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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)

CLARIFICATION ANNOUNCEMENT

Reference is made to (i) the announcement of Asia Investment Finance Group Limited (the “**Company**”) dated March 28, 2018 (the “**Annual Results Announcement**”) and the clarification announcement dated April 24, 2018 (the “**Clarification Announcement**”) in relation to the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2017; and (ii) the annual report of the Group for the year ended 31 December 2017 (the “**Annual Report**”) posted on the respective websites of the Stock Exchange and the Company on April 27, 2018. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Annual Report.

The Board would like to clarify as follows:

- (i) Trading of party products in the section headed “Management discussion and analysis – Business Review” on page 22 of the Annual Results Announcement and page 5 of the Annual Report respectively should read as follows:

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, who are corporate customers from North America and Asia.

During the year, the Group purchased party related products including party accessories, decorations, cutlery and eatery wares from suppliers in the PRC. The Group will provide touch-ups to such products in the PRC, which includes but not limited to adding festive elements to such products. The final products would be exported to our overseas customers.

As the market of party products is competitive and shrinking in recent years, the management of the Group will continue closely monitor the market and take corresponding measures where necessary.

- (ii) the paragraph in the section headed “Management Discussion and Analysis – Business Review – Trading of metals and minerals” on page 22 of the Annual Results Announcement and page 5 of the Annual Report respectively should read as follows:

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 is on indent basis and is traded occasionally.

The metal trading business was commenced in 2014 by the then management of the Group with the intention to diversify its income stream and increase its revenue and the product traded in the metal trading segment was ferrochrome. For the year ended December 31, 2017, the Group engaged in one transaction of metal trading in the quantity of approximately 13,600 tonnes of high carbon ferrochrome which was sold to a third party. Such transaction contributed to our Group’s revenue in the amount of approximately HK\$99,325,000. The segment loss for the year ended December 31, 2017 was due to (i) the relatively low gross profit margin of the metal trading business; and (ii) discounts offered to metal trading business customers taking into account the quantity of purchase of ferrochrome.

In relation to the prospects of the metal trading segment, the Company will continue its metal trading business wherever there is opportunity to achieve a gain through the metal trading activities on an indent sales basis.

- (iii) The following paragraphs will be added to the section headed “Management Discussion and Analysis – Financial Review” on page 22 of the Annual Results Announcement and page 6 of the Annual Report respectively:

The Group adopts a prudent financial management strategy. During the year 2017, the securities traded by the Group only involved stocks listed on the main board of The Stock Exchange of Hong Kong Limited (“Main Board Listed Companies”). The purpose of the Group’s securities trading activities was to utilise its cash on hand for short term investment to generate better returns to its shareholders. While the Group recorded an unrealised gain on fair value change in trading securities of approximately HK\$0.06 million as at December 31, 2017 (2016: unrealised gain of approximately HK\$1.12 million), the Group recorded a net disposal loss of approximately HK\$4.87 million for the year ended December 31, 2017 (2016: net disposal gain of approximately HK\$1.50 million). The securities portfolio of our Group is closely monitored on a daily basis by (i) our designated executive Director in charge of the securities trading business; and (ii) the finance department of our Group. Each securities trading transaction is reviewed and approved by the designated executive Director. A monthly report is generated by the finance department on a monthly basis in relation the stock price of the Main Board Listed Companies for review and adjustment of investment strategy if and when appropriate.

- (iv) The following section will be added after the section headed “Management Discussion and Analysis – Financial Review” on page 22 of the Annual Results Announcement and page 6 of the Annual Report respectively:

Significant Investments

For the two years ended 31 December 2017, the Group had significant investments in equity securities of companies listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) which were classified as available-for-sale investments, and the performance of such equity securities are as follows:

Name (Stock code)	Principle business	Number of share held		Market value		Proportion to the total assets of the Group		Unrealised gain/(loss) on fair value change		Investment cost	
		As at	As at	As at	As at	As at	As at	For the	For the	As at	As at
		31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	year ended	year ended	31 Dec	31 Dec
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
				HKS'000	HKS'000			HKS'000	HKS'000	HKS'000	HKS'000
Industrial and Commercial Bank of China Ltd. (1398)	Corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services	=	7,200,000	=	33,480	=	6.37%	=	(2,454)	=	35,934
The People's Insurance Co. (Group) of China Ltd. (1339)	Provided integrated financial products and services and were engaged in property and casualty insurance, life and health insurance, asset management and other businesses”	1,000,000	4,000,000	3,850	12,240	0.73%	1.96%	(253)	(1,025)	4,102	13,265
Lenovo Group Ltd. (992)	Manufacturing and distribution of IT products, provision of IT services, Manufacturing and wholesaling of computers, computer hardware and peripheral equipment”	=	900,000	=	4,230	=	0.68%	=	(711)	=	4,941
New Universe Environmental Group Ltd. (436)	Environmental treatment and disposal of hazardous industrial and medical wastes, environmental plating sewage treatment services and provision of related facilities and utilities in an eco-plating specialised zone and investments in plastic materials dyeing operations	=	26,300,000	=	25,511	=	4.08%	=	5,057	=	20,454
Share Economy Group Ltd. (1178)	Manufacturing and trading of BIOenergy products, healthcare food products, multi-functional water generators, other healthcare products and properties investments	32,600,000	98,010,000	2,217	22,836	0.42%	3.65%	(2,243)	257	2,608	22,579
Hosa International Limited (2200)	Design and production of a wide range of mid-to-high end sportswear products	10,000,000	=	26,400	=	5.02%	=	2,554	=	23,846	=
GCL New Energy Holdings Ltd (451)	Sale of electricity, development, construction, operation and management of solar power plants	3,500,000	=	1,925	=	0.37	=	=	=	1,925	=
Total				34,392	98,297	6.5%	15.7%	58	1,124	32,481	97,173

During the year, the Group's securities investment business recorded a net disposal loss of approximately HK\$4.87 million (2016: a net disposal gain of approximately HK\$1.50 million), which was mainly attributed from the disposal loss of approximately HK\$3.62 million from disposed shares of TANSH Global Food Group Co. Ltd (3666), the disposal losses of approximately of HK\$2.92 million and HK\$2.78 million from disposed shares of Share Economy Group Ltd (1178) and other disposed listed securities respectively. During the year ended December 31 2017, the dividend received from securities investment were approximately HK\$0.42 million (2016: HK\$2.11 million). As at 31 December 2017, the market value of the listed securities being held by the Group was approximately HK\$34.39 million in value (2016: approximately HK\$98.30 million) and an unrealized gain on fair value change was approximately HK\$0.06 million (2016: approximately HK\$1.12 million).

The Directors believe that the future performance of the equity securities of companies listed on the Stock Exchange held by the Group will be affected by the overall economic environment, equity market conditions, investor sentiment and the business performance of the investee companies. The Board will continue look out for opportunities to invest in Main Board Listed Companies to generate better returns to its shareholders.

- (v) The Board wishes to clarify that the figure of realized loss on disposal of trading securities of HKD14.5 million was misclassified to unrealized loss on fair value changes in trading securities in the financial statements of the Group for the year ended 31 December 2017, and re-classification has been made to the financial statements.

Accordingly, the note 4 and 9 in the section headed “Notes to the Consolidated Financial Statement – Other revenue and other net (loss)/income and Loss before taxation” on page 69 and 73 of the Annual Report should read as follows:

4. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income	419	2,106
Bank interest income	183	1,067
Sundry income	578	437
Net exchange loss	(27)	(612)
Unrealised gain on fair value changes		
in trading securities	<u>58</u>	1,124
Realised (loss)/gain on disposal of		
trading securities	<u>(4,866)</u>	1,504
Loss on disposal of property, plant and equipment	(343)	–
Reversal of impairment loss on inventories	–	3,945
	<u>(3,998)</u>	<u>9,571</u>

9. LOSS BEFORE TAXATION

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	930	888
Cost of inventories included in cost of sales (<i>Note 20</i>)	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 (<i>Note 4</i>)	27	612
Impairment loss/(reversal of impairment loss) on other receivables	34,774	(3,279)
Reversal of impairment loss on inventories (<i>Note 4</i>)	–	(3,945)
Unrealised gain on fair value changes in trading securities (<i>Note 4</i>)	<u>(58)</u>	(1,124)
Realised loss/(gain) on disposal of trading securities	<u>4,866</u>	(1,504)

- (vi) “Note d” in the section headed “Notes to the Consolidated Financial Statement – Prepayments, deposit and other receivables” on page 90 of the Annual Report should read as follows:

As at December 31, 2017, approximately HK\$13,390,000 (2016: Nil) was a provision for an independent third party of the credit guarantee service and investment business and approximately HK\$24,854,000 was a provision for an independent third party of the metal trading business due to the legal title of certain collateral is uncertain. As a result, impairment loss has been recognised during the period.

In July 2016, an individual (“**Individual A**”) borrowed approximately HK\$13,390,000 from the Group. The loan is secured by (i) a charge on 100% shareholding interest of a company incorporated in PRC engaging in the mine industry; and (ii) a personal guarantee. As at 31 December 2017, after reviewing the repayment capability of Individual A and upon discussion with the auditors, the management considered there is a possibility that Individual A may default in the loan repayment, therefore a provision of HK\$13,390,000 was made.

In March 2016, the Group advanced approximately HK\$24,854,000 (the “**Advance**”) to a supplier (“**Supplier A**”) whom the Group has maintained a stable business relationship in the trading of metals and minerals segment. Supplier A used 100 tonnes of ceramic glaze with market value of approximately HK\$26.1 million as collateral for the Advance. The management decided to grant the Advance after considering (i) the stable business relationship between the Group and Supplier A; and (ii) the collateral provided by Supplier A. Supplier A subsequently failed to repay the Advance and the ownership of the ceramic glaze was transferred to the Group whereby the Group obtained a confirmation of transfer. However, as the collateral was stored in a warehouse in Singapore owned by an independent third party, the auditor cannot confirm if the legal title has been transferred to the Group.

Generally, before entering into transactions with any suppliers, the Group will conduct the following due diligence procedures: (i) performing a background check on the supplier; (ii) interviewing the management of the supplier; (iii) reviewing the corporate documents of the supplier; and (iv) reviewing the supporting documents of the collateral. The Group has conducted the above due diligence procedures before granting the Advance to Supplier A.

(vii) Reference is made to the circular of the Group dated February 28, 2018 in relation to the proposed re-election of retiring directors (the “**Circular**”).

It was disclosed in the Circular that Ms. Wang Yunxiao Angel (“**Ms. Wang**”) has not entered into any service contract or letter of appointment with the Company; and her emolument will be determined with reference to duties of a director and business operation of the Company as well as remuneration benchmark in the industry and business performance of the Company.

It is further clarified that from the date of the Circular up to the date of Ms. Wang’s retirement as a non-executive Director of the Company on March 20, 2018:

1. the term of employment in relation to the appointment of Ms. Wang as a non-executive Director of the Company has not been confirmed; and
2. Ms. Wang has not received any emolument as a non-executive Director of the Company.

Save as stated above, all information in the Circular, the Annual Results Announcement, the Clarification Announcement and the Annual Report remain unchanged.

By Order of the Board
Asia Investment Finance Group Limited
Wong Kwong Sum
Executive Director

Hong Kong, 13 July 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Ms. Cheung Kwan, Mr. Wong Kwong Sum, and Mr. Liu Hu; and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Ge Ming and Mr. Ho Chun Chung, Patrick.