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ASIA INVESTMENT FINANCE GROUP LIMITED

亞投金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00033)

**CONNECTED TRANSACTION
IN RELATION TO
PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES**

DEED OF VARIATION

The Board announces that on 10 January 2018 (after trading hours), the Company and the Bondholder entered into the Deed of Variation, pursuant to which it is agreed that, subject to the fulfillment of conditions precedent, the maturity date of the outstanding Convertible Bonds in the principal amount of HK\$100,000,000 will be extended from 18 February 2018 to 18 February 2019.

Save for the above proposed alteration, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of Terms will be submitted to the Stock Exchange by the Company in due course.

As at the date of this announcement, the Bondholder is wholly owned by Ms. Cheung, who is an executive Director and a substantial shareholder of the Company having an aggregate interest of 2,450,000,000 Shares in the Company, representing 26.27% of the total issued share capital of the Company. The Bondholder is therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Alteration of Terms constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The EGM will be convened by the Company to consider and, if thought fit, approve the Deed of Variation and the transactions contemplated thereunder by way of poll. The Bondholder and Ms. Cheung together with their respective associates will abstain from voting in respect of the resolution(s) approving the Deed of Variation and the transactions contemplated thereunder at the EGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to give recommendations to the Independent Shareholders on the Deed of Variation and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed by the Company in due course to advise and give recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Variation and the transactions contemplated thereunder.

GENERAL

A circular containing, among other matters, (i) details of the Deed of Variation; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, will be despatched to the Shareholders on or before 31 January 2018.

BACKGROUND

Reference is made to the announcements dated 5 November 2015 and 18 February 2016, and the circular dated 8 January 2016 of the Company in relation to, among other things, the issuance of the Convertible Bonds. Pursuant to the Subscription Agreement, on 18 February 2016, the Company issued the Convertible Bonds in the total principal amount of HK\$100,000,000 to the Bondholder.

As at the date of this announcement, the Convertible Bonds in an aggregate principal amount of HK\$100,000,000, convertible into Shares at the Conversion Price of HK\$0.10 per Share, are outstanding and held by the Bondholder. The outstanding Convertible Bonds are unsecured and shall mature on 18 February 2018.

In view of the benefit to the Company, Ms. Cheung is willing to further support the Company and lower the finance cost, after arm's length negotiations, on 10 January 2018 (after trading hours), the Company and the Bondholder entered into the Deed of Variation in respect of the proposed alteration of certain terms and conditions of the Convertible Bonds. Set out below are the principal terms of the Deed of Variation.

DEED OF VARIATION

Date: 10 January 2018 (after trading hours)

Parties: (i) the Company
(ii) the Bondholder

Alteration of Terms

Pursuant to the Deed of Variation, it is agreed that the maturity date of the outstanding Convertible Bonds will be extended from 18 February 2018 to 18 February 2019.

Save for the above proposed alteration of the maturity date under the Deed of Variation, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged.

The Alteration of Terms was arrived at after arm's length negotiations between the Company and the Bondholder. In view of the benefit to the Company, the Bondholder further support the Company and lower the finance cost.

Conversion Shares

Assuming full conversion of the outstanding Convertible Bonds in the principal amount of HK\$100,000,000 at the Conversion Price of HK\$0.10 per Share, 1,000,000,000 Conversion Shares will be allotted and issued by the Company, representing:

- (i) approximately 10.72% of issued share capital of the Company as at the date of the Deed of Variation; and
- (ii) approximately 9.68% issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares assuming none of the outstanding options of the Company is exercised.

Conversion Price

The Conversion Price of HK\$0.10 per Share represents:

- (i) a discount of approximately 14.00% to the closing price of the Shares of HK\$0.114 per Share as quoted on the Stock Exchange on 10 January 2018, being the date of the Deed of Variation;
- (ii) a discount of approximately 5.80% to the average closing price of approximately HK\$0.1058 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Deed of Variation; and

- (iii) a discount of approximately 4.10% to the average closing price of approximately HK\$0.1041 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the Deed of Variation.

Conditions Precedent

The Alteration of Terms shall become effective upon the fulfillment of all the following conditions precedent:

- (a) the passing of ordinary resolution(s) by the Independent Shareholders at the EGM approving (i) the Deed of Variation and the transactions contemplated thereunder; (ii) upon the exercise of the conversion rights attaching to the outstanding Convertible Bonds, the allotment and issue of the Conversion Shares in accordance with the conditions of the Convertible Bonds as varied by the Deed of Variation;
- (b) the approval from holder of Convertible Bonds of more than 50% of the aggregate principal amount of the outstanding Convertible Bonds approving the Alteration of Terms having been obtained by the Company;
- (c) the Listing Committee having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued upon an exercise of the conversion rights attaching to the outstanding Convertible Bonds in accordance with the conditions of the Convertible Bonds as varied by the Deed of Variation; and
- (d) the Company having obtained from the Stock Exchange all requisite approval or consent to the Alteration of Terms as set out in the Deed of Variation.

The Alteration of Terms shall take effect on the date on which the Company notifies the Bondholder in writing the fulfillment of the conditions precedent as set out above, which date shall not be more than five business days after the fulfillment of the condition precedent last in time to be fulfilled.

None of the conditions precedent can be waived. If any of the conditions precedent above has not been fulfilled on or before 31 March 2018 (or such other date as may be agreed by the parties to the Deed of Variation in writing) the Deed of Variation shall lapse and be of no further effect and none of the parties to this Deed of Variation will have any claim against or liability to the other parties in respect of the Deed of Variation save for any antecedent breaches thereof.

INFORMATION ON THE BONDHOLDER

The Bondholder is a company incorporated under the law of the British Virgin Islands. The principal business activity of the Bondholder is investment holding.

REASONS FOR ENTERING INTO THE DEED OF VARIATION

The Group is currently principally engaged in stockbroking, investment and asset management, money lending, credit guarantee and trading related businesses.

The Board considers that, in view of the benefit to the Company, the Bondholder is willing to further support the Company and lower the finance cost, the Bondholder agreed to extend the time for redeeming the outstanding Convertible Bonds. The Board is of the view that it is more beneficial for the Group entering into the Deed of Variation than obtaining external financing as the Convertible Bonds does not carry any interest charges.

Having considered the above, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Deed of Variation are fair and reasonable, and that entering into of the Deed of Variation is in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING

No application will be made by the Company for the listing of the outstanding Convertible Bonds. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon conversion of the outstanding Convertible Bonds pursuant to the conditions of the Convertible Bonds as amended by the Deed of Variation.

MANDATE FOR THE ISSUE OF THE CONVERSION SHARES

The Company will seek the grant of a specific mandate from the Independent Shareholders at the EGM to cater for the allotment and issue of the Conversion Shares upon conversion of the outstanding Convertible Bonds pursuant to the conditions of the Convertible Bonds as amended by the Deed of Variation.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming no other changes in the issued share capital of the Company from the date of this announcement up to the full conversion of the outstanding Convertible Bonds by the Bondholder at HK\$0.10 per Share, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon full conversion of the outstanding Convertible Bonds at HK\$0.10 per Share are illustrated as follows:

Name	As at the date of this announcement		Immediately upon full conversion of the outstanding Convertible Bonds at Conversion Price (Note)	
	<i>No. of Shares</i>	<i>Approximately %</i>	<i>No. of Shares</i>	<i>Approximately %</i>
The Bondholder	1,000,000,000	10.72	2,000,000,000	19.37
Ms. Cheung ^(Note)	1,450,000,000	15.55	1,450,000,000	14.04
Public Shareholders	6,877,172,000	73.73	6,877,172,000	66.59
Total:	<u>9,327,172,000</u>	<u>100.00</u>	<u>10,327,172,000</u>	<u>100.00</u>

Note:

Ms. Cheung directly holds 1,450,000,000 Shares in her own capacity as beneficial owner.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out other equity fund raising activities during the 12 months immediately preceding the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of Terms will be submitted to the Stock Exchange by the Company in due course.

As at the date of this announcement, the Bondholder is wholly owned by Ms. Cheung, who is an executive Director and a substantial shareholder of the Company having an aggregate interest of 2,450,000,000 Shares in the Company, representing approximately 26.27% of the total issued share capital of the Company. The Bondholder is therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Alteration of Terms constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The EGM will be convened by the Company to consider and, if thought fit, approve the Deed of Variation and the transactions contemplated thereunder by way of poll. The Bondholder and Ms. Cheung together with their respective associates will abstain from voting in respect of the resolution(s) approving the Deed of Variation and the transactions contemplated thereunder at the EGM.

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to give recommendations to the Independent Shareholders on the Deed of Variation and the transactions contemplated thereunder. The Independent Financial Adviser will be appointed by the Company in due course to advise and give recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Variation and the transactions contemplated thereunder.

GENERAL

A circular containing, among other matters, (i) details of the Deed of Variation; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM, will be despatched to the Shareholders on or before 31 January 2018.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Alteration of Terms”	the proposed alteration of certain terms and conditions of the outstanding Convertible Bonds pursuant to terms of the Deed of Variation
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder”	Internet Finance Investment Co. Ltd., a company incorporated under the law of the British Virgin Islands, which is wholly owned by Ms. Cheung and the holder of the outstanding Convertible Bonds as at the Latest Practicable Date
“Company”	Asia Investment Finance Group Limited, a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Conversion Price”	being HK\$0.10 per Share
“Conversion Share(s)”	1,000,000,000 new Shares to be allotted and issued following the exercise by the outstanding Convertible Bonds holder(s) of his/her/their rights at the Conversion Price
“Convertible Bonds”	the zero coupon convertible bonds issued by the Company on 18 February 2016 pursuant to the terms of the Subscription Agreement or such convertible bonds as amended by the Deed of Variation (as the case may be)
“Deed of Variation”	the deed of variation dated 10 January 2018 entered into between the Company and the Bondholder in relation to the Alteration of Terms
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and, if thought fit, approve, among others, the Deed of Variation and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“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”	a Board committee comprising all independent non-executive Directors established to make recommendation to the Independent Shareholders in relation to the Deed of Variation and the transactions contemplated thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to give advice and make recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Variation and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholders excluding Ms. Cheung, the Bondholder and their respective associates
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Cheung”	Ms. Cheung Kwan, who is interested in approximately 26.27% of the issued share capital of the Company and owns the entire shareholding interest in the Bondholder as at the date of this announcement
“Share(s)”	existing ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 5 November 2015 entered into among the Company, the Bondholder and Ms. Cheung in relation to, among others, the subscription of the Convertible Bonds by the Bondholder
“%”	per cent.

By Order of the Board
Asia Investment Finance Group Limited
Wei Jiafu
Executive Director

Hong Kong, 10 January 2018

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Cheung Kwan, Mr. Wei Jiafu, Mr. Liu Hu and Mr. Wong Kwong Sum; one non-executive Director, Ms. Wang Angel Yunxiao; and four independent non-executive Directors, namely Mr. Anthony Espina, Mr. Wong Tin Yau, Kelvin, Mr. Ho Chun Chung, Patrick and Mr. Ge Ming.