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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

On 5 December 2018 after trading hours, the Purchaser entered into the Agreement with the Vendors pursuant to which the Purchaser has conditionally agreed to acquire from the Vendors (i) 100% equity interest in International Security Net Co., Limited (Target A) and (ii) 51% equity interest in Dewe Kexin (Beijing) Technology Co., Ltd. (Target B) at the total consideration of HK\$70 million, which is to be satisfied by the issue of the Convertible Bonds.

Based on the relevant percentage ratios calculations under the Listing Rules, the Acquisition constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE AGREEMENT

Date: 5 December 2018

Parties:

1. Hongkong Dewe Security Services Co., Limited (香港德威保安服務有限公司) and Beijing Dewe Security Services Co., Ltd (北京德威保安服務有限公司) as Vendors; and
2. B&R Security International Company Limited (一帶一路安保國際有限公司) which is a wholly owned subsidiary of the Company as Purchaser.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

(i) 100% equity interest in Target A, being the entire issued share capital of Target A and (ii) 51% equity interest in Target B.

Consideration

The consideration is HK\$70 million, which is subject to adjustment as set out under the section headed "Profit guarantee and compensation" below.

The consideration is to be satisfied by the Purchaser by way of issuing the Convertible Bonds in the equivalent amount to the Vendors or their nominees upon Completion.

Basis of consideration

The consideration of HK\$70 million was determined after arm's length negotiations between the Vendors and the Company after taking into consideration of (i) the indicative fair value of the Vendor's interest in the Target Group as at 31 October 2018 of approximately HK\$70 million as advised by Access Partner Consultancy & Appraisals Limited, an independent professional valuer, (ii) the financial and operating performance of the Target Group and latest financial position of the Target Group as shown in the management accounts of the Target Group as at 30 June 2018; and (iii) the profit guarantee provided by the Vendors under the Agreement as set out under the section headed "Profit guarantee and compensation" below.

The valuation method used for the indicative value of the Target Group was based on market approach, which does not constitute a profit forecast under the Listing Rules.

Profit guarantee and compensation

The Vendors irrevocably and unconditionally guarantee to the Purchaser that:

- (i) the combined audited consolidated net profit after tax (excluding extraordinary or exceptional items according to the Hong Kong Financial Reporting Standards) of the Target Group for the year ended 31 December 2018 ("**2018 Net Profit**") shall be no less than HK\$10 million ("**2018 Guaranteed Profit**");
- (ii) the combined audited consolidated net profit after tax (excluding extraordinary or exceptional items according to the Hong Kong Financial Reporting Standards) of the Target Group for the year ended 31 December 2019 ("**2019 Net Profit**") shall be no less than HK\$30 million ("**2019 Guaranteed Profit**");
- (iii) the combined audited consolidated net profit after tax (excluding extraordinary or exceptional items according to the Hong Kong Financial Reporting Standards) of the Target Group for the year ended 31 December 2020 ("**2020 Net Profit**") shall be no less than HK\$40 million ("**2020 Guaranteed Profit**").

If the 2018 Net Profit shall be less than the 2018 Guaranteed Profit, the Vendors shall pay compensation (“**2018 Compensation**”) to Company according to the following formula:

$$A = \text{HK\$}70,000,000 \quad \times \quad \frac{2018 \text{ Guaranteed Profit} - 2018 \text{ Net Profit}}{2018 \text{ Guaranteed Profit}}$$

where A is the 2018 Compensation payable to the Company. For the avoidance of doubt, if the 2018 Net Profit shall be negative, it shall be deemed to be zero. The maximum amount of the 2018 Compensation shall be HK\$8,750,000.

If the 2019 Net Profit shall be less than the 2019 Guaranteed Profit, the Vendors shall pay compensation (“**2019 Compensation**”) to Company according to the following formula:

$$B = \text{HK\$}70,000,000 \quad \times \quad \frac{2019 \text{ Guaranteed Profit} - 2019 \text{ Net Profit}}{2019 \text{ Guaranteed Profit}}$$

where B is the 2019 Compensation payable to the Company. For the avoidance of doubt, if the 2019 Net Profit shall be negative, it shall be deemed to be zero. The maximum amount of the 2019 Compensation shall be HK\$26,250,000.

If the 2020 Net Profit shall be less than the 2020 Guaranteed Profit, the Vendors shall pay compensation (“**2020 Compensation**”) to Company according to the following formula:

$$C = \text{HK\$}70,000,000 \quad \times \quad \frac{2020 \text{ Guaranteed Profit} - 2020 \text{ Net Profit}}{2020 \text{ Guaranteed Profit}}$$

where C is the 2020 Compensation payable to the Company. For the avoidance of doubt, if the 2020 Net Profit shall be negative, it shall be deemed to be zero. The maximum amount of the 2020 Compensation shall be HK\$35,000,000.

The Vendors and the Purchaser shall procure the auditor nominated by the Purchaser to complete the audited financial statements of the Target Group for each of the year ended 31 December 2018, 2019 and 2020 within 3 months after the end of the relevant period. The compensation (if any) shall be paid by the Vendors to the Purchaser within 7 Business Days after determination of the 2018 Net Profit, 2019 Net Profit and 2020 Net Profit respectively. The Vendors shall be entitled to elect to pay the compensation in cash or by way of set off against an equivalent principal amount of the Convertible Bonds.

Conditions precedent

Completion of the Agreement is subject to the following conditions precedent:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target Group;
- (b) all necessary consents and approvals required to be obtained on the part of the Vendors, the Target Group, the Purchaser and the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (c) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Agreement and the transactions contemplated thereunder having been obtained;
- (d) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares;
- (e) the obtaining of a valuation report on the Target Group of not less than HK\$70 million from an independent professional valuer (in form and substance satisfactory to the Purchaser);
- (f) the warranties by the Vendors set out in the Agreement remaining true and accurate in all respects; and
- (g) there being no material adverse change in the financial condition, business or assets, operations and prospects of the Target Group.

If the above conditions are not satisfied (or as the case may be, waived by the Purchaser in respect of (a), (f) and (g) only) on or before 5:00 p.m. on 31 December 2018, or such later date as the Vendors and the Purchaser may agree, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms hereof. The Purchaser has no intention to waive any of the above conditions which would adversely affect the interest of the Purchaser.

Completion

Completion shall take place on the fifth Business Day after all the conditions precedent of the Agreement are satisfied (or waiver the case may be), or such other date as the Vendors and the Purchaser may agree in writing.

After Completion, both Target A and Target B will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Company.

Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

Issuer

The Company

Principal amount

HK\$70 million

Interest

The Convertible Bonds do not bear any interest.

Maturity

On the third anniversary of the date of issue of the Convertible Bonds.

Conversion price

The conversion price is HK\$0.1 per Conversion Share, subject to adjustments arising from share consolidation, share subdivision, capitalisation issue and issue of new securities at more than 80% discount to market price as provided in the terms of the Convertible Bonds.

The conversion price represents:

- (a) a premium of approximately 163% to the closing price of HK\$0.038 per Share as quoted on the Stock Exchange on 5 December 2018, being the date of the Agreement; and
- (b) 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 5 consecutive trading days immediately prior to the date of the Agreement.

The conversion price was determined after arm's length negotiations between the Company and the Vendors with reference to, among other things, the prevailing market price of the Shares.

Conversion

Provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds and parties acting in concert with it (as defined under the Takeovers Code); (ii) does not result in the Company's non-compliance with the minimum public shareholding requirement under Rule 8.08 or other similar provisions of the Listing Rules and (iii) does not exceed the general mandate given by the Shareholders to the Directors to issue the Conversion Shares:

- (a) the first tranche Convertible Bonds in the principal amount of HK\$8,750,000 (or any part thereof in the amount of HK\$1,000,000 or integral multiples thereof) shall become convertible from the date of settlement of the 2018 Compensation until the maturity date;
- (b) the second tranche Convertible Bonds in the principal amount of HK\$26,250,000 (or any part thereof in the amount of HK\$1,000,000 or integral multiples thereof) shall become convertible from the date of settlement of the 2019 Compensation until the maturity date;
- (c) the third tranche Convertible Bonds in the principal amount of HK\$35,000,000 (or any part thereof in the amount of HK\$1,000,000 or integral multiples thereof) shall become convertible from the date of settlement of the 2020 Compensation until the maturity date.

Ranking of Conversion Shares

The Conversion Shares will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares.

Transferability

The Convertible Bonds shall be transferable in denominations of the principal amount of HK\$1,000,000 subject to prior written consent of the Company and compliance with all requirements of the Listing Rules and/or the Stock Exchange.

Redemption

The Company may redeem the Convertible Bonds at 100% of the principal outstanding amount at any time prior to the maturity date. Any Convertible Bonds outstanding on the maturity date shall be mandatorily converted.

Listing

No application will be made for the listing of the Convertible Bonds.

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares which may fall to be issued upon conversion of the Convertible Bonds.

EFFECT ON THE SHAREHOLDING STRUCTURE

The maximum of 700,000,000 Conversion Shares to be issued upon full conversion of the Convertible Bonds represent:

- (a) approximately 7.50% of the existing total number of issued Shares; and
- (b) approximately 6.98% of the total number of issued Shares as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

The shareholding structure of the Company (i) as at the date of this announcement and (ii) upon conversion in full of the Convertible Bonds into Conversion Shares at the conversion price of HK\$0.1 per Conversion Share are as follows:

Name of Shareholders	As at the date of this announcement		Immediately after conversion of the Convertible Bonds in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders				
Internet Finance Investment Co. Ltd. and/or Ms. Cheung Kwan (<i>Note</i>)	2,450,000,000	26.3	2,450,000,000	24.4
Public Shareholders				
Vendors	–	–	700,000,000	7.0
Other public Shareholders	<u>6,877,172,000</u>	<u>73.7</u>	<u>6,877,172,000</u>	<u>68.6</u>
	<u><u>9,327,172,000</u></u>	<u><u>100.0</u></u>	<u><u>10,027,172,000</u></u>	<u><u>100.0</u></u>

Note: Internet Finance Investment Co. Ltd. is wholly owned by Ms. Cheung Kwan, executive Director.

INFORMATION ON THE TARGET GROUP

Vendor A and B are the subsidiaries of DEWE WORLDWIDE SECURITY SERVICE GROUP (DWSS). DWSS is a leading and professional overseas security company in China that has successful management experience providing integrated overseas security services for Chinese-funded enterprises and institutions.

DWSS has established localized professional security service companies in China mainland, as well as in Kenya, Hong Kong and other regions.

DWSS's clients mainly include the Ministry of Foreign Affairs, the Ministry of Commerce, the Ministry of Education, the Confucius Institute Headquarters and other government agencies; Sinopec, China Poly Group Corporation, China Communications Construction Company Limited, China State Construction Engineering Corporation, Industrial and Commercial Bank, China Development Bank, etc. more than 50 large state-owned enterprises, and a large number of overseas Chinese business enterprises.

DWSS is a member of the China Security Association; an executive member of the council of Beijing Security Association and a standing committee member of the Overseas Security Service Professional Committee; Received the credit rating of AAA enterprise of China Export & Credit Insurance Corporation; In March 2016, Phoenix International Think Tank and Tsinghua University released the first comprehensive ranking of security companies. Beijing Dewei Security Services Co., Ltd. was ranked among the top three in China's security companies, and it has had a huge impact inside and outside the industry.

Target A is a limited company incorporated in Hong Kong. Target A is engaging in integrated security service solution for protection of assets and personnel. The principal activities include 1) Public safety consulting services; 2) Overseas on-site public safety management services; 3) Public safety training service and 4) Public safety technology guarantee service.

Target B is a limited company incorporated in the PRC and is a network security high-tech company. Based on the computing technology, it builds independent and credible information security products and solutions for public. Providing information security services to The Government agencies and conglomerate, Target B is the industry's leading provider of total security products solutions.

Target B is currently owned as to 51% by Vendor B and 49% by two Independent Third Parties.

Set out below is the audited financial information of Target A extracted from its audited accounts for the year ended 31 December 2016 and 2017:

	Year ended 31 December 2016 HK\$	Year ended 31 December 2017 HK\$
Profit before taxation	2,970,970	2,679,973
Profit after taxation	1,753,470	2,258,604
Net assets	5,622,038	7,880,642

Set out below is the audited financial information of Target B extracted from its audited accounts from 15 September 2017 (date of incorporation) to 31 December 2017:

	Year ended 31 December 2017 RMB
Loss before taxation	11,891
Loss after taxation	11,891
Net liabilities	11,891

REASONS FOR THE ACQUISITION

The management of the Group continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential investment opportunities in order to enhance value of the Group. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its source of income. By sharing the resources of the corporate aircraft and private jet business, robotic business and international security service business, it results in low cost of client resource and effective development of a comprehensive belt and road one-stop high-end service.

To this end, the Directors consider the Acquisition is in line with the Group's business diversification strategy. In view of continued and stable growth of PRC and the effect of Belt and Road Initiative (the "**Initiative**"), there will be a continued development and expansion in PRC. The Acquisition represents an investment opportunity for the Group to diversify and further expand its business portfolio. It is expected that the Acquisition will generate additional and stable cashflow.

The Directors are of the view that the terms and conditions of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Based on the relevant percentage ratios calculations under the Listing Rules, the Acquisition constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 100% equity interest in Target A and 51% equity interest in Target B pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 5 December 2018 made between the Vendors and the Purchaser relating to the sale and purchase of 100% equity interest in Target A and 51% equity interest in Target B
“Board”	the Board of directors of the Company
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“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
“Completion”	completion of the transactions contemplated under the Agreement
“Completion Date”	the date of Completion

“Conversion Shares”	the Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the maximum principal amount of HK\$70 million, to be issued by the Company in favour of the Vendors to satisfy the consideration under the Agreement
“Directors”	the directors of the Company
“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 Third Party(ies)”	a third party independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	B&R Security International Company Limited (一帶一路安保國際有限公司), a company incorporated in the Hong Kong with limited liability and a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Takeovers Code”	the Code on Takeovers and Mergers
“Target A”	International Security Net Co., Limited (國際安全網有限公司), a company incorporated in Hong Kong with limited liability and is wholly owned by Vendor A
“Target B”	德威可信(北京)科技有限公司 (Dewe Kexin (Beijing) Technology Co., Ltd*), a company incorporated in the PRC with limited liability and is owned as to 51% by Vendor B
“Target Group”	collectively Target A and Target B
“Vendors”	collectively Vendor A and Vendor B
“Vendor A”	香港德威保安服務有限公司(Hongkong Dewe Security Services Co., Limited)
“Vendor B”	北京德威保安服務有限公司 (Beijing Dewe Security Services Co., Ltd*)

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

Hong Kong, 5 December 2018

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Cheung Kwan, Mr. Liu Hu, Mr. Ling Zack Xiange and Mr. Liang Jian; one non-executive Director, Mr. Wang Dayong and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng, and Mr. Ge Ming.

* For identification only