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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: 33)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

The board (the “Board”) of directors (the “Directors”) of Asia Investment Finance Group Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2017, together with the comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended December 31, 2017*

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>	2&3	<b>176,728</b>	122,128
Cost of sales		<u>(155,059)</u>	<u>(100,232)</u>
<b>Gross profit</b>		<b>21,669</b>	21,896
Other revenue and other net (loss)/income		<b>(3,998)</b>	9,571
Operating expenses		<u>(113,030)</u>	<u>(103,746)</u>
<b>Loss from operations</b>		<u><b>(95,359)</b></u>	<u>(72,279)</u>

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Finance costs</b>			
Other borrowings		(924)	–
Notional interest		<u>(6,485)</u>	<u>(5,302)</u>
		<b>(7,409)</b>	<b>(5,302)</b>
<b>Other non-operating expenses</b>			
Share of loss of an associate		(3,813)	(1,027)
Loss on disposal of an associate		–	(8,052)
Gain on disposal of subsidiaries	4	222	–
Loss on deregistration of subsidiaries		<u>–</u>	<u>(9,714)</u>
		<b>(3,591)</b>	<b>(18,793)</b>
<b>Loss before impairment and taxation</b>		<b>(106,359)</b>	<b>(96,374)</b>
Impairment loss on prepayment		–	(20,000)
(Impairment)/reversal of impairment loss on other receivables		<u>(34,774)</u>	<u>3,279</u>
<b>Loss before taxation</b>	5	<b>(141,133)</b>	<b>(113,095)</b>
Income tax expense	6	<u>(1,827)</u>	<u>–</u>
<b>Loss for the year</b>		<b>(142,960)</b>	<b>(113,095)</b>
<b>Other comprehensive loss for the year</b>			
Item that may be reclassified subsequently to profit or loss:			
Release of translation reserve upon deregistration of foreign subsidiaries		–	(9)
Release of translation reserve upon disposal of foreign subsidiaries	4	8	–
Exchange differences on translating foreign operations		<u>11,886</u>	<u>(10,640)</u>
<b>Total comprehensive loss for the year</b>		<b><u>(131,066)</u></b>	<b><u>(123,744)</u></b>
<b>Loss for the year attributable to:</b>			
Equity shareholders of the Company		(141,274)	(113,355)
Non-controlling interests		<u>(1,686)</u>	<u>260</u>
		<b><u>(142,960)</u></b>	<b><u>(113,095)</u></b>
<b>Total comprehensive loss for the year attributable to:</b>			
Equity shareholders of the Company		(130,590)	(123,052)
Non-controlling interests		<u>(476)</u>	<u>(692)</u>
		<b><u>(131,066)</u></b>	<b><u>(123,744)</u></b>
<b>Dividends</b>	7	N/A	N/A
<b>Loss per share</b>			
— Basic	8	<b><u>HK1.51 cents</u></b>	<b><u>HK1.28 cents</u></b>
— Diluted		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>30,199</b>	29,882
Intangible assets		<b>18,388</b>	18,388
Deposit paid	<i>12</i>	<b>12,624</b>	16,000
Goodwill		<b>3,000</b>	3,000
Interest in an associate	<i>13</i>	<b>66,594</b>	–
Deferred tax assets		–	1,879
		<u><b>130,805</b></u>	<u>69,149</u>
<b>Current assets</b>			
Inventories		<b>31,860</b>	7,672
Trading securities	<i>9</i>	<b>34,392</b>	98,297
Loan receivables	<i>10</i>	<b>90,429</b>	118,000
Trade receivables	<i>11</i>	<b>14,163</b>	23,640
Prepayments, deposits and other receivables	<i>12</i>	<b>135,991</b>	201,314
Tax recoverable		<b>130</b>	580
Client trust bank balance		<b>9,345</b>	2,592
Cash and cash equivalents		<b>78,460</b>	103,831
		<u><b>394,770</b></u>	<u>555,926</u>
<b>Total Assets</b>		<u><b>525,575</b></u>	<u>625,075</u>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<b>932,717</b>	936,807
Reserves		<b>(588,918)</b>	(468,246)
Equity attributable to shareholders of the Company		<b>343,799</b>	468,561
Non-controlling interests		<b>13,935</b>	14,411
<b>Total Equity</b>		<u><b>357,734</b></u>	<u>482,972</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		–	52
		<u>–</u>	<u>52</u>

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>14,901</b>	10,437
Accruals and other payables	<i>15</i>	<b>53,816</b>	38,975
Convertible bonds	<i>17</i>	<b>99,124</b>	92,639
		<u><b>167,841</b></u>	<u>142,051</u>
<b>Total Equity and Liabilities</b>		<u><b>525,575</b></u>	<u>625,075</u>
Net current assets		<b>226,929</b>	413,875
Total assets less current liabilities		<b>357,734</b>	483,024

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended December 31, 2017*

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in this announcement.

#### **(b) Basis of Preparation of the Consolidated Financial Statements**

The consolidated financial statements for the year ended December 31, 2017 comprise the Company and its subsidiaries have been prepared in accordance with HKFRSs and under the historical cost convention except where stated otherwise in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Amendments, New Standards and Interpretations issued and effective for the year ended December 31, 2017**

In the current year, the Group has applied for the first time the following new and revised HKFRSs (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on January 1, 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the new HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in this announcement.

**2. SEGMENT REPORTING**

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has five (2016: five) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group’s reportable segments:

- Securities brokerage and assets management
- Money lending business
- Credit guarantee and investment business
- Trading of party products
- Trading of metals and minerals

(a) **Segment Revenues and Results**

The disclosure and allocation basis among operating segments were varied from previous year because the segment of assets management business was considered to be significant in future, the comparatives are therefore consistently presented in this regard.

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment profit represents the profit earned by each segment without allocation of administrative expenses, other income, other gains and losses, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's revenue and results by operation segment:

**Year ended December 31, 2017**

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>						
Sales	2,006	12,918	1,552	61,294	99,325	177,095
Inter-segment revenue	(367)	-	-	-	-	(367)
External sales	<u>1,639</u>	<u>12,918</u>	<u>1,552</u>	<u>61,294</u>	<u>99,325</u>	<u>176,728</u>
Capital expenditure of property, plant and equipment	<u>7,071</u>	<u>-</u>	<u>-</u>	<u>67</u>	<u>-</u>	<u>7,138</u>
Depreciation	<u>5,404</u>	<u>3</u>	<u>456</u>	<u>613</u>	<u>18</u>	<u>6,494</u>
Impairment loss on other receivables	-	-	9,920	-	24,854	34,774
Loss on disposal of property, plant and equipment	<u>343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343</u>
<b>Result</b>						
Segment results	<u>(17,284)</u>	<u>(377)</u>	<u>(16,027)</u>	<u>(1,811)</u>	<u>(4,103)</u>	(39,602)
Bank interest income						183
Gain on disposal of subsidiaries						222
Realized gain on disposal of trading securities						9,664
Unrealized loss on fair value change in trading securities						(14,472)
Unallocated corporate expenses						(76,936)
Share option expenses						(8,970)
Finance costs						(7,409)
Share of loss of an associate						(3,813)
Loss before taxation						(141,133)
Income tax						(1,827)
Loss for the year						<u>(142,960)</u>

One customer amounted to approximately HK\$99,325,000 from trading of metals and minerals business had contributed over 10% of the total sales of the Group.

**Year ended December 31, 2016**

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>						
External sales	<u>572</u>	<u>4,797</u>	<u>7,179</u>	<u>69,696</u>	<u>39,884</u>	<u>122,128</u>
Capital expenditure of property, plant and equipment	<u>83</u>	<u>16</u>	<u>567</u>	<u>899</u>	<u>103</u>	<u>1,668</u>
Depreciation	<u>9</u>	<u>1</u>	<u>576</u>	<u>558</u>	<u>28</u>	<u>1,172</u>
Reversal of impairment loss on other receivables	-	-	3,279	-	-	3,279
Reversal of impairment loss on inventories	-	-	-	-	3,945	3,945
Unrealized gain on fair value changes in trading securities	1,124	-	-	-	-	1,124
Loss on disposal of property, plant and equipment	<u>29</u>	<u>-</u>	<u>-</u>	<u>225</u>	<u>-</u>	<u>254</u>
<b>Result</b>						
Segment results	<u>(14,149)</u>	<u>39</u>	<u>(3,676)</u>	<u>(492)</u>	<u>(5,949)</u>	(24,227)
Bank interest income						1,067
Other income						11,783
Unallocated corporate expenses						(57,623)
Finance costs						(5,302)
Impairment loss on prepayment						(20,000)
Loss on deregistration of subsidiaries						(9,714)
Share of loss of an associate						(1,027)
Loss on disposal of an associate						<u>(8,052)</u>
Loss before taxation						(113,095)
Income tax						<u>-</u>
Loss for the year						<u>(113,095)</u>

One customer amounted to approximately HK\$39,884,000 from trading of metals and minerals business had contributed over 10% of the total sales of the Group.



**(b) Segment Assets and Liabilities**

The following is an analysis of the Group's assets and liabilities by operating segment:

**Year ended December 31, 2017**

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>						
Segment assets	43,176	93,399	82,315	19,027	67,131	305,048
Bank balances and cash (included restricted cash)						87,805
Unallocated corporate assets						<u>132,722</u>
Consolidated total assets						<u><u>525,575</u></u>
<b>LIABILITIES</b>						
Segment liabilities	13,531	837	3,604	2,982	34,896	55,850
Unallocated corporate liabilities						<u>111,991</u>
Consolidated total liabilities						<u><u>167,841</u></u>

**Year ended December 31, 2016**

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>						
Segment assets	34,295	154,161	115,819	21,778	30,942	356,995
Bank balances and cash (included restricted cash)						106,423
Unallocated corporate assets						<u>161,657</u>
Consolidated total assets						<u><u>625,075</u></u>
<b>LIABILITIES</b>						
Segment liabilities	7,227	81	–	3,210	21,244	31,762
Unallocated corporate liabilities						<u>110,341</u>
Consolidated total liabilities						<u><u>142,103</u></u>

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, deferred tax assets, trading securities, tax recoverable, certain prepayments, deposits and other receivables, bank balances and cash; and
- all liabilities are allocated to operating segments other than certain other payables, deferred tax liabilities and convertible bonds.

### (c) Geographic information

#### *Revenue*

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	<b>75,851</b>	75,065
Mainland China	<b>100,877</b>	47,063
Total	<b>176,728</b>	122,128

#### *Specified non-current assets*

The following table sets out information about the geographical location of the Group's property, plant and equipment, intangible assets, goodwill and interest in an associate ("Specified non-current assets"). The geographical location of the Specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment; the location of the operation to which they are allocated, in the case of intangible assets and goodwill; and the location of operations, in the case of interest in an associate.

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	<b>50,793</b>	49,379
Mainland China	<b>67,388</b>	1,891
Total	<b>118,181</b>	51,270

### 3. REVENUE

An analysis of revenue is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Credit guarantee service and investment income	<b>1,552</b>	7,179
Sales of party products	<b>61,294</b>	69,696
Sales of metals and minerals	<b>99,325</b>	39,884
Brokerage commission income and assets management income	<b>1,639</b>	572
Interest income from money lending business	<b>12,918</b>	4,797
<b>Total</b>	<b>176,728</b>	122,128

#### 4. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year, 北京盛世騰雲國際貿易有限公司 and 中國磁源節能有限公司, in which the Group had effective interest of 100%, were disposed of.

The net liabilities of the subsidiaries disposed of, where appropriate, at the relevant date was as follows:

	中國磁源節 能有限公司 2017 HK\$'000	北京盛世騰雲 國際貿易 有限公司 2017 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	–	78
Intangible assets	–	107
	–	185
<b>Current assets</b>		
Trade receivables	–	6,624
Prepayment, deposit paid and other receivables	–	6,676
Cash and cash equivalents	–	20
	–	13,320
<b>Total assets</b>	–	13,505
<b>Current liabilities</b>		
Trade payables	–	1,900
Receipt in advance	–	2,323
Other payables	19	9,464
Tax payable	–	29
	19	13,716
<b>Net liabilities disposed of</b>	(19)	(211)
Release of translation reserve upon disposal of foreign subsidiary	–	8
Gain on disposal of subsidiary	19	203
	–	–
<b>Net cash flow arising on disposal</b>		
Cash consideration received	–	–
Bank balances and cash	–	(20)
	–	(20)

The subsidiaries disposed of during the year ended December 31, 2017 contributed approximately HK\$13,465,000 to the Group's revenue and contributed a net loss of approximately HK\$204,000 to the Group's operating results.

## 5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Auditor's remuneration	930	888
Cost of inventories included in cost of sales	155,048	100,198
Depreciation	6,494	4,052
Loss on disposal of property, plant and equipment	343	249
Staff costs:		
— Salaries, wages and other benefits (including directors' emoluments)	42,773	38,759
— Contributions to defined contribution retirement plans	517	422
— Share-based payment expenses	6,370	—
Operating lease charges on a rented premise	23,594	26,537
Consultancy fee	5,155	7,523
Share-based payment to non-employees	2,600	—
Donation	—	3,000
Legal and professional fee	5,402	7,852
Net exchange loss	27	612
Impairment/(reversal of impairment) loss on other receivables	34,774	(3,279)
Reversal of impairment loss on inventories	—	(3,945)
Unrealised loss/(gain) on fair value changes in trading securities	14,472	(1,124)
Realised gain on disposal of trading securities	(9,664)	(2,984)

## 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong Profits Tax		
Provision for the year	—	—
Deferred tax		
Reversal of temporary differences	1,827	—
	<u>1,827</u>	<u>—</u>

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxation of subsidiaries in the People's Republic of China and overseas are charged at the appropriate current rates of taxation ruling in the relevant countries.

## 7. DIVIDENDS

The Board of the Company did not recommend any final dividend for the year ended December 31, 2017. No dividend was paid during the year (2016: Nil).

## 8. LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares issued during the year.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss attributable to equity shareholders	<u>(141,274)</u>	<u>(113,355)</u>
	2017 <i>'000 shares</i>	2016 <i>'000 shares</i>
Weighted average number of ordinary shares		
At the beginning of the year	9,368,072	7,368,072
Effect of repurchase	(29,200)	–
Effect of issue of shares through subscriptions	–	868,852
Effect of issue of shares through placing	–	601,093
	<u>9,338,872</u>	<u>8,838,017</u>
At the end of the year		

Total ordinary shares outstanding at December 31, 2017 was 9,327,172,000 shares (2016: 9,368,072,000 shares).

### (b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are the share options and convertible bonds. Since the impact of conversion of share options and convertible bonds on loss per share is anti-dilutive, diluted loss per share was not presented in both years.

## 9. TRADING SECURITIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trading securities		
— Listed equity shares listed in Hong Kong	<u>34,392</u>	<u>98,297</u>

The trading securities are initially recognised at fair value. The Group holds the trading securities for trading purpose. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognized in profits or loss. The fair value is measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

## 10. LOAN RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loan receivables from money lending business	<u>90,429</u>	<u>118,000</u>

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. The balance outstanding as at December 31, 2017 is not overdue.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Repayable: Within 1 year	<u>90,429</u>	<u>118,000</u>

## 11. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables arising from dealing in securities:		
— Clients arising from dealing in securities	772	4,672
— Clearing house	<u>2,011</u>	<u>3,060</u>
	2,783	7,732
Interest receivables arising from money lending business	326	2,814
Trade receivables arising from credit guarantee service and investment income	1,822	1,111
Trade receivables arising from trading of party products	<u>9,947</u>	<u>12,878</u>
	14,878	24,535
Less: Allowance for bad and doubtful debts	715	715
Less: Allowance for bad debts from dealing in securities	<u>—</u>	<u>180</u>
	<u>14,163</u>	<u>23,640</u>

Customers from trading of party products are usually offered a credit period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables based on the date of the invoice and net of provision of impairment loss is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	<b>8,288</b>	15,003
31 to 60 days	<b>3,762</b>	5,741
61 to 90 days	<b>854</b>	1,836
Over 90 days	<b>1,259</b>	1,060
	<hr/>	<hr/>
	<b>14,163</b>	23,640
Trade receivables from dealing in securities not past due	<b>2,783</b>	7,552
	<hr/>	<hr/>
	<b>11,380</b>	16,088

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade deposits and other receivables ( <i>Note a</i> )	<b>169,722</b>	199,127
Deposit paid for acquisition ( <i>Note b &amp; c</i> )	<b>12,624</b>	16,000
Prepayments	<b>4,707</b>	6,447
Rental, utility and sundry deposits	<b>8,753</b>	7,716
Staff advances	<b>84</b>	525
	<hr/>	<hr/>
	<b>195,890</b>	229,815
Less: Impairment loss on other receivables ( <i>Note d</i> )	<b>47,275</b>	12,501
Less: Non-current portion ( <i>Note b &amp; c</i> )	<b>12,624</b>	16,000
	<hr/>	<hr/>
	<b>135,991</b>	201,314

*Note a:* The amount includes trade deposits of approximately HK\$13,500,000 (2016: approximately HK\$19,000,000) for purchase of metals and minerals, deposit of approximately HK\$46,800,000 for credit guarantee service business (2016: Nil), other receivables of approximately HK\$30,245,000 (2016: approximately HK\$15,657,000) from trading of metals and minerals and entrusted loan of approximately HK\$26,413,000 (2016: approximately HK\$96,142,000).

*Note b:* During the year ended December 31, 2017, the amount of HK\$8,000,000 represents the earnest money for the proposed acquisition of 20% issued share capital of a company incorporated in Hong Kong which is principally engaged in provision of integrated security service solutions in Hong Kong, Macau and overseas countries. The remaining amount of approximately HK\$4,624,000 (equivalent to EUR500,000) represents the earnest money for the purposed establishment of a joint venture company with an independent third party in relation to investments in the field of new energy.



*Note c:* During the year ended December 31, 2016, the amount of approximately HK\$16,000,000 represents the deposit paid for the acquisition of 24% issued share capital of a company which is principally engaged in the insurance brokerage business of life, casualty and health projects to individuals and business in the People's Republic of China. The insurance brokerage company became an associate of the Group during the year.

*Note d:* Impairment losses on other receivables

	<b>2017</b> <b>HK\$'000</b>	2016 <b>HK\$'000</b>
Movement in the allowance for bad and doubtful debts:		
As at January 1	<b>12,501</b>	12,501
Addition from uncollectible amounts	<b>38,244</b>	–
Less: Reversal of impairment loss on other receivables ( <i>Note e</i> )	<b>3,470</b>	–
	<hr/>	<hr/>
As at December 31	<b>47,275</b>	12,501
	<hr/> <hr/>	<hr/> <hr/>

As at December 31, 2017, approximately HK\$38,244,000 (2016: Nil) was a provision for an independent third party of the credit guarantee service and investment business due to the legal title of certain collateral is uncertain. As a result, impairment loss has been recognized during the period.

*Note e:* Other receivables of approximately HK\$3,470,000 was recovered during the year due to the victory in the court order. As a result, a reversal of impairment loss has been recognised in profit or loss.

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK\$40,931,000 (2016: approximately HK\$21,646,000). The remaining amount are expected to be recovered or recognised as expense within one year.

### 13. INTEREST IN AN ASSOCIATE

The following list contains the associate which is an unlisted corporate entity of which the quoted market price is not available:

Name of associate	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest	Principal activity
Sunrise Insurance Broker Company Limited ("Sunrise Insurance")	PRC	Nil	24%	Provision of insurance brokerage service

On June 30, 2017, the Group acquired 24% of the equity interest of Sunrise Insurance at a cash consideration of HK\$56,000,000. Sunrise Insurance is principally engaged in provision of insurance brokerage service in the PRC. The investment in Sunrise Insurance, an insurance brokerage service provider in the PRC, enables the Group to have exposure to this market through local expertise.

The associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	<b>Sunrise Insurance 2017 HK\$'000</b>
Gross amount of the associate	3,350
Current assets	21,623
Non-current assets	5,257
Current liabilities	(25,816)
Equity	1,065
Revenue	48,851
Loss for the period	(15,888)
Total comprehensive loss	(15,888)
Reconciled to the Group's interest in the associate	
Gross amounts of the net assets of the associate	1,065
Group's effective interest	24%
Group's share of net assets of the associate	256
Goodwill	66,338
Carrying amount in the consolidated financial statements	<u>66,594</u>

#### 14. TRADE PAYABLES

	<b>2017 HK\$'000</b>	2016 HK\$'000
Trade payables arising from dealing in securities:		
— Clients arising from dealing in securities	<b>2,006</b>	2,864
— Clearing house	<b>711</b>	1,980
— Clients' money	<b>9,202</b>	2,383
	<u><b>11,919</b></u>	<u>7,227</u>
Trade payables arising from trading of party products	<u><b>2,982</b></u>	<u>3,210</u>
	<u><b>14,901</b></u>	<u>10,437</u>

The ageing analysis of trade payables arising from trading of party products is as follows:

	<b>2017 HK\$'000</b>	2016 HK\$'000
0 to 30 days	<b>2,145</b>	1,925
31 to 60 days	<b>641</b>	603
61 to 90 days	<b>196</b>	379
Over 90 days	<b>–</b>	303
	<u><b>2,982</b></u>	<u>3,210</u>

The trade payables arising from trading of party products are non-interest bearing and are normally settled on 90-day terms. The carrying amounts of the trade payables at the end of the reporting period approximated their fair values.

## 15. ACCRUALS AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Accrued salaries and bonus	8,601	9,946
Trade deposits received	23,170	–
Accrued expenses and other payables	22,045	29,029
	<u>53,816</u>	<u>38,975</u>

The carrying amounts of accruals and other payables at the end of the reporting period approximated their fair values. All of the accrued salaries and bonus, accrued expenses and other payables are expected to be settled or recognised as income within one year.

## 16. SHARE CAPITAL

	Number of shares '000	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
<b>Authorized:</b>		
As at December 31, 2015 and January 1, 2016	10,000,000	1,000,000
Increase during the year ( <i>Note b</i> )	90,000,000	9,000,000
	<u>100,000,000</u>	<u>10,000,000</u>
As at December 31, 2016, January 1, 2017 and December 31, 2017	100,000,000	10,000,000
<b>Issued and fully paid:</b>		
As at January 1, 2016	7,368,072	736,807
Issue of new shares through subscriptions ( <i>Note c</i> )	1,000,000	100,000
Issue of new shares through placing ( <i>Note d</i> )	1,000,000	100,000
	<u>9,368,072</u>	<u>936,807</u>
As at December 31, 2016 and January 1, 2017	9,368,072	936,807
Repurchase during the year ( <i>Note e</i> )	(40,900)	(4,090)
	<u>9,327,172</u>	<u>932,717</u>
As at December 31, 2017	<u>9,327,172</u>	<u>932,717</u>

- (a) The Company has a share option scheme, under which the Company may grant options to any employee or director to subscribe for shares in the Company, up to a maximum of 10% of the issued share capital of the Company (absolute maximum number of share option: 932,717,200 (2016: 936,807,200 shares)). 610,000,000 share options were granted during the year and there were 573,000,000 outstanding share options as at December 31, 2017.
- (b) The authorised share capital of the Company increased from HK\$1,000,000,000 to HK\$10,000,000,000 by the creation of an additional 90,000,000,000 shares. The increase in authorised share capital was approved by shareholders at the annual general meeting on June 27, 2016.
- (c) 1,000,000,000 ordinary shares of the Company were subscribed at the subscription price of HK\$0.1 per share on February 18, 2016 pursuant to an extraordinary resolution passed on January 25, 2016.
- (d) On April 29, 2016, the Company entered into a placing agreement with a placing agent to place up to 1,000,000,000 placing shares at the placing price HK\$0.2 per placing share, a discount of approximately 15.61% to the closing price of HK\$0.237 per share as quoted on the Stock Exchange on May 25, 2016, 1,000,000,000 placing shares were placed to not less than six places at HK\$0.2 per placing share.

- (e) During the year, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

<b>Month/year</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share HK\$</b>	<b>Lowest price paid per share HK\$</b>	<b>Aggregate price paid HK\$'000</b>
March 2017	8,500,000	0.075	0.071	619
March 2017	26,500,000	0.082	0.076	2,076
July 2017	5,900,000	0.075	0.073	437
	<u>40,900,000</u>			<u>3,132</u>

An aggregate of 40,900,000 shares were repurchased in aggregate amount of approximately HK\$3.1 million and cancelled in May and July 2017.

## 17. CONVERTIBLE BONDS

On February 18, 2016, the Company issued two-year convertible bond at 0% coupon rate of principal amount of HK\$100,000,000 to the subscriber. The annualized effective interest rate is 7%. Based on the initial conversion price of HK\$0.1 per conversion share, a maximum of 1,000,000,000 conversion shares would be allotted and issued upon exercise of the conversion rights attaching to the convertible bond in full.

If no bond holders exercise their conversion rights on maturity date, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date.

On January 10, 2018, 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 February 18, 2018 to February 18, 2019.

	<b>Liability portion HK\$'000</b>
At January 1, 2016	–
Convertible bond issued during the year	87,337
Imputed interest amortised	<u>5,302</u>
At December 31, 2016	92,639
Imputed interest amortised	<u>6,485</u>
At December 31, 2017	<u>99,124</u>

## 18. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business review**

The Group's businesses included securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals. For the year ended December 31, 2017 ("Current Year"), the operations of the Group's businesses were diverse.

After completing the acquisition of a licensed fund management company and a licensed stockbroker company in 2016, the Group has satisfied the licensing requirements under the Securities and Futures Ordinance ("SFO"). During the year, the Group's securities brokerage and asset management businesses have commenced its full operation with relatively high initial operation cost. The securities funding business is tapping into new market. On the other hand, our subsidiary which is in possession of a money lenders licence had commenced the money lending business in the investment and finance market sectors in Hong Kong with satisfactory results. The Group continues to grow its business and operations by fully utilizing its licences regulated under the SFO (Type 1, 2, 4, 5 and 9 licence).

#### *Securities brokerage and asset management*

The Group acquired a licensed asset management company and a licensed stockbroker company in year 2016. The operations and businesses of the asset management company and stockbroker company has commenced in the Current Year.

The revenue for securities brokerage and asset management were approximately HK\$1.64 million for the Current Year (2016: approximately HK\$0.57 million). The businesses were at its full scale of operation and the Group will seek for business opportunities for local and cross-border expansion.

#### *Money lending business*

The licensed money lender subsidiary had commenced its business operations in Hong Kong since last year. The Group commenced its money lending business by lending loans in the amount of approximately HK\$90.5 million (2016: approximately HK\$118.0 million) as at December 31, 2017. The income from term loans for the Current Year were approximately HK\$12.92 million (2016: approximately HK\$4.80 million).

#### *Credit guarantee and investment business*

The Group is involved in credit guarantee and investment business in Mainland China and the revenue of this segment was approximately HK\$1.55 million (2016: approximately HK\$7.18 million). The Group grant loans to companies with pledge of collateral assets in Mainland China for interest income.

### *Trading of party products*

The Group is involved in trading of party products and the revenue of this segment was approximately HK\$61.29 million (2016: approximately HK\$69.70 million). The Group traded party products with several major and stable customers.

### *Trading of metals and minerals*

The Group is involved in trading of metals and minerals in Mainland China and the revenue of this segment was approximately HK\$99.33 million (2016: approximately HK\$39.88 million). The trading of metals and minerals depends on indent basis and the Group traded occasionally.

## **Financial Review**

During the Current Year, the Group's revenue was approximately HK\$176.73 million, representing an increase of approximately 44.7% compared with approximately HK\$122.13 million for the year ended December 31, 2016 ("Prior Year"). The increase in revenue was mainly due to contribution from trading of metals and mineral business and trading of party products.

Gross profit in the Current Year was approximately HK\$21.67 million, representing a decrease of approximately 1.1% compared with approximately HK\$21.90 million in the Prior Year. In terms of gross profit margin, the current figure was approximately 12.3%, representing a decrease of approximately 31.3% from approximately 17.9% in the Prior Year. The decrease in both gross profit and gross profit margin was mainly due to the increase of revenue on trading of metals and minerals which has a lower gross profit margin than other business segments.

Operating expenses during the year ended December 31, 2017 was approximately HK\$113.03 million, representing an increase of approximately 8.9% from approximately HK\$103.75 million for the year ended December 31, 2016. Such increase was mainly attributable to increase in share option expenses approximately HK\$8.97 million (2016: Nil), and human resources expenses of approximately HK\$43.29 million (2016: approximately HK\$39.18 million).

Impairment loss on other receivables was approximately HK\$38.24 million for the Current Year (2016: Nil). The Group holds several collateral against other receivables in 2017. However, the legal title of certain collateral is uncertain, impairment loss of approximately HK\$38.24 million has been recognised during the year.

Finance costs during the year ended December 31, 2017 were approximately HK\$7.41 million, representing an increase of approximately 39.8% from approximately HK\$5.30 million for the year ended December 31, 2016. Such increase was mainly due to an increase in the effective interest of convertible bond.

## **Liquidity and Financial Resources**

As at December 31, 2017, net current assets were approximately HK\$226.93 million (December 31, 2016: approximately HK\$413.88 million). The Group's current ratio was approximately 2.35 (December 31, 2016: approximately 3.91), based on current assets of approximately HK\$394.77 million and current liabilities of approximately HK\$167.84 million. The Group's gearing ratio was calculated as total interest bearing borrowings less cash and bank balances divided by shareholders' equity. As at December 31, 2017, the Group's gearing ratio was zero (as at December 31, 2016: zero). As at December 31, 2017, the Group had cash and bank balances of approximately HK\$78.46 million (as at December 31, 2016: approximately HK\$103.83 million). The cash and bank balances were denominated in Renminbi, HK dollar and US dollar. The Group has no structured investment products and foreign exchange contracts. The Group is not exposed to material fluctuations in exchange rates.

As at December 31, 2017, the Group had prepayments, deposits and other receivables of approximately HK\$135.99 million, which represented a decrease of approximately HK\$27.73 million or approximately 16.9% from approximately HK\$163.72 million as at December 31, 2016. As at December 31, 2017, the Group had RMB5.00 million (equivalent to approximately HK\$6.00 million) capital commitments (December 31, 2016: approximately HK\$40 million) which relates to the establishment of an asset management company in Chongqing, China. The operating lease commitment for the Group as at December 31, 2017 was approximately HK\$39.68 million (December 31, 2016: approximately HK\$35.20 million).

The trading securities of approximately HK\$34.39 million as at December 31, 2017 (December 31, 2016: approximately HK\$98.3 million) referred to the equitable securities listed in Hong Kong held by the Group as part of treasury operations and short-term investment.

It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity and banking facilities to meet operation requirements and acquisition opportunities.

## **Capital Structure**

As at December 31, 2017, the authorised share capital of the Company was HK\$10,000,000,000 divided into 100,000,000,000 shares of HK\$0.1 each, and the issued share capital of the Company was HK\$932,720,000 divided into 9,327,172,000 shares of HK\$0.1 each.

Shares of 35,000,000 and 5,900,000 were repurchased on the market during the year and cancelled on May 15, 2017 and July 20, 2017 respectively.



At the end of the Reporting Period, there was an outstanding principal amount of HK\$100,000,000 of convertible bond which was granted pursuant to the subscription agreement dated November 5, 2015 (the “Subscription Agreement”). Based on the Subscription Agreement, the Company has allotted (i) 1,000,000,000 subscription shares at the subscription price of HK\$0.10 per subscription share and issued (ii) the convertible bonds (the “Convertible Bonds”) in the principal amount of HK\$100,000,000 to the subscriber, Internet Finance Investment Company Limited (“Internet Finance”), a company which is wholly owned by Ms. Cheung Kwan (a substantial shareholder and an executive Director of the Company).

According to the terms and conditions of the bonds, the bonds bear a nil interest rate and will mature in second anniversary of the date of issue of the bonds. The bondholder has the right to convert the whole or part of the principal amount of the bonds into conversion shares at any time and from time to time, between the date of issue of the bonds and up to the maturity date.

On January 10, 2018, the Company and Internet Finance entered into a deed of variation (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 February 18, 2018 to February 18, 2019.

On March 20, 2018, the Deed of Variation has been approved by the independent shareholders at the extraordinary general meeting of the Company. As at the date of this announcement, all conditions precedent have been fulfilled.

Details of the above transactions had been disclosed in the circulars issued by the Company dated January 8, 2016 and February 28, 2018, and the announcements issued by the Company dated February 18, 2016, January 10, 2018 and March 20, 2018 respectively.

### **Change of Head Office and Principal Place of Business in Hong Kong**

The head office and principal place of business of the Company in Hong Kong has been changed to Unit 3201, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong with effect from January 6, 2017.

### **Change of Company Website**

On March 15, 2017, the website of the Company has been changed from <http://www.harmonics33.com> to <http://www.aifgroup.com>.

### **Change of Company Logo**

On March 15, 2017, the logo of the Company has been changed as below, which will be printed on the relevant corporate documents of the Company, including but not limited to the Company’s promotional materials, interim and annual reports, announcements, circulars and corporate stationary.





## **Material Acquisition and Disposals of Subsidiaries and Associates**

During the year, the Group had completed an acquisition of 24% equity interest in an insurance brokerage company at a consideration of HK\$56.00 million and subsequently paid RMB12.00 million (equivalent to approximately HK\$14.40 million) for capital injection. The acquired associate is principally engaged in the insurance brokerage business of life, casualty and health insurance projects to individuals and businesses in the Mainland China.

## **Contingent Liabilities**

As at December 31, 2017, the Group did not have any material contingent liabilities.

## **Capital Commitment**

As at December 31, 2017, the Group had RMB5.00 million (equivalent to approximately HK\$6.00 million) capital commitment (December 31, 2016: HK\$40.00 million) contracted for but not provided for in the financial statement which relates to the establishment of an asset management company in Chongqing, China.

## **Human Resources**

As at December 31, 2017, the Group had 58 employees (December 31, 2016: 97 employees). It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

## **Share Option Scheme**

At the annual general meeting of the Company held on June 26, 2017, the shareholders of the Company approved the adoption of a new share option scheme (the "2017 Share Option Scheme") which takes effect from June 26, 2017 (the "Commencement Date") and the termination of the share option scheme adopted by the Company on October 30, 2007 (the "2007 Share Option Scheme") at the same time. Upon the termination of the 2007 Share Option Scheme, no further Options will be offered or granted but the provisions of the 2007 Share Option Scheme will remain in full force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2007 Share Option Scheme.

The purpose of the 2017 Share Option Scheme is to provide incentives or rewards to Participants of the 2017 Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the 2017 Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the 2017 Share Option Scheme will remain in force for ten (10) years from the Commencement Date.

In the AGM held on June 26, 2017, the upper limit of issuable shares under this new share option scheme has been adopted to 933,307,200 option shares, representing 10% of the issued share capital on that date.

On July 27, 2017 and November 29, 2017, the Company granted an aggregate of 930,000,000 and 200,000,000 share options respectively under the 2017 Share Option Scheme to certain eligible persons to subscribe for a total of 930,000,000 and 200,000,000 ordinary shares of HK\$0.1 each respectively in the share capital of the Company (the “Share(s)”) at an exercise price of HK\$0.15 per Share.

On August 1, 2017, three consultants, who have been granted an aggregate of 270,000,000 Share Options on July 27, 2017, tendered their resignation as the Group’s consultants under their respective consultancy service agreements on July 31, 2017, with those 270,000,000 Share Options surrendered with immediate effect. Such resignation was accepted by the Company and the offer for the grant of the aforesaid 270,000,000 Share Options lapsed accordingly.

As at December 31, 2017, there were a total of 823,000,000 Shares, representing approximately 9% of the issued Shares, available for issue under the Scheme.

## **Prospects**

### *Integration Financial Platform of Licensed Corporations under the SFO*

The Group is an integrated financial platform which provides one-stop services including securities, funds and assets management, credit guarantees, money lending, and investments and trading. The Group has licensed subsidiaries carrying on Type 1 (Dealing in securities), Type 4 (Advising on securities) and Type 9 (Asset management) regulated activities under the SFO.

During the Current Year, the Group has successfully obtained Type 2 (Dealing in Futures Contracts) and Type 5 (Advising on Futures Contracts) licences and the licences have been granted by the Securities and Futures Commission on July 31, 2017.

The integrated financial platform of licensed corporation under SFO commenced its full operations in the Current Year and the Group will continue to expand our client foundation, services base and financial income.

*Cooperation with Government and Strategic Partners under the Scope of “Belt and Road”*

- (i) With reference to the announcement on September 14, 2016, the Company entered into a MOU with Kazyna Capital Management Joint Stock Company, a joint stock company incorporated in the Republic of Kazakhstan (“KCM”) in relation to the proposed joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund with target capitalization of not less than USD1 billion.

The Company and KCM are under negotiation for the joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund.

- (ii) With reference to the announcement on January 10, 2017, the Company entered into the Cooperative Framework Agreement with Huaining Government in relation to the proposed formation of the Industry Development Fund with contribution not less than RMB7 million and not more than RMB10 million as the controlling shareholder of general partner of the Industry Development Fund.

As at the date of this announcement, the Cooperation Framework Agreement has lapsed.

- (iii) With reference to the announcement on June 7, 2017 and November 7, 2017. The Company entered into a memorandum of understanding with CITIC and Kazyna Capital Management Joint Stock Company (“KCM”) and China-Eurasian Economic Cooperation Fund (“CEF”) in relation to the proposed joint establishment of Eurasian Nurly (Bright) Investment Fund, formerly known as the China-Kazakhstan Nurly Investment Fund (the “Fund”) with target capitalization of USD300 million in response to development opportunities arising from the national strategy of “Belt and Road” initiative.

KCM was established by the government of the Republic of Kazakhstan in accordance with legislation of the Republic of Kazakhstan as a joint stock company in 2007. KCM is wholly owned by Baiterek National Management Holding JSC, the ultimate principal shareholder of which is the government of the Republic of Kazakhstan. Also, KCM is a fund ensuring a flow of direct investments in project companies through its participation in private equity funds with the aim to ensure diversification, modernization and sustainable development of the national economy of Kazakhstan.

CITIC is a large state-owned multinational conglomerate established under the laws of China with a wide range of businesses covering finance, resources and energy, manufacturing, engineering contracting and real estate as well as others.

The major sponsors of CEF are The Export-Import Bank of China and Bank of China. Their mission is to enhance the regional economic cooperation of The Shanghai Cooperation Organization and also to promote the construction of the Silk Road Economic Belt. In September 2014, President Xi Jinping announced the commencement of CEF during the Shanghai Cooperation Organization Summit Meeting held in Dushanbe.

As at the date of this announcement, the Company, CITIC, KCM and CEF are under negotiation for the proposed joint establishment of the Fund.

### *Exploration of New Business Development under “Belt and Road”*

With reference to the announcement on March 15, 2017 and July 26, 2017, B&R Security International Company Limited (“B&R”), being a wholly-owned subsidiary of the Company, 北京德威保安服務有限公司 (Beijing DeWe Security Services Co., Limited) (the “Vendor”) and 德威控股集團有限公司 (DeWe Holding Group Limited) (the “Guarantor”) entered into a framework agreement (the “Framework Agreement”) on March 15, 2017 in relation to the proposed acquisition of Hong Kong DeWe Security Services Co., Limited by B&R (the “Proposed Acquisition”), which is valid for 90 working days from the date of the Framework Agreement. On July 26, 2017, the Company, the Vendor and the Guarantor have entered into a side letter to extend the validity period of the Framework Agreement to October 31, 2017 (or such later date as may be agreed between the Company, the Vendor and the Guarantor), as further time is required by the Company and the Vendor to discuss and negotiate details of the formal agreement in relation to the Proposed Acquisition.

On October 31, 2017, the Vendor and the Guarantor entered into a 2nd side letter to extend the validity period of the Framework Agreement to November 30, 2017 (or such other date as agreed by all parties).

As at the date of this announcement, the Company and Vendor are under negotiation for the Proposed Acquisition despite the lapse of the validity period of the Framework Agreement.

### *Exploration of New Business Development on Health care*

The Company considers that the population in China is increasingly aging and the elderly care resources are very limited. With the economic growth in China and the growing middle class, the general public becomes more health conscious. The Company plans to operate a health center in China. The management believes that the health care industry in China provides abundant business opportunities and is beneficial to the long-term development of the Company.

### **Events After Reporting Period**

- (i) On January 10, 2018, the Company entered into a non-legally binding memorandum of understanding (the “MOU”) with China Universities Media Holdings Limited (中國高校傳媒控股有限公司)(the “Intended Vendor”) pursuant to which the Intended Vendor intended to sell and the Company intended to acquire the entire issued share capital of China Universities Media Limited (中國高校傳媒有限公司).
- (ii) On January 10, 2018, the Company and Internet Finance 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 February 18, 2018 to February 18, 2019. Such transaction was approved by the independent shareholders at the extraordinary general meeting of the Company on March 20, 2018. As at the date of this announcement, all conditions precedent have been fulfilled.

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

- (iii) On January 23, 2018, the company acquired a subsidiary in Foshan, China in order to develop its health care business.
- (iv) On February 8, 2018, the Company and the Shenzhen Institutes of Advanced Technology entered into a capital injection agreement, to establish a project company to develop and manufacture new type of high performance and low-cost potassium-ion battery technology, pursuant to which the Company will inject a sum of RMB21,000,000 (equivalent to approximately HK\$25,968,600) into the project company and further injections will be based on product development. The Shenzhen Institutes of Advanced Technology will transfer its legal ownership in the intellectual property rights which value would not be less than the amount injected by the Company.

### **Final Dividend**

The Board did not recommend any final dividend for the Current Year (December 31, 2016: Nil).

### **OTHER INFORMATION**

#### **Purchase, Sales or Redemption of Listed Securities**

There were 35,000,000 and 5,900,000 Shares repurchased on the market during the year and cancelled on May 15, 2017 and July 20, 2017 respectively.

Neither the Company nor any of its subsidiaries has sold or redeemed any of the Company's listed securities during the year ended December 31, 2017.

#### **Compliance with Code on Corporate Governance Practices (the "CG Code")**

For the year ended December 31, 2017, the Company has complied with the code provisions set out in the CG Code as set out in Appendix 14 of the Listing Rules except the following.

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since January 10, 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Committee. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development.

Code provision A.6.7 of the Code requires that Independent Non-executive Directors and other Non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ho Chun Chung, Patrick and Mr. Cheng Wen (resigned on July 25, 2017), being the Independent Non-executive Directors did not attend the AGM held on June 26, 2017 due to their prior engagements.

## **Model Code for Securities Transactions by Directors**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules regarding directors’ securities since its listing on November 19, 2007. Having made specific enquiries to all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code for the Current Year.

## **Employees and Remuneration Policies**

The remuneration policy of the employees of the Group is set up by the remuneration committee of the Company (the “Remuneration Committee”) on the basis of the merits, qualifications and competence of employees. The emoluments of the Directors are decided by the Remuneration Committee with regard to the Group’s operating results, individual performance and comparable market statistics. None of the Directors or any of their associates, and executive is involved in deciding his own remuneration. As at December 31, 2017, the Group had 58 employees (2016: 97 employees). The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

## **Donation**

No donation was made by the Group during the year (2016: HK\$3 million).

## **Audit Committee**

The audited consolidated financial statements of the Group for the year ended December 31, 2017 have been reviewed and approved by the audit committee of the Company (the “Audit Committee”). The Audit Committee is of the opinion that such audited consolidated financial statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and all other applicable legal requirements. The Audit Committee therefore recommended for the Board’s approval of the Group’s audited consolidated financial statements for the year ended December 31, 2017.

## **Publication of Annual Results and Annual Report**

This announcement is published on the websites of the Company ([www.aifgroup.com](http://www.aifgroup.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended December 31, 2017 containing all the information required under the Listing Rules will be dispatched to the Company’s shareholders and will be posted on the above websites in due course.

## **Appreciation**

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the year. I would also like to express my appreciation to the continuous support of our shareholders and investors.

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

Hong Kong, March 28, 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; and three Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Ho Chun Chung, Patrick and Mr. Ge Ming.*