONNECTED TRANSACTION PROPOSED OFF-MARKET BUY-BACK OF LISTCO SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Repurchase, details of which are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) in the Company’s circular dated 25 May 2016 to the Shareholders, of which this letter forms part. Our appointment as the independent financial adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

As disclosed in the Letter from the Board, pursuant to the Amended S&P Agreement, the Base Consideration shall be adjusted if the net asset value as stated in the Completion Audited Accounts is less than HK\$389,000,000. According to the Completion Audited Accounts 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, and the Vendors are obliged to sell Listco Shares (the number of which is calculated in accordance with the formula as set out in the paragraph headed “Number of Completion Accounts Repurchase Shares” below) to the Company.

As at the Latest Practicable Date, China Hover Dragon held 2,284,947,214 Listco Shares, representing approximately 11.83% of the entire issued share capital of the Company and is accordingly a substantial shareholder of the Company. 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Share Repurchase. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are independent from, and are not associated with the Company, China Hover Dragon, Mr. Ji, Mr. Wang, Mr. Gao, or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the terms of the Share Repurchase. During the past two years immediately preceding and up to the date of our appointment as the independent financial adviser, there was no engagement between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection with this appointment as the Independent Financial Adviser in respect of the Share Repurchase, no other arrangement exists whereby we will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Share Repurchase, we have taken into consideration the following principal factors and reasons:

1. Background of the Share Repurchase

(a) 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.

(b) The consideration and adjustment to consideration

As disclosed in the Letter from the Board, pursuant 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, i.e. HK\$389,000,000, and divided by the issue price of HK\$0.66 per consideration share (please refer to the paragraph

headed “(a) Number of Completion Accounts Repurchase Shares” under the section headed “2. Terms of the Share Repurchase” below for more details regarding the formula). 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.

(c) 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 below.

Pursuant to the formula set out in the paragraph headed “(a) Number of Completion Accounts Repurchase Shares” under the section headed “2. Terms of the Share Repurchase” below, 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 Listco Shares to be repurchased from China Hover Dragon and 3,929,029 Listco Shares to be repurchased from Mr. Gao. The Completion Accounts Repurchase Shares as repurchased by the Company will be cancelled accordingly.

2. Terms of the Share Repurchase

(a) Number of Completion Accounts Repurchase Shares

As stated in the Amended S&P Agreement, the Circular and the Letter from the Board, the number of Completion Accounts Repurchase Shares to be repurchased shall be calculated as follows:

$$\text{Completion Accounts Repurchase Shares} = (\text{HK\$389,000,000} - \text{the net asset value as stated in the Completion Audited Accounts}) \times 4.006 / \text{HK\$0.66}$$

As discussed with the management of the Company and with reference to the Circular, the Base Consideration of HK\$1,558,334,000 was 4.006 times (the “**Base Consideration Multiple**”) of the assumed net asset value of the Target Company as at Completion Date of HK\$389,000,000, where the Base Consideration Multiple was determined by a number of factors as discussed in the Circular. The number of Base Consideration Shares was then determined by dividing the Base Consideration of HK\$1,558,334,000 by the issue price of HK\$0.66 per Base Consideration Share. In order words, the number of Base Consideration Shares was calculated as follows:

$$\text{Base Consideration Shares} = \text{HK\$389,000,000} \times 4.006 / \text{HK\$0.66}$$

Accordingly, the above formula for the number of Completion Accounts Repurchase Share essentially adjusts the Base Consideration and hence the number of Listco Shares issued for such consideration, given that there is a shortfall between the net asset value as stated in the Completion Audited Accounts of HK\$368,933,116 and the initial assumed net asset value of HK\$389,000,000.

Pursuant to the formula for the number of Completion Accounts Repurchase Shares as set out above, the Company shall repurchase 121,799,905 Completion Accounts Repurchase Shares, including 117,870,876 Completion Accounts Repurchase Shares to be repurchased from China Hover Dragon and 3,929,029 Completion Accounts Repurchase Shares to be repurchased from Mr. Gao.

(b) Consideration for the Completion Accounts Repurchase Shares

Pursuant to the Amended S&P Agreement, the Completion Accounts Repurchase Shares shall be repurchased by the Company at nil consideration.

3. Reasons for and benefits of the Share Repurchase

(a) Favourable consideration for the Share Repurchase

The consideration for the total of 121,799,905 Completion Accounts Repurchase Shares (issued at HK\$0.66 per Listco Share with an aggregate value of approximately HK\$80.4 million) is nil and is fair and reasonable to the Company and the Shareholders as a whole.

(b) Impact of the Share Repurchase on the net asset value

The Group's unaudited net assets value per Listco Share was approximately HK\$0.136, calculated based on the unaudited net assets of the Group of approximately HK\$2,635.0 million as at 30 September 2015 and 19,310,448,342 Listco Shares as at the Latest Practicable Date. Taking into account that the consideration for the Completion Accounts Repurchase Shares is nil, the unaudited net assets per Listco Share would increase after the Share Repurchase, which is favourable to the Independent Shareholders.

Based on the above, we are of the view and concur with the view of the management of the Company that the Share Repurchase is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the Share Repurchase is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise that the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the resolution(s) to approve the Share Repurchase at the SGM.

Yours faithfully,
For and on behalf of
Nuada Limited

Kim Chan
Executive Director

Kevin Wong
Vice President

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 12 years of experience in corporate finance industry.

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 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the Listco Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Listco Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Number of Listco Shares				Interests in underlying Listco Shares/equity derivatives	Total Listco Shares	Percentage of Company's issued share capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Other interests			
Ji Kewei	5,617,977	—	2,284,947,214 (Note 1)	—	—	2,290,565,191	11.86%
Yau Wai Lung	—	—	3,676,708,000 (Note 2)	—	169,400,000 (Note 3)	3,846,108,000	19.92%

Notes:

- Mr. Ji, an executive Director, through Chinanet Consultancy Limited which is wholly-owned by him, is now holding 50% of the issued shares of China Hover Dragon. The other 50% issued shares of China Hover Dragon is being held by Ms. Wang. Both Mr. Ji and Ms. Wang are deemed to be interested in 2,284,947,214 Listco Shares held by China Hover Dragon pursuant to the SFO. In addition, Mr. Ji is personally 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.

2. Mr. Yau Wai Lung is deemed to be interested in 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. The 169,400,000 underlying shares of the Company are Listco Shares issuable upon the exercise of share options granted by the Company to Mr. 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 and chief executive of the Company was interested in the Listco Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive were taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register maintained by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial shareholders and other persons in the Listco Shares and underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as is known to any of the Directors or chief executive of the Company, the register of substantial Shareholders and other persons maintained by the Company pursuant to section 336 of the SFO showed that the following substantial Shareholder (otherwise than Directors and the chief executive of the Company) had notified the Company of their relevant interests and positions in the Listco Shares and underlying shares of the Company:

Name of Shareholder	Number of Listco Shares interested	Percentage of issued share capital of the Company
Leading Fortune International Group Limited	3,676,708,000 (Note 1)	19.04%
China Hover Dragon	2,284,947,214 (Note 2)	11.83%

Notes:

1. Mr. Yau Wai Lung, an executive Director, owns 100% beneficial interest in Leading Fortune International Group Limited.
2. Mr. Ji, an executive Director, through Chinanet Consultancy Limited which is wholly-owned by him, is now holding 50% of the issued shares of China Hover Dragon. The other 50% issued shares of China Hover Dragon is being held by Ms. Wang. Both Mr. Ji and Ms. Wang are deemed to be interested in 2,284,947,214 Listco Shares held by China Hover Dragon pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other relevant interests or short positions in the issued share capital 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.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

4. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 March 2015, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

5. MATERIAL ADVERSE CHANGE

The Company has published a profit warning announcement on 14 October 2015 and subsequently published a positive profit alert announcement on 20 April 2016. Subject to the aforesaid, the Directors were not aware of any material adverse change in the financial or trading position of the Group as compared with that of 31 March 2015, being the date of the latest published audited accounts of the Company were made up.

6. LITIGATION

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 as at the Latest Practicable Date.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with any member of the Group which does not expire or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

8. EXPERT

- (a) The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Nuada Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Nuada Limited had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and references to its name in the form and context in which it is included.
- (d) As at the Latest Practicable Date, Nuada Limited was not interested, directly or indirectly, in any assets which had since 31 March 2015 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection 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:

- (a) the S&P Agreement;
- (b) the Supplemental Agreement;
- (c) the announcements of the Company dated 10 April 2015, 15 April 2016 and 21 April 2016;
- (d) the circular of the Company dated 30 July 2015 and this Circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this circular; and
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 to 19 of this circular.

10. MISCELLANEOUS

- (a) The head office and principal place of business of the Company in Hong Kong is at 29/F., China United Centre, 28 Marble Road, North Point, Hong Kong.
- (b) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF SPECIAL GENERAL MEETING



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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of China Innovative Finance Group Limited (the “**Company**”) will be held at YUE-Function Room, V234, 1/F, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:30 a.m. on Tuesday, 14 June 2016 (the “**SGM**”) for the purpose of considering and, if thought fit, passing, with or without amendment, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the proposed off-market buy-back of 117,870,876 ordinary shares in the Company from China Hover Dragon Group Limited and 3,929,029 ordinary shares in the Company from Mr. Gao Chuanyi at nil consideration (the “**Share Repurchase**”) be and are hereby approved and confirmed and **THAT** any one Director be and is hereby authorized to do all things and sign all documents in connection with the Share Repurchase.”

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

Hong Kong, 25 May 2016

Notes:

1. A form of proxy for use at the SGM is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the SGM convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.

NOTICE OF SPECIAL GENERAL MEETING

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the above Meeting or any adjournment thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the SGM, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. The register of members will be closed from Friday, 10 June 2016 to Tuesday, 14 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the forthcoming special general meeting of the Company, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8 June 2016.
8. As at the date of this notice, 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.