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ASIA INVESTMENT FINANCE GROUP LIMITED

亞投金融集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 33)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
PROVISION OF LOANS TO
INDEPENDENT THIRD PARTIES**

SUMMARY

The Company wishes to report that Harmonic Strait Credit Guarantee Co., Ltd, a subsidiary of the Company established in Beijing, the PRC, received two notices issued by the Bureau in December 2016 and in April 2017, respectively, in which it was alleged that Harmonic Strait had breached certain regulations governing the operation of financing guarantee companies in the PRC by (i) granting loans directly to other entities and (ii) misapplication of its funds.

Harmonic Strait has granted to each of Tianchen and Hanbanglian a loan of RMB30 million, respectively in January 2016 believing that granting loans was within its business scope. Pursuant to section 21 of the Interim Measures, financing guarantee companies should not conduct, among others, accepting savings and lending loans. Both the Tianchen Loan and the Hanbanglian Loan were fully repaid to Harmonic Strait in November 2017.

Harmonic Strait also has receivables due from its related parties amounted to approximately RMB4.46 million and approximately RMB11.6 million for the financial year 2016 and 2017, respectively. Pursuant to paragraph 2 of part 2 of the Further Strengthening Notice, funds of a financing guarantee company shall be applied to conduct its approved business(es). The Company wishes to clarify that RMB9.96 million of those receivables due from related parties is actually investment made by Harmonic Strait in Shenzhen Hanhong which is within the business scope of Harmonic Strait.

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Tianchen Loan and the Hanbanglian Loan at the relevant time are more than 5% but are less than 25%, respectively, each of the Tianchen Loan and Hanbanglian Loan constituted a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements, but is exempt from circular and independent Shareholders' approval requirements.

The Company would like to advise that the Company did not issue announcements in relation to the Loans at the relevant time for the reason that the then directors of Harmonic Strait had mistakenly believed that granting loans was within the business scope of Harmonic Strait and thus, the Loans were granted in the ordinary course of business of Harmonic Strait.

In connection with the Loans, the Company has sought advice from its PRC legal advisers and is advised that as the Loans had been fully repaid to Harmonic Strait, it is unlikely for the Bureau to impose substantial penalty on Harmonic Strait and thus, adverse material effect on the Company and Harmonic Strait is unlikely to happen.

Further, to avoid similar events from happening, the Company, in addition to its rectification action, has also implemented certain internal control measures. Please refer to page 9 of this announcement.

INTRODUCTION

The Company wishes to report that Harmonic Strait received two notices issued by the Bureau in December 2016 and in April 2017, respectively. It is alleged in the Notices that Harmonic Strait had breached certain regulations governing the operation of financing guarantee companies in the PRC. In January 2016, Harmonic Strait provided (i) a loan of RMB30 million to Tianchen and (ii) a loan of RMB30 million to Hanbanglian. Pursuant to section 21 of the Interim Measures, financing guarantee companies should not conduct, among others, accepting savings and lending loans. Harmonic Strait also has certain receivables due from its related parties and it is alleged in the Notices that they were in breach of paragraph 2 of part 2 of the Further Strengthening Notice which requires the funds of a financing guarantee company be applied only to conduct its approved business(es).

THE LOANS

The principal terms of the Tianchen Agreement and Hanbanglian Agreement are as follows:

The Tianchen Agreement

Date	:	20 January 2016 (as varied by the Tianchen Repayment Agreement dated 16 February 2017)
Lender	:	Harmonic Strait
Borrower	:	Tianchen
Principal amount	:	RMB30 million
Interest rate	:	a fixed interest rate of 6% per annum calculated on the basis of 365-day year.
Term	:	12 months, which was extended to 1 February 2018 by the Tianchen Repayment Agreement.

Default interest : a compound interest rate of 4% per day on the amount of overdue interest.

Repayment : Tianchen shall repay the interest on the last 20th day of each quarter and repay the principal amount on the due date.

Pursuant to the Tianchen Repayment Agreement, Tianchen shall repay the principal amount by three installments of RMB10 million each no later than 1 February 2018.

Use : proceeds shall only be applied to purchase raw materials.

Security : charge over 6,250 tonnes of Tianchen's ferrochrome inventory in favour of Harmonic Strait.

The Tianchen Loan was fully repaid by Tianchen on 2 November 2017.

The Hanbanglian Agreement

Date : 26 January 2016 (as varied by the Hanbanglian Repayment Agreement dated 15 February 2017)

Lender : Harmonic Strait

Borrower : Hanbanglian

Principal amount : RMB30 million

Interest rate : a fixed interest rate of 6% per annum calculated on the basis of 365-day year.

Term : 12 months, which was extended to 1 February 2018 by the Tianchen Repayment Agreement.

Default interest : a compound interest rate of 4% per day on the amount of overdue interest.

Repayment : Hanbanglian shall repay the interest on the last 20th day of each quarter and repay the principal amount on the due date.

Pursuant to the Hanbanglian Repayment Agreement, Hanbanglian shall repay the principal amount by three installments of RMB10 million each no later than 1 February 2018.

Use : proceeds shall only be applied to purchase raw materials.

Security : charge over 1,520 tonnes of Hanbanglian's viridian inventory in favour of Harmonic Strait.

The Hanbanglian Loan was fully repaid by Hanbanglian on 15 November 2017.

Funding of the Loans

Each of the Tianchen Loan and the Hanbanglian Loan granted by Harmonic Strait was funded by internal resources of Harmonic Strait.

Information on the Group, Harmonic Strait, Tianchen and Hanbanglian

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

Harmonic Strait is a 90% owned subsidiary of the Company and is a holder of the Business License for Financing Guarantee Institutions* (融資性擔保機構經營許可證) pursuant to the Interim Measures. Harmonic Strait is principally engaged in the provision of financing guarantee.

Tianchen is a company established in the PRC with limited liability and is principally engaged in the business of import and export of goods, minerals, chemical raw materials and products, metals materials, construction materials, wholesale and retail of electrical hardware, packaging materials, manufacturing of packaging materials and warehousing.

Hanbanglian is a company established in the PRC with limited liability and is principally engaged in the business of house construction, steel structure engineering, municipal utilities projects and construction and decoration works.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Tianchen and Hanbanglian is a third party independent of the Company and its connected persons (has the meaning ascribed to it under the Listing Rules) of the Company.

Reasons for entering into the Loan Agreements

The then director of Harmonic Strait had mistakenly believed that granting loans was within the business scope of Harmonic Strait and thus, the Loan Agreements were entered into by Harmonic Strait in its ordinary course of business.

The terms of the Loan Agreements were negotiated on an arm's length basis between Harmonic Strait and each of Tianchen and Hanbanglian respectively. The Directors believe that the terms of the Loan Agreements (including the interest rate and term of loan) are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

Implications of the Loans under the Listing Rules

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of each of the Tianchen Loan and the Hanbanglian Loan at the relevant time are more than 5% but are less than 25%, respectively, the provision of each of the Tianchen Loan and Hanbanglian Loan constituted a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements, but is exempt from circular and independent Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company would like to advise that the Company did not issue announcements in relation to the Loans at the relevant time for the reason that the then directors of Harmonic Strait had mistakenly believed that granting loans was within the business scope of Harmonic Strait and thus, the Loans were granted in the ordinary course of business of Harmonic Strait.

Implications of the Loans under the Interim Measures

As stated in the Notices, the provision of the Loans by Harmonic Strait were in breach of section 21 of the Interim Measures. The Company has been advised by its PRC legal advisers that as the Loans had been fully repaid, it is unlikely for the Bureau to impose substantial penalty on Harmonic Strait in connection with the Loans and thus, adverse material effect on the Company and Harmonic Strait is unlikely to happen.

THE ALLEGED OCCUPIED CAPITALS

It is alleged in the Notices that approximately RMB4.46 million of Harmonic Strait fund occupied by its related parties in 2016 (the “**2016 Occupied Capital**”) and approximately RMB11.6 million of its fund occupied by its related parties in 2017 (the “**2017 Occupied Capital**”), respectively which were in contradiction to paragraph 2 of part 2 of the Further Strengthening Notice.

The 2016 Occupied Capital

Of the 2016 Occupied Capital, RMB2.81 million is fund (the “**Preparation Fund**”) withdrawn in the name of a director of Harmonic Strait (the “**Entrusted Director**”) for the proposed establishment of a branch company in Shandong Province of the PRC (the “**Shandong Project**”). In 2011, the Entrusted Director was entrusted by Harmonic Strait to carry out preparation work for the implementation of the Shandong Project and the Preparation Fund was paid to him. However, as the Shandong Project had been subsequently terminated, the Entrusted Director repaid the Preparation Fund in full to Harmonic Strait in November 2016.

The remaining portion of approximately RMB1.65 million of the 2016 Occupied Capital, is actually an inter-companies receivable owed by New Smart (the “**New Smart Receivable**”). The New Smart Receivable is the withholding tax paid by Harmonic Strait on behalf of New Smart in connection with the distribution of dividends in 2013. New Smart intends to settle the New Smart Receivable as soon as reasonably practicable.

The 2017 Occupied Capital

Of the 2017 Occupied Capital, RMB9.96 million is investment made by Harmonic Strait in Shenzhen Hanhong which had been temporarily booked as a receivable pending the approval of the Administration of Commerce and Industry of Beijing (北京市工商管理局) (the “**Shenzhen Hanhong Receivable**”, with the New Smart Receivables collectively, the “**Intra-group Receivables**”) which was subsequently reflected as an investment when the aforesaid approval had been obtained. The remaining portion related to the New Smart Receivable is approximately RMB1.65 million.

Implications of the Preparation Fund and the Intra-group Receivables under the Listing Rules

The Preparation Fund

As explained hereinabove, the Preparation Fund was initially advanced to the Entrusted Director so that the Entrusted Director could pay expenses on behalf of Harmonic Strait in connection with the Shandong Project. The Preparation Fund is never intended to be a personal loan to the Entrusted Director and therefore, it was not a connected transaction in substance and there is no implication under Chapter 14A of the Listing Rules.

The Intra-group Receivables

The New Smart Receivable is an inter-companies receivable between subsidiaries of the Company and as explained above, the Shenzhen Hanhong Receivable is an investment made by Harmonic Strait. Both of them are not connected transactions and thus, there are no implications under Chapter 14A of the Listing Rules.

Implications of the Intra-group Receivables under the Further Strengthening Notice

In relation to the Intra-group Receivables, the Company has consulted its PRC legal advisers who confirmed that inter-company loans between subsidiary and holding company are very common in the PRC but a financing guarantee company's funds should only be applied to conduct its approved business(es). Based on such advice and the fact that "making investment by its own fund" is one of the approved business scope of Harmonic Strait, the Directors are of the view the Shenzhen Hanhong Receivable did not constitute any breach under the Further Strengthening Notice. Harmonic Strait is currently communicating with the Bureau to clarify the nature of New Smart Receivable and the Shenzhen Hanhong Receivable. As at the date hereof, the Company has not received any response from the Bureau.

In the event that the Bureau upholds its determination that the Intra-group Receivables constituted breaches under the Further Strengthening Notice, according to the Company's PRC legal advisers, Harmonic Strait must first rectify the breaches within a designated period before its Business License for Financing Guarantee Institutions can be further renewed. The executive director will closely monitor the situation and will issue further announcement if the final determination of the Bureau in connection with the Intra-group Receivables would have a material adverse effect on the Group as a whole.

REMEDIAL ACTIONS TAKEN BY THE COMPANY

To avoid similar events from happening, the Company, since the receipt of the Notices, in addition to its actions taken to rectify the alleged breaches, has also implemented the following measures:

1. executive Directors conducted an on-site investigation at Harmonic Strait in August 2017 and gathered relevant information;
2. PRC legal advisers were engaged to provide professional advice on, including but not limited to, Harmonic Strait's legal position and the rectification actions; and
3. internal control policy was issued to directors and senior management of Harmonic Strait on 13 November 2017 requiring them to closely monitor their respective responsible business operations, especially credit and financing business, to ensure such operations are in compliance of the relevant laws and regulations (including the Listing Rules) and control procedures are established to ensure the disclosure and relevant approval requirements of the Listing Rules are strictly followed.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	board of Directors of the Company
“Bureau”	北京市金融工作局 (Beijing Municipal Bureau of Financial Work)
“Company”	Asia Investment Finance Group Limited (亞投金融集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 33)
“Director(s)”	the director(s) of the Company
“Further Strengthening Notice”	關於進一步加強融資性擔保機構管理的通知 (Notice on Further Strengthening the Administration of Financing Guarantee Companies*), promulgated by 北京市金融工作局 (Beijing Municipal Bureau of Financial Work) on 16 April 2012
“Group”	the Company and its subsidiaries
“Hanbanglian”	天津漢邦聯建築工程有限公司 (Tianjin Hanbanglian Construction Limited*), a company established in the PRC with limited liability
“Hanbanglian Agreement”	the loan agreement dated 26 January 2016 (as varied by the Hanbanglian Repayment Agreement dated 15 February 2017) entered into between Harmonic Strait and Hanbanglian in relation to the grant of the Hanbanglian Loan

“Hanbanglian Loan”	a loan with aggregate principal amount of RMB30 million granted by Harmonic Strait to Hanbanglian pursuant to the Hanbanglian Agreement
“Hanbanglian Repayment Agreement”	the repayment agreement dated 15 February 2017 entered into by Harmonic Strait and Hanbanglian to vary the repayment schedule of the Hanbanglian Loan
“Harmonic Strait”	和協海峽融資擔保有限公司 (Harmonic Strait Credit Guarantee Co., Ltd.*), being a 90% owned subsidiary of the Company, is a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Interim Measures”	融資性擔保公司管理暫行辦法 (Interim Measures for the Administration of Financing Guarantee Companies*), promulgated by the China Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People’s Bank of China and the State Administration for Industry and Commerce on 8 March 2010
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the Tianchen Loan and the Hanbanglian Loan
“Loan Agreements”	the Hanbanglian Agreement and the Tianchen Agreement

“New Smart”	Hong Kong New Smart Energy Group Limited, being a wholly owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability and the immediate holding company of Harmonic Strait
“Notices”	notices issued by the Bureau to Harmonic Strait in December 2016 and in April 2017, respectively alleging certain breaches committed by Harmonic Strait
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shenzhen Hanhong”	深圳瀚宏供應鏈管理有限公司 (Shenzhen Hanhong Supply Chain Management Limited*), being a wholly owned subsidiary of Harmonic Strait, is a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianchen”	天辰致遠(天津)進出口貿易有限公司 (Tianchen Zhiyuan (Tianjin) Trading Limited*), a company established in the PRC with limited liability
“Tianchen Agreement”	the loan agreement dated 20 January 2016 (as varied by the Tianchen Repayment Agreement) entered into between Harmonic Strait and Tianchen in relation to the grant of the Tianchen Loan

“Tianchen Loan”	a loan with aggregate principal amount of RMB30 million granted by Harmonic Strait to Tianchen pursuant to the Tianchen Agreement
“Tianchen Repayment Agreement”	the repayment agreement dated 16 February 2017 entered into by Harmonic Strait and Tianchen to vary the repayment schedule of the Tianchen Loan
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

* *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for identification purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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

Hong Kong, 2 February 2018

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Cheung Kwan, Mr. Wei Jiafu, Mr. Wong Kwong Sum and Mr. Liu Hu; 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.