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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)**

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

**DEED OF VARIATION**

On 18 February 2019 (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, (i) the maturity date of the Outstanding Convertible Bonds in the principal amount of HK\$100,000,000 will be extended from 18 February 2019 to 18 February 2020; (ii) the Outstanding Convertible Bonds will bear interest at the rate of 5% per annum commencing from 18 February 2019 and (iii) the principal amount of the Instrument creating the Outstanding Convertible Bonds will be increased from HK\$100,000,000 to HK\$105,000,000. Save for the above proposed alteration, all other terms and conditions of the Outstanding Convertible Bonds and the Instrument shall remain unchanged.

## **ISSUE OF ADDITIONAL CONVERTIBLE BONDS**

In consideration of the Bondholder agreeing to enter into the Deed of Variation, the Company shall issue the Additional Convertible Bonds in the principal amount of HK\$5,000,000 to the Bondholder immediately after the Alteration of Terms becoming effective.

## **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 Deed of Variation 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 8 March 2019.

## **BACKGROUND**

Reference is made to the announcements dated 5 November 2015, 18 February 2016 and 10 January 2018, and the circular dated 8 January 2016 and 28 February 2018 of the Company in relation to, among other things, the issuance of the Outstanding Convertible Bonds and amendment of its terms. Pursuant to the Subscription Agreement and the Instrument, the Company issued the Outstanding Convertible Bonds in the total principal amount of HK\$100,000,000 to the Bondholder on 18 February 2016. Pursuant to the Prior DOV, the maturity date of the Outstanding Convertible Bonds was extended from 18 February 2018 to 18 February 2019. As at the date of this announcement, the Outstanding Convertible Bonds in the principal amount of HK\$100,000,000 are outstanding and held by the Bondholder. The Outstanding Convertible Bonds are unsecured and shall mature on 18 February 2019.

On 18 February 2019 (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 Outstanding Convertible Bonds and the Instrument and the proposed issue of the Additional Convertible Bonds.

## **DEED OF VARIATION**

Date: 18 February 2019

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

## Alteration of Terms

Pursuant to the Deed of Variation, it is agreed that:

- (i) the maturity date of the Outstanding Convertible Bonds will be extended from 18 February 2019 to 18 February 2020;
- (ii) the Outstanding Convertible Bonds will bear interest at the rate of 5% per annum commencing from 18 February 2019; and
- (iii) the principal amount of the Instrument creating the Outstanding Convertible Bonds will be increased from HK\$100,000,000 to HK\$105,000,000.

Save for the above proposed alterations under the Deed of Variation, all other terms and conditions of the Outstanding Convertible Bonds and the Instrument shall remain unchanged.

The principal terms of the Outstanding Convertible Bonds immediately prior to the Deed of Variation are set out as follows:

Interest rate: Nil

Adjustment to Conversion Price: The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Outstanding Convertible Bonds upon occurrence of, among other things, the following events:

- (i) consolidation or subdivision of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution; and
- (iv) offer of new Shares for subscription by way of rights, or issue or grant options or warrants or other rights to subscribe for new Shares, at a price which is less than 80% of the market price per Share.

- Redemption:** The Company shall redeem the Outstanding Convertible Bonds then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date.
- Transferability:** Subject to the Listing Rules, the grant of approval for the listing and permission to deal in the Conversion Shares and other relevant approvals and requirements, the Outstanding Convertible Bonds are freely transferable by the bondholders.
- Voting rights:** A bondholder will not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it being a bondholder.
- Ranking:** The Outstanding Convertible Bonds constitute unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves and all existing and future unsubordinated and unsecured obligations of the Company.
- Events of default:** After the occurrence of an event of default as specified in the terms and conditions of the Outstanding Convertible Bonds, a bondholder may give notice to the Company that the Convertible Bonds are immediately due and payable.

### **Issue of Additional Convertible Bonds**

Pursuant to the Deed of Variation, in consideration of the Bondholder agreeing to enter into the Deed of Variation, the Company shall issue the Additional Convertible Bonds in the principal amount of HK\$5,000,000 to the Bondholder immediately after the Alteration of Terms becoming effective.

The Alteration of Terms and the issue of the Additional Convertible Bonds were arrived at after arm's length negotiations between the Company and the Bondholder with reference to, among others, the existing financial condition and resources of the Group.

## **Conversion Shares**

Assuming full conversion of the Convertible Bonds in the aggregate principal amount of HK\$105,000,000 at the Conversion Price of HK\$0.10 per Share, 1,050,000,000 Conversion Shares will be allotted and issued by the Company, representing:

- (i) approximately 11.26% of issued share capital of the Company as at the date of the Deed of Variation; and
- (ii) approximately 10.12% issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

## **Conversion Price**

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

- (i) a premium of approximately 95% to the closing price of the Shares of HK\$0.053 per Share as quoted on the Stock Exchange on 18 February 2019, being the date of the Deed of Variation;
- (ii) a premium of approximately 108% to the average closing price of approximately HK\$0.048 per Share as quoted on the Stock Exchange for the last five trading days immediately before the date of the Deed of Variation.

## **Conditions Precedent**

The Deed of Variation 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) the issue of the Additional Convertible Bonds; and (iii) the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds;

- (b) the approval from holder of the Outstanding 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 of the Stock Exchange 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 Convertible Bonds; and
- (d) the Company having obtained from the Stock Exchange all requisite approval or consent to the Alteration of Terms.

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 all conditions precedent.

None of the conditions precedent can be waived. If any of the conditions precedent above has not been fulfilled on or before 8 May 2019 (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, asset management, money lending, credit guarantee, trading, security high-tech product development and production, international security service business.

After considering the Bondholder's agreement to extend the maturity date of the Outstanding Convertible Bonds and other terms of the Deed of Variation, the Board is of the view that it is more beneficial for the Group to enter into the Deed of Variation than to obtain external financing.

## 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 Convertible Bonds.

## MANDATE FOR THE ISSUE OF THE CONVERSION SHARES

The Company will seek the specific mandate from the Independent Shareholders at the EGM for the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds.

## 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 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 after full conversion of the Convertible Bonds at the Conversion Price of HK\$0.10 per Share are illustrated as follows:

Shareholders	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds at the Conversion Price	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Bondholder	1,000,000,000	10.72	2,050,000,000	19.75
Ms Cheung ( <i>note</i> )	1,450,000,000	15.55	1,450,000,000	13.97
Public shareholders	6,877,172,000	73.73	6,877,172,000	66.27
Total	<u>9,327,172,000</u>	<u>100.00</u>	<u>10,377,172,000</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 any 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 Deed of Variation 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 8 March 2019.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Additional Convertible Bonds”	the convertible bonds in the principal amount of HK\$5 million to be issued by the Company to the Bondholder pursuant to the Instrument and the Deed of Variation
“Alteration of Terms”	the proposed alteration of certain terms and conditions of the Outstanding Convertible Bonds and the Instrument pursuant to the Deed of Variation
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of directors of the Company
“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
“connected persons”	has the meaning ascribed to it in the Listing Rules
“Company”	Asia Investment Finance Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange

“Conversion Price”	being HK\$0.10 per Share
“Conversion Share(s)”	the Shares to be issued upon exercise of the conversion rights attaching to the Outstanding Convertible Bonds and Additional Convertible Bonds at the Conversion Price
“Convertible Bonds”	the Outstanding Convertible Bonds and the Additional Convertible Bonds
“Deed of Variation”	the deed of variation dated 18 February 2019 entered into between the Company and the Bondholder in relation to certain amendments of the Instrument and the terms and conditions of the Outstanding Convertible Bonds
“Directors”	the directors 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Instrument”	the deed poll dated 18 February 2016 executed by the Company creating the zero coupon convertible bonds due 2018 in the principal amount of HK\$100 million and as amended by the Prior DOV
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Prior DOV”	the deed of variation dated 10 January 2018 entered into between the Company and the Bondholder amending the Instrument and the terms and conditions of the Outstanding Convertible Bonds, namely extending the maturity date of the Outstanding Convertible Bonds to 18 February 2019
“Outstanding Convertible Bonds”	the outstanding convertible bonds in the principal amount of HK\$100 million issued by the Company to the Bondholder pursuant to the Subscription Agreement and the Instrument as amended by the Prior DOV
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“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 Outstanding Convertible Bonds by the Bondholder

By Order of the Board of  
**Asia Investment Finance Group Limited**  
**Cheung Kwan**  
*Chairperson and Executive Director*

Hong Kong, 18 February 2019

*As at the date of this announcement, the executive Directors of the Company are Ms. Cheung Kwan (Chairman), Mr. Sun Yu, Mr. Liu Hu and Ms. Zhao Hong Mei; the non-executive Directors are Mr. Wang Dayong and Mr. Li Xin; the independent non-executive Directors are Mr. Anthony Espina, Ms. Jin Xin, and Mr. Wang Jun Sheng.*