

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asia Investment Finance Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company

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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: 00033)

**(1) CONNECTED TRANSACTION IN RELATION TO
PROPOSED ALTERATION OF TERMS OF CONVERTIBLE BONDS;
(2) GRANT OF SHARE OPTIONS TO AN EXECUTIVE DIRECTOR;
(3) PROPOSED RE-ELECTION OF RETIRING DIRECTORS;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
The Independent Board Committee and the Independent Shareholders
Relating to Convertible Bonds**



Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 19 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders Relating to Convertible Bonds is set out on pages 20 to 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds is set out on pages 22 to 39 of this circular.

A notice convening of the EGM of the Company to be held at Unit 3201, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 11:00 a.m. on Tuesday, 20 March 2018 is set out on pages 46 to 48 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (<http://www.aifgroup.com/>) respectively.

If you are not able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof should you so wish.

References to time and dates in this circular are to Hong Kong time and dates.

28 February 2018

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Alteration of Terms”	the proposed alteration of certain terms and conditions of the outstanding Convertible Bonds pursuant to terms of the Deed of Variation
“Articles of Association”	the articles of association of the Company currently in force
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder” or “Internet Finance”	Internet Finance Investment Co. Ltd., a company incorporated under the law of the British Virgin Islands, which is wholly-owned by Ms. Cheung and the holder of the outstanding Convertible Bonds as at the Latest Practicable Date
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Asia Investment Finance Group Limited, a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	being HK\$0.10 per Share
“Conversion Share(s)”	1,000,000,000 new Shares to be allotted and issued following the exercise by the outstanding Convertible Bonds holder(s) of his/her/their rights at the Conversion Price
“Convertible Bonds”	the zero coupon convertible bonds issued by the Company on 18 February 2016 pursuant to the terms of the Subscription Agreement or such convertible bonds as amended by the Deed of Variation (as the case may be)
“core connected person”	has the meaning ascribed to it under the Listing Rules
“Date of Grant”	27 July 2017
“Deed of Variation”	the deed of variation dated 10 January 2018 entered into between the Company and the Bondholder in relation to the Alteration of Terms
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and, if thought fit, approve, among others, the resolutions contained in the notice of the meeting which is set out on pages 46 to 48 of this circular, or any adjournment thereof
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	a Board committee comprising all independent non-executive Directors established to make recommendation to the Independent Shareholders Relating to Convertible Bonds in relation to the Deed of Variation and the transactions contemplated thereunder
“Independent Financial Adviser”	Akron Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being an independent financial adviser to the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds in respect of the Deed of Variation and the transactions contemplated thereunder
“Independent Shareholder(s) Relating to Convertible Bonds”	the Shareholders excluding Ms. Cheung, the Bondholder and their respective associates
“Independent Shareholder(s) Relating to Share Options”	the Shareholders other than Ms. Cheung, her associates, Internet Finance or all core connected persons of the Company
“Latest Practicable Date”	23 February 2018 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Hu, an executive Director of the Company

DEFINITIONS

“Ms. Cheung”	Ms. Cheung Kwan, an executive Director of the Company and the Chairperson of the Board, who is interested in approximately 26.27% of the issued share capital of the Company and owns the entire shareholding interest in the Bondholder as at the Latest Practicable Date
“Ms. Wang”	Ms. Wang Angel Yunxiao, the non-executive Director of the Company and the Co-Chairperson of the Board
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Options”	the share option granted under the Share Option Scheme entitling the holders thereof to subscribe for Share(s)
“Share Option Scheme”	the share option scheme of the Company passed on 26 June 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 5 November 2015 entered into among the Company, the Bondholder and Ms. Cheung in relation to, among others, the subscription of the Convertible Bonds by the Bondholder
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.



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: 00033)

Executive Directors:

Ms. Cheung Kwan (*Chairperson*)

Mr. Wei Jiafu

Mr. Liu Hu

Mr. Wong Kwong Sum

Non-Executive Director:

Ms. Wang Angel Yunxiao (*Co-Chairperson*)

Independent Non-Executive Directors:

Mr. Anthony Espina

Mr. Ho Chun Chung, Patrick

Mr. Ge Ming

Registered Office:

P.O. Box 309

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Cayman Islands

*Principal place of business
in Hong Kong:*

Unit 3201, 32/F.

Bank of America Tower

12 Harcourt Road, Central

Hong Kong

28 February 2018

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
PROPOSED ALTERATION OF TERMS OF CONVERTIBLE BONDS;
(2) GRANT OF SHARE OPTIONS TO AN EXECUTIVE DIRECTOR;
(3) PROPOSED RE-ELECTION OF RETIRING DIRECTORS;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements dated 5 November 2015 and 18 February 2016, and the circular dated 8 January 2016 of the Company in relation to, among other things, the issuance of the Convertible Bonds. Pursuant to the Subscription Agreement, on 18 February 2016, the Company issued the Convertible Bonds in the total principal amount of HK\$100,000,000 to the Bondholder.

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Reference is also made to the announcements of the Company dated 10 January 2018 and 6 February 2018 in relation to the entering into the Deed of Variation to amend certain terms and conditions of the outstanding Convertible Bonds. As at the Latest Practicable Date, the Convertible Bonds in an aggregate principal amount of HK\$100,000,000, convertible into Shares at the Conversion Price of HK\$0.10 per Share, are outstanding and held by the Bondholder. The outstanding Convertible Bonds are unsecured and the maturity date of which was on 18 February 2018.

Reference is also made to the announcement of the Company dated 27 July 2017 in relation to the grant of the Share Options under the Share Option Scheme to certain eligible persons.

The purpose of this circular is to provide you with, among other things, (i) details of the Deed of Variation and the Alteration of Terms contemplated thereunder; (ii) the letters from the Independent Board Committee and the Independent Financial Adviser; (iii) the grant of Share Options to Ms. Cheung; (iv) the re-election of Ms. Wang and Mr. Liu, both being retiring Directors; and (v) the notice convening the EGM for (a) the Independent Shareholders Relating to Convertible Bonds to consider and, if thought fit, to approve the resolution in relation to the Deed of Variation and the transactions contemplated thereunder; (b) the Independent Shareholders Relating to Share Options to consider and, if thought fit, to approve the resolution in relation to the grant of Share Options to Ms. Cheung; and (c) the Shareholders to consider, if thought fit, to approve the re-election of Ms. Wang and Mr. Liu, respectively.

DEED OF VARIATION

Date: 10 January 2018 (after trading hours)

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

Alteration of Terms

Pursuant to the Deed of Variation, it is agreed that the maturity date of the outstanding Convertible Bonds will be extended from 18 February 2018 to 18 February 2019.

Save for the above proposed alteration of the maturity date under the Deed of Variation, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged, principal terms of which are set out as follows:

Interest rate: Nil

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

(i) consolidation or subdivision of the Shares;

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

Redemption:	The Company shall redeem each Convertible Bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date.
Transferability:	Subject to the Listing Rules, the grant of approval for the listing and permission to deal in the Conversion Shares and other relevant approvals and requirements, the Convertible Bonds are freely transferable by the bondholders.
Voting rights:	A bondholder will not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it being a bondholder.
Ranking:	The Convertible Bonds constitute unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves and all existing and future unsubordinated and unsecured obligations of the Company.
Events of default:	In the event that the Company is unable to settle any amounts payable pursuant to the instrument of the Convertible Bonds (if any), a bondholder may give notice to the Company that the Convertible Bonds are immediately due and payable.

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

Conversion Shares

Assuming full conversion of the outstanding Convertible Bonds in the principal amount of HK\$100,000,000 at the Conversion Price of HK\$0.10 per Share, 1,000,000,000 Conversion Shares will be allotted and issued by the Company, representing:

- (i) approximately 10.72% of issued share capital of the Company as at the Latest Practicable Date; and

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- (ii) approximately 9.68% issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares assuming none of the outstanding options of the Company is exercised.

Conversion Price

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

- (i) a discount of approximately 12.28% to the closing price of the Shares of HK\$0.114 per Share as quoted on the Stock Exchange on 10 January 2018, being the date of the Deed of Variation;
- (ii) a discount of approximately 5.48% to the average closing price of approximately HK\$0.1058 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Deed of Variation;
- (iii) a discount of approximately 3.94% to the average closing price of approximately HK\$0.1041 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the Deed of Variation;
- (iv) a discount of approximately 8.26% to the closing price of the Shares of approximately HK\$0.109 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) a premium of approximately 117.39% of the net asset value per Share of approximately HK\$0.046 per Share as at 30 June 2017.

Conditions Precedent

The Alteration of Terms shall become effective upon the fulfillment of all the following conditions precedent:

- (a) the passing of ordinary resolution(s) by the Independent Shareholders Relating to Convertible Bonds at the EGM approving (i) the Deed of Variation and the transactions contemplated thereunder; (ii) upon the exercise of the conversion rights attaching to the outstanding Convertible Bonds, the allotment and issue of the Conversion Shares in accordance with the conditions of the Convertible Bonds as varied by the Deed of Variation;
- (b) the approval from holder of Convertible Bonds of more than 50% of the aggregate principal amount of the outstanding Convertible Bonds approving the Alteration of Terms having been obtained by the Company;
- (c) the Listing Committee having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued upon an exercise of the conversion rights attaching to the outstanding Convertible Bonds in accordance with the conditions of the Convertible Bonds as varied by the Deed of Variation; and

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- (d) the Company having obtained from the Stock Exchange all requisite approval or consent to the Alteration of Terms as set out in the Deed of Variation.

The Alteration of Terms shall take effect on the date on which the Company notifies the Bondholder in writing the fulfillment of the conditions precedent as set out above, which date shall not be more than five business days after the fulfillment of all conditions precedent.

None of the conditions precedent can be waived. If any of the conditions precedent above has not been fulfilled on or before 31 March 2018 (or such other date as may be agreed by the parties to the Deed of Variation in writing) the Deed of Variation shall lapse and be of no further effect and none of the parties to this Deed of Variation will have any claim against or liability to the other parties in respect of the Deed of Variation save for any antecedent breaches thereof. The Bondholder has indicated to the Company that it has no intention to request the Company to redeem the Convertible Bonds (neither in full nor in part thereof) before the day that the Alteration of Terms takes effect or 31 March 2018 (whichever is earlier).

As at the Latest Practicable Date, condition precedent (b) above have been fulfilled.

Information on the Bondholder

The Bondholder is a company incorporated under the law of the British Virgin Islands. The principal business activity of the Bondholder is investment holding.

Reasons for issuing the Convertible Bonds and actual use of proceeds

As disclosed in the circular of the Company on 8 January 2016, the Group was then principally engaged in the credit guarantee and investment in the PRC and trading business in Hong Kong. In order to expand the sources of income and prospects of the Group, the Group was seeking possible investment opportunities which are related to the Group's existing business, and intended to, amongst others, (i) acquire companies licensed under the SFO; (ii) develop internet finance related business through acquisition, strategic cooperation or otherwise; and (iii) set up a fund and/or be engaged in fund management service in the PRC.

The actual use of the net proceeds of the issuance of the Convertible Bonds was as follows:

- (i) approximately HK\$9.3 million was used to acquire a company licensed under the SFO to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities, and approximately HK\$1.0 million was injected into the said company as share capital;
- (ii) approximately HK\$24.2 million was used to acquire a company licensed under the SFO to carry out type 1 (dealing in securities) regulated activities, and approximately HK\$20.0 million was injected into the said company as share capital;
- (iii) approximately HK\$28.8 million was used to acquire fixed assets; and

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- (iv) approximately HK\$16.7 million was used as funding for short term loans to our clients.

Reasons for entering into the Deed of Variation

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

The Board considers that, given the Bondholder's agreement to extend the time for redeeming the outstanding Convertible Bonds, the Board is of the view that it is more beneficial for the Group entering into the Deed of Variation than obtaining external financing as the Convertible Bonds does not carry any interest charges.

As disclosed in the 2017 interim report of the Company, the Company incurred a net loss of approximately HK\$54.0 million and a net cash outflow of approximately HK\$33.0 million for the six months ended 30 June 2017. As at 30 June 2017, the outstanding convertible bonds in the amount of approximately HK\$95.8 million represents approximately 69.8% of the current liabilities of the Company. In addition, the cash and cash equivalents on hand was approximately HK\$76.7 million as at 30 June 2017, which was insufficient to repay the outstanding Convertible Bonds upon its original maturity date (i.e. 18 February 2018).

Having considered the above, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Deed of Variation are fair and reasonable, and that entering into of the Deed of Variation is in the interests of the Company and the Shareholders as a whole.

Application for listing

No application will be made by the Company for the listing of the outstanding Convertible Bonds. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon conversion of the outstanding Convertible Bonds pursuant to the conditions of the Convertible Bonds as amended by the Deed of Variation.

Mandate for the issue of the Conversion Shares

The Company will seek the grant of a specific mandate from the Independent Shareholders Relating to Convertible Bonds at the EGM to cater for the allotment and issue of the Conversion Shares upon conversion of the outstanding Convertible Bonds pursuant to the conditions of the Convertible Bonds as amended by the Deed of Variation.

LETTER FROM THE BOARD

Effect on the shareholding structure of the Company

Assuming no other changes in the issued share capital of the Company from the Latest Practicable Date up to the full conversion of the outstanding Convertible Bonds by the Bondholder at HK\$0.10 per Share, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the outstanding Convertible Bonds at HK\$0.10 per Share are illustrated as follows:

Name	As at the Latest Practicable Date		Immediately upon full conversion of the outstanding Convertible Bonds at Conversion Price	
	<i>Approximately</i>		<i>Approximately</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
The Bondholder <i>(Note 1)</i>	1,000,000,000	10.72	2,000,000,000	19.37
Ms. Cheung <i>(Note 2)</i>	1,450,000,000	15.55	1,450,000,000	14.04
Public Shareholders	<u>6,877,172,000</u>	<u>73.73</u>	<u>6,877,172,000</u>	<u>66.59</u>
	<u><u>9,327,172,000</u></u>	<u><u>100.00</u></u>	<u><u>10,327,172,000</u></u>	<u><u>100.00</u></u>

Notes:

1. The Bondholder is wholly owned by Ms. Cheung.
2. Ms. Cheung directly holds 1,450,000,000 Shares in her own capacity as beneficial owner.

Fund raising activities in the past twelve months

The Company has not carried out other equity fund raising activities during the 12 months immediately preceding the date of this announcement.

Implications under the Listing Rules

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of Terms has been submitted to the Stock Exchange by the Company.

As at the Latest Practicable Date, the Bondholder is wholly owned by Ms. Cheung, who is an executive Director and a substantial shareholder of the Company having an aggregate interest of 2,450,000,000 Shares in the Company, representing approximately 26.27% of the total issued share capital of the Company. The Bondholder is therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Alteration of Terms constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting and approval from Independent Shareholders Relating to Convertible Bonds requirements pursuant to the Listing Rules.

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General

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to give recommendation to the Independent Shareholders Relating to Convertible Bonds on the Deed of Variation and the transactions contemplated thereunder. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders Relating to Convertible Bonds in respect of the Deed of Variation and the transactions contemplated thereunder has been set out at pages 20 to 21 of this circular.

Save for Ms. Cheung who abstained from voting on the board resolutions in relation to the Deed of Variation and the transactions contemplated thereunder, none of the Directors and their respective associates have material interest in the Deed of Variation and the transactions contemplated thereunder and none were required to abstain from voting on the board resolutions in relation to the Deed of Variation and the transactions contemplated thereunder.

Akron Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds in this regard and a letter from Akron Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds containing its advice in respect of the Deed of Variation and the transactions contemplated thereunder has been set out at pages 22 to 39 of this circular.

The Alteration of Terms is conditional upon satisfaction of certain conditions precedent under the Deed of Variation and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.

PROPOSED GRANT OF SHARE OPTIONS

Grant of the Share Options

The Company conditionally granted 250,000,000 Share Options under the Share Option Scheme to Ms. Cheung, the Chairperson of the Board, an executive Director and a Substantial Shareholder, details of which are set out below:

Date of Grant	:	27 July 2017
Number of Share Options granted	:	250,000,000 (which entitle the grantee to subscribe for 250,000,000 Shares, representing approximately 2.680% of existing number of Shares in issue at the Date of Grant)

LETTER FROM THE BOARD

Exercise price of Share Options granted	:	HK\$0.15 per Share (Being not less than the highest of (i) HK\$0.1, being the nominal value of each Share; (ii) HK\$0.0684, being the average of the closing prices of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) HK\$0.07, being the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant).
Closing price of the Shares on the Date of Grant	:	HK\$0.07 per Share
Validity period of the Share Options (subject to acceptance by the grantee and approval of the Independent Shareholders Relating to Share Options)	:	For a period of 3 years from 27 July 2017 to 26 July 2020 (both dates inclusive), subject to the provisions for early termination contained in the Share Option Scheme
Vesting period of the Share Options (subject to acceptance by the grantee and approval of the Independent Shareholders Relating to Share Options)	:	The Share Options shall be vested on the Date of Grant
Performance targets	:	Nil
Amount payable on acceptance of the Share Options	:	HK\$1.00 Payment must be made within 21 days from the Date of Grant.

The Shares to be allotted upon the exercise of the Share Options will rank *pari passu* in all respects with the existing fully-paid Shares in issue on the date on which the Share Options are duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after such exercise date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before such exercise date. Shares allotted upon the exercise of the Share Options shall not carry voting rights until the name of the grantee has been duly entered on the register of members of the

LETTER FROM THE BOARD

Company as the holder thereof. The Share Options themselves, however, do not carry any voting, dividend, transfer or other rights (including those arising on the liquidation of the Company) prior to their being exercised and the underlying Shares being allotted.

As at the Latest Practicable Date, none of the Directors is a trustee of the Share Option Scheme nor has any direct or indirect interest in the trustee(s) of the scheme.

Reasons for the grant of the Share Options

Ms. Cheung was appointed as an executive Director of the Company on 14 September 2016. She has around 20 years of experience in project investment, corporation management, merger and acquisition. Her investments in diverse industries range from mining, resources, clean energy, cultural industry, health industry and agriculture. Particularly, under the national project of “Belt and Road” policy, she has gained extensive experience and strong business network. Ms. Cheung has served as director and senior manager of various companies. Currently, she is the chairperson as well as managing director of the board of directors of Kazakhstan Potash Corporation Limited, a company listed on the Australian Securities Exchange (Stock code: KPC Australia). Ms. Cheung has also been an executive director of Burwill Holdings Limited, a company listed on the Stock Exchange (Stock code: 0024.HK) since November 2015. Save as disclosed above, Ms. Cheung did not hold any directorships in any other listed public companies in the past three years. Ms. Cheung, as the single largest shareholder of the Company, does not have any relationship with any other director, senior management or substantial shareholder of the Company.

The Company is confident in the future about the “Belt and Road” policy and will look for investment projects with potential and seek for new business opportunities in countries and regions within the scope of the “Belt and Road” policy. Ms. Cheung’s extensive experience of investments in diverse industries and her strong business network are invaluable assets to the Company’s plan of development.

The Board is of the view that the purpose of granting the Share Options to Ms. Cheung is to recognise her past and continuous contribution, as well as to motivate and provide incentives to her to promote the business development of the Group. After Ms. Cheung has joined the Group in September 2016, the Group has signed several memoranda of understanding in relation to setting up funds with well-known international companies, including but not limited to the proposed joint establishment of the China-Kazakhstan Nurly Investment Fund (as disclosed in the announcements of the Company dated 7 June 2017 and 7 November 2017), and the proposed acquisition on China Universities Media Holdings Limited (as disclosed in the announcement of the Company dated 10 January 2018). As Ms. Cheung is an executive Director and Chairperson of the Board, she has the overall responsibility for determining the long-term business strategy of the Group as a whole. It is fundamental for the Group to have Ms. Cheung’s extensive experience, network, origination and execution capability to further develop the business of the Group in the future. The Board further considers that the economic benefits of Share Options depends upon an increase in share price which shall be driven by improvement in the business and performance of the Company, which all the Shareholders also stand to benefit. Therefore, the grant of Share Options with exercise

LETTER FROM THE BOARD

price of about twice the closing share price at the Date of Grant would provide reasonable incentives to secure her continuing support and commitment to the growth of the Group in the future.

Ms. Cheung has not entered into any director service contract with the Company and the remuneration package for Ms. Cheung comprises fixed salaries (including allowances and benefits in kind) plus discretionary bonuses as determined by the Board. Having taken into account the potential dilution of the shareholding of the Company of the other Shareholders, the Board considers that the grant of Share Options to Ms. Cheung would be an appropriate form of reward in addition to fixed salaries and discretionary bonus, given that no extra costs would be incurred and it enables the Group to conserve its cash resources and bring potential benefits to the Group as mentioned above.

In the circumstances, the Board is of the view that the grant of Share Options is in the interests of the Company and the Shareholders as a whole.

Listing Rules implications

The grant of the Share Options to Ms. Cheung has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

Pursuant to Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme, where a grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates would result in the Shares issued and to be issued upon exercise of all the options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares on the date of grant, in excess of HK\$5 million, such grant of Share Options must be approved by Shareholders at a general meeting at which the grantee (i.e. Ms. Cheung), her associates and all core connected persons of the Company (i.e. a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or a close associate (as defined under the Listing Rules) of any of them) shall abstain from voting in favour of, although they may vote against, the resolution approving the grant of Share Options to Ms. Cheung at such general meeting.

In addition, pursuant to Rule 17.03(4) of the Listing Rules and the terms of the Share Option Scheme, the maximum number of Shares issued and to be issued upon exercise of the Share Options granted to each grantee under the Share Option Scheme (including both exercised and outstanding Share Options) in any 12-month period shall not, when aggregated with any Shares subject to options granted under such period under any other share option schemes of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting, exceed 1% of the Shares in issue for the time being. When any further grant of Shares Options to a grantee would result in the Shares issued and to be issued upon exercise of all Share Options granted and to be granted to such person (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and

LETTER FROM THE BOARD

including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such grantee and her associates abstaining from voting.

According to the above provisions, such grant of Share Options to Ms. Cheung has been approved by all the independent non-executive Directors. In addition, Ms. Cheung, her associates, Internet Finance (in the capacity of a company controlled by Ms. Cheung) and all core connected persons of the Company shall abstain from voting in favour of the resolution at the EGM. To the best knowledge of the Directors, they have no intention to vote against the resolution at the EGM.

Effect on shareholding structure of the Company upon exercise of the Share Options

The shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately upon exercise of all Share Options by Ms. Cheung; and (c) immediately upon exercise of all Share Options by Ms. Cheung and exercise of all outstanding convertible bonds are as follows:

	As at the Latest Practicable Date		Immediately upon exercise of all the Share Options by Ms. Cheung		Immediately upon exercise of all the Share Options by Ms. Cheung and upon exercise of all outstanding bonds	
	<i>Approximate percentage</i>	<i>Approximate percentage</i>	<i>Approximate percentage</i>	<i>Approximate percentage</i>	<i>Approximate percentage</i>	<i>Approximate percentage</i>
	<i>Number of Shares held directly or indirectly</i>	<i>of the entire issued share capital of the Company</i>	<i>Number of Shares held directly or indirectly</i>	<i>of the entire issued share capital of the Company</i>	<i>Number of Shares held directly or indirectly</i>	<i>of the entire issued share capital of the Company</i>
Ms. Cheung (Note)	2,450,000,000	26.27%	2,700,000,000	28.19%	3,700,000,000	34.98%
Public Shareholders	<u>6,877,172,000</u>	<u>73.73%</u>	<u>6,877,172,000</u>	<u>71.81%</u>	<u>6,877,172,000</u>	<u>65.02%</u>
Total:	<u><u>9,327,172,000</u></u>	<u><u>100%</u></u>	<u><u>9,577,172,000</u></u>	<u><u>100%</u></u>	<u><u>10,577,172,000</u></u>	<u><u>100%</u></u>

Note: (i) 1,000,000,000 Shares and (ii) convertible bonds convertible into 1,000,000,000 Shares are held by Internet Finance Investment Co., Ltd., which is in turn wholly owned by Ms. Cheung. Ms. Cheung also owns 1,450,000,000 Shares as a beneficial owner.

PROPOSED RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Article 114 of the Articles, the Board shall have power from time to time and any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

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Ms. Wang has been appointed as a non-executive Director and Co-Chairperson of the Board with effect from 13 July 2017. Mr. Liu has been appointed as an executive Director of the Company with effect from 29 November 2017. In accordance with the abovementioned Article, Ms. Wang and Mr. Liu will retire and, being eligible, will offer themselves for re-election at the EGM.

Ms. Wang

Particulars of Ms. Wang are set out as follows:

Ms. Wang, aged 48, has over 20 years of work experience in the financial and commercial sectors, focusing on international finance, fund management, project investment and corporate restructuring, mergers and acquisitions. She also has an extensive social network. Ms. Wang's social network, project resources, fund and financing resources will enable the Group to broaden its project financing channels and will inject new vitality into the Group's development.

In addition, Ms. Wang was praised as "Midas" by Hurun in 2015 and was awarded the "Global Outstanding Chinese Woman Model" by Hong Kong Satellite Television in 2016.

As at the Latest Practicable Date, Ms. Wang has not entered into any service contract or letter of appointment with the Company. Her emolument will be determined with reference to duties of director and business operation of the Company as well as remuneration benchmark in the industry and business performance of the Company.

Ms. Wang has not held any other directorships in public companies listed on the Stock Exchange or any other securities exchanges in the last three years preceding the date of this circular. As at the Latest Practicable Date, Ms. Wang was interested in 90,000,000 Share Options of the Company granted under the Share Option Scheme. Save as disclosed above, Ms. Wang does not have any interests in shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date. Ms. Wang has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, Ms. Wang has confirmed that there is no other information relating to her which is required to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to Rule 13.51(2)(v) of the Listing Rules, nor is there any further information in relation to the aforesaid re-election that needs to be brought to the attention of the Shareholders.

Mr. Liu

Particulars of Mr. Liu are set out as follows:

Mr. Liu, aged 50, joined the Group in November 2017. He is currently the director of Hong Kong New Smart Energy Group Limited, a wholly-owned subsidiary of the Company. Mr. Liu received a Master's degree in business administration from Murdoch University in March 2001. Mr. Liu has nearly 25 years of experience in banking, securities, funds and asset management, and excels in banking facility, investment banking and offshore finance

LETTER FROM THE BOARD

businesses. Mr. Liu has previously worked for various banks. In addition, he has held managerial positions in various security companies, during which he undertook various initial public offering projects in the PRC, and was responsible for organising and completing the underwriting work as the lead underwriter for Shandong Gold Mining Co., Ltd. and the underwriting work as a joint lead underwriter for China Unicom Network Communications Limited. Mr. Liu enjoys close collaboration relationships with Chinese financial institutions, large state-owned enterprises and Chinese-owned financial institutions and enterprises anchored in Hong Kong, as well as ample experience in business practices related to financial institutions, corporate management and capital operations.

Mr. Liu has not entered into any director service contract with the Company and is not appointed for a fixed term of service but will retire and be subject to re-election in accordance with the Articles of Association of the Company. The Board determines that the emolument payable to Mr. Liu is HK\$100,000 per month subject to annual adjustment to be determined by the Board with recommendation from the remuneration committee of the Board by reference to the performance of the Company and Mr. Liu. The aforesaid emolument payable to Mr. Liu is based on his qualification, experience and terms of reference of the remuneration committee of the Board.

Mr. Liu does not hold any directorships in other publicly listed companies whether in Hong Kong or overseas in the last three years preceding the date of this circular. As at the Latest Practicable Date, save as disclosed above, Mr. Liu does not hold any other position with the Company or any of its subsidiaries. As at the Latest Practicable Date, Mr. Liu was interested in 50,000,000 Share Options of the Company granted under the Share Option Scheme. Save as disclosed above, Mr. Liu (i) does not have any interests in shares of the Company within the meaning of Part XV of the SFO, and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company as at the Latest Practicable Date. Save as disclosed above, Mr. Liu has confirmed that there is no other information relating to him which is required to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to Rule 13.51(2)(v) of the Listing Rules. There is also no further information that needs to be brought to the attention of the Shareholders of the Company in relation to Mr. Liu's re-election.

EGM

Set out on pages 46 to 48 of this circular is a notice convening the EGM to be held at Unit 3201, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Tuesday, 20 March 2018 at 11:00 a.m. at which relevant resolutions will be proposed to (a) the Independent Shareholders Relating to Convertible Bonds to consider and, if thought fit, approve the Deed of Variation and the transactions contemplated thereunder; (b) the Independent Shareholders Relating to Share Options to consider and, if thought fit, to approve the resolution in relation to the grant of Share Options to Ms. Cheung; and (c) the Shareholders to consider, if thought fit, to approve the re-election of Ms. Wang and Mr. Liu, respectively.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's

LETTER FROM THE BOARD

branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the knowledge, information and belief of the Directors, save for the Bondholder, Ms. Cheung and their respective associates, no Shareholder has a material interest in the transactions contemplated under the Deed of Variation, and the Bondholder, Ms. Cheung and their respective associates will abstain from voting on the resolution for approving the Deed of Variation and the transactions contemplated thereunder.

The grant of Share Options to Ms. Cheung is subject to approval by the Independent Shareholders Relating to Share Options. Ms. Cheung, her associates, Internet Finance (in the capacity of a company controlled by Ms. Cheung) and all core connected persons of the Company shall abstain from voting in favour of the resolution approving the grant of Share Options to Ms. Cheung. To the best knowledge of the Directors, they have no intention to vote against the resolution at the EGM. As at the Latest Practicable Date, Ms. Cheung's interest in Company (by way of beneficial owner and through controlled corporation) amounted 2,450,000,000 Shares (representing approximately 26.27% of the issued share capital of the Company) and the core connected persons of the Company (including any director, chief executive or (if any) other substantial shareholder of the Company or any of its subsidiaries or a close associate of any of them) does not hold any Share. To the best of the knowledge, information and belief of the Directors, as at the Latest Practicable Date, there was no discrepancy between any beneficial shareholding interest in the Company and the number of Shares in the Company in respect of which Ms. Cheung will control or will be entitled to exercise control over the voting right at the EGM.

No Shareholder is required to abstain from voting of the resolution approving the re-election of each of Ms. Wang and Mr. Liu as a Director.

Pursuant to the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In this regard, the resolutions set out in the Notice of the EGM will be put to vote by way of poll.

An announcement on the results of the EGM will be made by the Company after the conclusion of the EGM in accordance with the Listing Rules.

In order to be eligible to attend and vote at the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 March 2018.

LETTER FROM THE BOARD

RECOMMENDATION

With reference to the “Reasons for Entering into the Deed of Variation” as stated above, the Board (excluding the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular) considers that the terms of the Deed of Variation are fair and reasonable and the entering into the Deed of Variation is in the interests of the Company and the Shareholders as a whole.

Having considered the reasons for and the terms of the grant of the Share Options, the Directors (including the independent non-executive Directors) believe such grant is fair and reasonable so far as the Independent Shareholders Relating to Share Options are concerned and in the interests of Company and the Shareholders as a whole.

The Board also considers that the re-election of (i) Ms. Wang, a non-executive Director and the Co-chairman; and (ii) Mr. Liu, an executive Director are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends (i) the Independent Shareholders Relating to Convertible Bonds to vote in favour of the proposed ordinary resolution in relation to the Deed of Variation and the transactions contemplated thereunder as set out in the notice of EGM; (ii) the Independent Shareholders Relating to Share Options to vote in favour of the proposed ordinary resolution in relation to the grant of Share Options to Ms. Cheung; and (iii) the Shareholders to vote in favour of the resolution approving the re-election of Ms. Wang as the non-executive Director and Mr. Liu as an executive Director at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

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



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: 00033)

28 February 2018

To the Independent Shareholders Relating to Convertible Bonds

Dear Sir or Madam,

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

We refer to the circular dated 28 February 2018 issued by the Company (the “**Circular**”) of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to consider the Deed of Variation and the transactions contemplated thereunder and to advise the Independent Shareholders Relating to Convertible Bonds as to the fairness and reasonableness of the terms of the Deed of Variation. Akron Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds in this regard.

We wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds, as set out on pages 22 to 39 of the Circular, which contains its advices in respect of the Deed of Variation and the transactions contemplated thereunder, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration in giving such advice. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Deed of Variation, the transactions contemplated thereunder and taking account of the independent advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that; (i) the entering of the Deed of Variation is not in the ordinary and usual course of business of the Company; and (ii) the terms of the Deed of Variation are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders Relating to Convertible Bonds are concerned; and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders Relating to Convertible Bonds to vote in favour of the resolution to be proposed at the EGM to approve the Deed of Variation and the transactions contemplated thereunder (including but not limited to the grant of the specific mandate for the allotment and issue of the Conversion Shares).

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Anthony Espina

Independent Non-executive Director

Mr. Ho Chun Chung, Patrick

Independent Non-executive Director

Mr. Ge Ming

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds in respect of the Deed of Variation and the Alteration of Terms for inclusion in this circular.



28 February 2018

*To the Independent Board Committee and the Independent Shareholders Relating to
Convertible Bonds of Asia Investment Finance Group Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds in respect of the Deed of Variation and the Alteration of Terms, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular issued by the Company to its Shareholders dated 28 February 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 10 January 2018, the Company and the Bondholder entered into the Deed of Variation, pursuant to which the maturity date of the Convertible Bonds will be extended from 18 February 2018 to 18 February 2019, subject to the fulfillment of the conditions precedent under the Deed of Variation. Accordingly, the conversion period will also be extended from 18 February 2018 to 18 February 2019. Save for the maturity date and the conversion period, all other terms and conditions of the Convertible Bonds remain unchanged.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, (i) the Bondholder holds 10.72% of the issued share capital of the Company; (ii) Ms. Cheung holds 15.55% of the issued share capital of the Company; and (iii) the Bondholder is wholly-owned by Ms. Cheung. The Bondholder is therefore a connected person of the Company under the Listing Rules. The Alteration of Terms to be effected by the Deed of Variation between the Company and the Bondholder constitutes a connected transaction of the Company under the Listing Rules and accordingly, the Alteration of Terms is subject to the reporting, announcement and Independent Shareholders Relating to Convertible Bonds’ approval requirements pursuant to Chapter 14A of the Listing Rules. The Bondholder, Ms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Cheung and their respective associates, will abstain from voting in respect of the relevant resolution(s) approving the Deed of Variation and the transactions contemplated thereunder (including the Alteration of Terms) at the EGM.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, the Company has applied to the Stock Exchange for its approval of the Alteration of Terms pursuant to Rule 28.05 of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Anthony Espina, Mr. Ho Chun Chung, Patrick and Mr. Ge Ming, all being independent non-executive Directors, has been established to advise the Independent Shareholders Relating to Convertible Bonds on the Deed of Variation and the Alteration of Terms. We, Akron Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds in this regard.

OUR INDEPENDENCE

We are not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date. In the last two years, there was no engagement between the Group and Akron Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to the Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders Relating to Convertible Bonds, we have relied on the statements, information, opinion and representations contained or referred to in the Circular and the statements, information, opinion and representations provided to us by the management of the Company (the “**Management**”) and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors as set out in the Circular were reasonably made after due and careful inquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Deed of Variation and the Alteration of Terms. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Akron Corporate Finance Limited to ensure that such information has been correctly extracted from relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Alteration of Terms and the terms of the Deed of Variation, we have considered the following principal factors and reasons:

1. Background information

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

On 18 February 2016, the Company issued the Convertible Bonds with an aggregate principal amount of HK\$100,000,000 due 18 February 2018 to the Bondholder pursuant to the Subscription Agreement, pursuant to which, among others, the Bondholder has conditionally agreed to subscribe for and the Company has conditionally agreed to (i) allot and issue of 1,000,000,000 subscription shares at the subscription price of HK\$0.10 per subscription share; and (ii) issue the Convertible Bonds in the principal amount of HK\$100,000,000, which entitle the Bondholder to convert up to 1,000,000,000 Conversion Shares at the initial Conversion Price of HK\$0.10 per Conversion Share (subject to adjustments) for a term of two years.

As at the Latest Practicable Date, the Convertible Bonds with an aggregate principal amount of HK\$100,000,000 held by the Bondholder is still outstanding and all such outstanding Convertible Bonds should have matured on 18 February 2018 pursuant to the original terms and conditions of the Convertible Bonds. On 10 January 2018, the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company and the Bondholder entered into the Deed of Variation, pursuant to which the maturity date of the Convertible Bonds will be extended to 18 February 2019. Accordingly, the conversion period will also be extended from 18 February 2018 to 18 February 2019.

The following table summarises the financial information of the Group for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017 as extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”) respectively:

	For the years ended		For the six months ended	
	31 December		30 June	
	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	67,360	122,128	32,863	135,195
Gross profit	6,051	21,896	5,132	10,795
Loss before taxation	64,760	113,095	47,658	53,985
Loss for the year/period	64,760	113,095	47,658	53,985
				As at
				30 June
				2017
				<i>HK\$'000</i>
				(unaudited)
Non-current assets		38,326	69,149	112,716
Current assets		321,475	555,926	456,615
Current liabilities		51,381	142,051	137,199
Non-current liabilities		34	52	52
Net current assets		270,094	413,875	319,416
Net assets		308,386	482,972	432,080
Cash and cash equivalents		116,760	103,831	76,658

For the years ended 31 December 2015 and 2016

The revenue of the Group increased from approximately HK\$67.4 million for the year ended 31 December 2015 to approximately HK\$122.1 million for the year ended 31 December 2016, representing an increase of approximately 81.2%. As stated in the 2016 Annual Report, the increase in revenue was mainly due to contribution from introduction of money lending business and the increase of revenue of trading of mineral business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The gross profit increased by approximately 259% from approximately HK\$6.1 million for the year ended 31 December 2015 to HK\$21.9 million for the year ended 31 December 2016. As stated in the 2016 Annual Report, the increase in gross profit was mainly contributed from the revenue of money lending business and decrease of labour costs in the business of trading of party products.

Loss for the year ended 31 December 2016 increased to approximately HK\$113.1 million from approximately HK\$64.8 million for the year ended 31 December 2015, representing an increase of approximately 74.5%. As stated in the 2016 Annual Report, the operating expenses during the year ended 31 December 2016 was approximately HK\$103.7 million, representing an increase of approximately 181.0% from approximately HK\$36.9 million for the year ended 31 December 2015, which was mainly attributable to the Group's delegation in procuring new investment and business opportunities for the Group, in particular for expenses in (i) human resources; (ii) legal, professional and consultancy fees; and (iii) rental of premises. Such significant increase in operating expenses led to the increase of loss for the year ended 31 December 2016.

The Group recorded net current assets of approximately HK\$413.9 million (with cash and cash equivalents of approximately HK\$103.8 million) and net assets of approximately HK\$483.0 million respectively as at 31 December 2016. Current ratio of the Group decreased from approximately 6.26 as at 31 December 2015 to approximately 3.91 as at 31 December 2016.

For the six months ended 30 June 2017

The revenue of the Group increased from approximately HK\$32.9 million for the six months ended 30 June 2016 to approximately HK\$135.2 million for the six months ended 30 June 2017, representing an increase of approximately 310.9%. According to the 2017 Interim Report, such increase was mainly due to the increase in revenue from money lending business and trading of metals and minerals.

There was an increase in the gross profit from approximately HK\$5.1 million for the six months ended 30 June 2016 to approximately HK\$10.8 million for the six months ended 30 June 2017. As stated in the 2017 Interim Report, the operating expenses during the six months' period ended 30 June 2017 was approximately HK\$56.3 million, representing an increase of approximately 47.4%, from approximately HK\$38.2 million for the six months ended 30 June 2016, which was mainly attributable to the (i) increase of directors' remuneration; (ii) increase of consultancy fee; and (iii) increase of utilities and general office administrative expenses. As such, for the six months ended 30 June 2017, the Group recorded loss of approximately HK\$54.0 million, representing an increase of approximately 13.3%, as compared with the loss of approximately HK\$47.7 million for the six months ended 30 June 2016.

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In addition, the Group recorded net current assets of approximately HK\$319.4 million (with cash and cash equivalents of approximately HK\$76.7 million) and net assets of approximately HK\$432.1 million as at 30 June 2017. Current ratio of the Group decreased from approximately 3.91 as at 31 December 2016 to approximately 3.33 as at 30 June 2017.

Prospects

As disclosed in the 2016 Annual Report and/or the 2017 Interim Report,

- (i) the revenue for trading of metals and minerals increased by 14 times from approximately HK\$2.6 million for the year ended 31 December 2015 to approximately HK\$39.9 million for the year ended 31 December 2016. The trading of metals and minerals depends on indent basis and the Group trade occasionally;
- (ii) the acquisition of the licensed asset management company and licensed stockbroker company was completed during the year ended 31 December 2016 and have commenced full operation with relatively high initial operation cost; and
- (iii) the Group commenced its money lending business during the year ended 31 December 2016.

Even though these three business segments contributed revenue of approximately HK\$45.3 million during the year ended 31 December 2016, these were set off by the increase of operating expenses due to the Group's delegation in procuring new investment and business opportunities for the Group.

As advised by the Management, (i) the new business segments including securities brokerage and asset management are still in startup stage, the operating costs for such segments will remain relatively high during the years that their financial performance may not be reflected within a short period of time; and (ii) the trading of metals and minerals depends on indent basis and the Group trade occasionally, there is no guarantee in respect of the performance of such segment.

Nevertheless, the Group is confident in the financial markets and business development, particularly in those countries and regions within the scope of the "Belt and Road" policy. The Group will continue to implement a prudent strategy in managing its existing business, as well as looking for investment projects with potential and new business opportunities and regions within the scope of the "Belt and Road" policy. The Group will also continue to capture opportunities and expand its international trading business, especially in the commodities logistics sector with the countries along the "Belt and Road" route. The Group will leverage on the financial segment to drive its international trade in order to maximize the income from investments and operations, broaden the source of income and improve the financial performance of the Group.

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2. Reasons for and benefits of Alteration of Terms

As stated in the Board Letter, the Convertible Bonds are unsecured and the maturity date of which was 18 February 2018. According to the terms of the Convertible Bonds, the Company shall redeem all outstanding Convertible Bonds on the maturity date, being 18 February 2018, which amounted to HK\$100,000,000 as at the Latest Practicable Date. The Board considers that by entering into the Deed of Variation, the extended time for repayment under the Convertible Bonds following the Alteration of Terms is more beneficial to the Group than obtaining external financing as the Convertible Bonds does not carry any interest charges. The Company will not be required to make any interest payment to the Bondholder by extension of the maturity date following the entering into of the Deed of Variation.

Financial position of the Group

According to the 2017 Interim Report, we note that as at 30 June 2017, the Group (i) had cash and cash equivalents of approximately HK\$76.7 million, which was insufficient for the Company to fully repay the outstanding principal amount of the Convertible Bonds (being HK\$100,000,000); (ii) had trading securities of approximately HK\$31 million and it allows the Group to realize the investments in stock markets from time to time; and (iii) did not have any interest-bearing borrowing or debt financing. As at the Latest Practicable Date, the Bondholder did not exercise any of its conversion rights attached to the Convertible Bonds. The Company would barely manage full repayment of the outstanding Convertible Bonds, after considering the cash and cash equivalents together with the fair value of the trading securities as at 30 June 2017 amounting to a total of approximately HK\$107.7 million, which is just sufficient for full repayment of the outstanding principal amount of the Convertible Bonds of HK\$100,000,000. We note that based on closing price of the Shares as at the Latest Practicable Date, the Convertible Bonds are in the money. As such, assuming that the Alteration of Terms is being approved by the Independent Shareholders Relating to Convertible Bonds, there might be possibility for the Bondholder to exercise its conversion rights, either in part or in full, on or before the amended maturity date. However, there is no assurance that the Bondholder will exercise its conversion rights even if the Convertible Bonds are in the money. The Company understands that as at the Latest Practicable Date, the Bondholder has no present intention to convert any of the Convertible Bonds held by it and has agreed to the Alteration of Terms. Exercise of conversion rights by the Bondholder will be subject to, among others, the then investment objectives of the Bondholder, its financial condition and its view towards prospects of the Company. In the event that the Alteration of Terms is not approved by the Independent Shareholders Relating to Convertible Bonds, the Company will be obliged to repay the entire outstanding principal amount of the Convertible Bonds. As such, the financial obligation for the Company to make full repayment of the Convertible Bonds will substantially decrease the cash balance of the Group to approximately HK\$7.7 million (assuming realization of the entire trading securities), which may impose negative impact on the Group's liquidity. Furthermore, as stated in the 2017 Interim Report, the Group recorded a net cash outflow from operating

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activities of approximately HK\$35.5 million for the six months ended 30 June 2017 which reflects that the Company have to utilize the cash on hand to support the operation of the Group's business. In view of the substantial decrease in the Group's liquidity, there is no certainty that adequate cash resources will be available to the Group to maintain its current business operations and development after repayment.

Other financing alternatives

Upon our enquiry with the Management, we are given to understand that the Company has considered other financial alternatives to raise funds for repayment of the Convertible Bonds instead of the Alteration of Terms, including but not limited to, bank borrowing and equity financing.

Bank borrowing will usually incur interest burden on the Group and hence result in cash outflow of the Group and may be subject to, including but not limited to, lengthy due diligence and negotiations with the banks which involve providing documents for credit evaluation procedure by the banks before entering into any debt financing agreement. The Directors are of the view that (i) the ability of the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the then prevailing market condition; and (ii) debt financing may require pledge of assets and/or other kind of securities acceptable to banks. Given that the Group recorded continuous loss for the past five financial years from 2012 to 2016, it is unlikely for the Group to obtain bank borrowings at favourable terms.

In respect of equity financing, fees/costs will be incurred for, including but not limited to, (i) preparing relevant documents including underwriting agreement(s), announcement(s), prospectus; (ii) engaging professionals such as legal adviser and reporting accountants; and (iii) printing charges in connection with the dispatch of the related documents. In view of the unsatisfactory financial performance of the Group, the Directors intend to avoid/minimise such kind of expenses. The Directors have also taken into account that equity financing will inevitably cause immediate dilution effect on the shareholding of the existing Shareholders and consider extension of the repayment date of the Convertible Bonds is the most favourable option to the Group at the moment.

Based on the above and given the fact that the Convertible Bonds are non-interest bearing and the stringent cash position of the Group, we concur with the view of the Directors that the Alteration of Terms is the most appropriate means to refinance the Convertible Bonds.

Having considered that (i) the full repayment of the Convertible Bonds will substantially decrease the cash balance of the Group which may impose negative impact on the Group's liquidity; (ii) the Alteration of Terms would effectively allow the Group to refinance its debts under the Convertible Bonds with the same terms for one year; (iii) the Convertible Bonds is zero coupon and will not incur any interest burden nor immediate cash outflow for the Group; and (iv) the Alteration of Terms is the most appropriate means, as compared to other financing alternatives, to refinance the Convertible Bonds (particularly which will provide the Group with

flexibility in deploying its cash resources in a less costly manner), we are of the view that the Alteration of Terms and the entering into of the Deed of Variation is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Convertible Bonds

On 10 January 2018, the Company and the Bondholder entered into the Deed of Variation, pursuant to which the maturity date of the Convertible Bonds will be extended from 18 February 2018 to 18 February 2019. Accordingly, the conversion period will also be extended from 18 February 2018 to 18 February 2019. Save for the maturity date and the conversion period, all terms of the Convertible Bonds remain unchanged.

Conditions Precedent

The Alteration of Terms shall become effective upon the fulfilment of the following conditions precedent:

- (a) the passing of ordinary resolution(s) by the Independent Shareholders Relating to Convertible Bonds at the EGM approving (i) the Deed of Variation and the transactions contemplated thereunder, (ii) upon the exercise of the conversion rights attaching to the outstanding Convertible Bonds, the allotment and issue of the Conversion Shares in accordance with the conditions of the Convertible Bonds as varied by the Deed of Variation;
- (b) the approval from holder of Convertible Bonds of more than 50% of the aggregate principal amount of the outstanding Convertible Bonds approving the Alteration of Terms having been obtained by the Company;
- (c) the Listing Committee having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued upon an exercise of the conversion rights attaching to the outstanding Convertible Bonds in accordance with the conditions of the Convertible Bonds as varied by the Deed of Variation; and
- (d) the Company having obtained from the Stock Exchange all requisite approval or consent to the Alteration of Terms as set out in the Deed of Variation.

The Alteration of Terms shall take effect on the date on which the Company notifies the Bondholder in writing the fulfillment of the conditions precedent as set out above, which date shall not be more than five business days after the fulfillment of all conditions precedent.

None of the conditions precedent can be waived. If any of the conditions precedent above has not been fulfilled on or before 31 March 2018 (or such other date as may be agreed by the parties to the Deed of Variation in writing) the Deed of Variation shall lapse and be of no further effect and none of the parties to the Deed

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of Variation will have any claim against or liability to the other parties in respect of the Deed of Variation save for any antecedent breaches thereof. The Bondholder has indicated to the Company that it has no intention to request the Company to redeem the Convertible Bonds (neither in full nor in part thereof) before the day that the Alteration of Terms takes effect or 31 March 2018 (whichever is earlier).

As at the Latest Practicable Date, condition (b) above has been fulfilled.

Information of the Bondholder

The Bondholder is a company incorporated under the law of the British Virgin Islands. The principal business activity of the Bondholder is investment holding.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds were set out in the circular of the Company dated 8 January 2016. Save for the maturity date and the conversion period, all terms of the Convertible Bonds remain unchanged. The principal terms of the Convertible Bonds (as amended by the Deed of Variation) are included in the Board Letter under the section headed “Deed of Variation — Alteration of Terms”, the key terms of which are summarized as below:

Principal amount	:	HK\$100,000,000
Maturity date	:	18 February 2019
Interest rate	:	Nil
Conversion rights	:	The bondholder will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at any time and from time to time up to 18 February 2019.
Conversion price	:	The initial Conversion Price is HK\$0.10 per Conversion Share, subject to adjustment as set out and in accordance with the terms and conditions in the instrument constituting the Convertible Bonds.
Adjustment to Conversion Price	:	The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events: (i) consolidation or subdivision of the Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; and

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(iv) offer of new Shares for subscription by way of rights, or issue or grant options or warrants or other rights to subscribe for new Shares, at a price which is less than 80% of the market price per Share.

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

Conversion Price

The Conversion Price of HK\$0.1 per Conversion Share represents:

- (a) a discount of approximately 12.28% to the closing price of HK\$0.114 per Share as quoted on the Stock Exchange on 10 January 2018, being the date of the Deed of Variation;
- (b) a discount of approximately 5.48% to the average closing price of HK\$0.1058 per Share, being the average closing price of the Shares for the last 5 trading days immediately prior to and including the date of the Deed of Variation;

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- (c) a discount of approximately 3.94% to the average closing price of HK\$0.1041 per Share, being the average closing price of the Shares for the 10 consecutive trading days immediately prior to and including the date of the Deed of Variation;
- (d) a discount of approximately 8.26% to the closing price of HK\$0.109 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a premium of approximately 115.98% over the Company's unaudited net asset value of approximately HK\$0.0463 per Share based on the Group's unaudited consolidated net asset value of approximately HK\$432,080,000 as at 30 June 2017 and 9,327,172,000 Shares in issue as at the Latest Practicable Date.

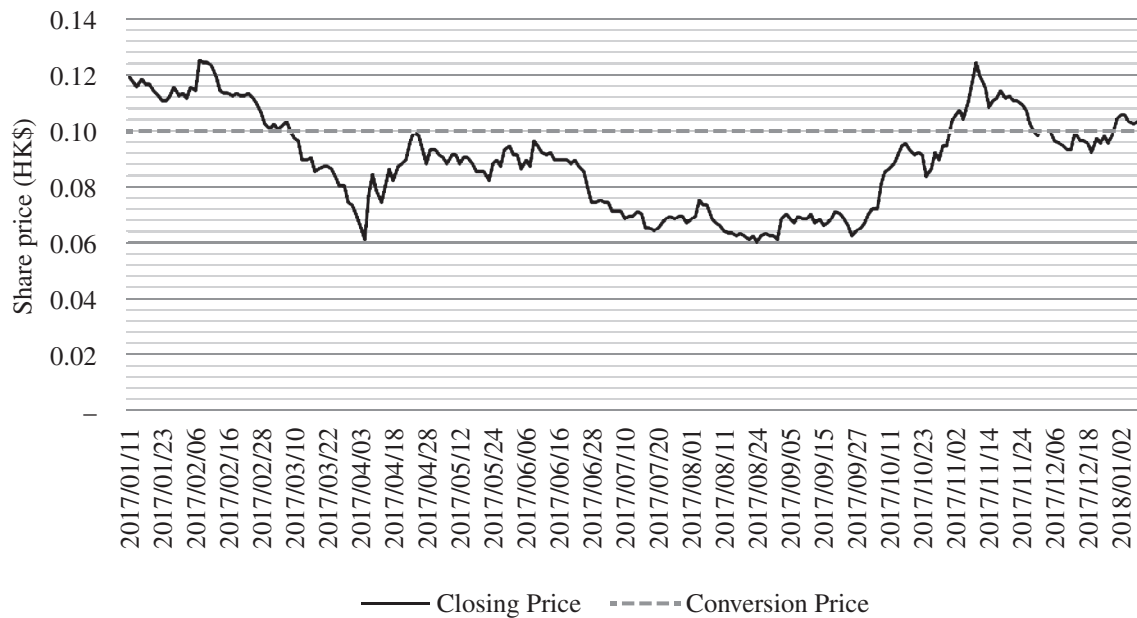
Comparison with historical closing prices of the Shares

In order to assess the fairness and reasonableness of the Conversion Price, we have performed (i) a review on the daily closing prices of the Shares from 11 January 2017 to the date of the Deed of Variation (the “**Review Period**”) and compared with the Conversion Price; and (ii) a comparison with other issue and subscription of convertible bonds/notes exercises.

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Closing prices of the Shares during the Review Period

Historical daily closing price per Share



Source: website of the Stock Exchange (www.hkex.com.hk)

As shown in the chart above, during the Review Period, the closing prices of the Shares were traded in the range of HK\$0.061 to HK\$0.126 with average closing price of approximately HK\$0.09. The Conversion Price of HK\$0.1 represents a premium of approximately 63.9% over the lowest closing price, a discount of approximately 20.6% to the highest closing price and a premium of approximately 11.1% over the average closing price during the Review Period. Moreover, the Conversion Price is above the closing prices of the Shares for 173 trading days out of 247 trading days (representing approximately 70.0% of the total number of trading days) during the Review Period.

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Comparison with other issue and subscription of convertible bonds/notes exercises

As part of our analysis, we have further reviewed the subscription/placing of convertible bonds/notes exercises announced by companies listed on the Stock Exchange from 1 October 2017 up to the date of the Deed of Variation (being around three months period prior to the date of the Deed of Variation) with fixed term to maturity and fixed initial conversion price (the “Comparables”). To the best of our knowledge, we have found 25 transactions which met the said criteria. We consider that the aforesaid review period is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to subscription/placing of convertible bonds/notes under the recent market condition and sentiment. We consider that the Comparables are fair and representative samples for comparison purpose, which represent an exhaustive list based on the said criteria, and are sufficient for assessing the fairness and reasonableness of the Alteration of Terms. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables.

Item no.	Date of announcement	Name of listed issuer	Stock code	Term to maturity (years)	Annual interest rate %	Premium/ (Discount) of the conversion price over/(to) closing price per share on the last trading day prior to/on the date of the announcement %	Premium/ (Discount) of the conversion price over/(to) average closing price per share for the last five trading days prior to/on the date of the announcement %
1	3 October 2017	New Concepts Holdings Limited	2221	5	6.5	(19.54)	(17.02)
2	3 October 2017	China Touyun Tech Group Limited	1332	2	7	26.00	26.00
3	12 October 2017	Zhongsheng Group Holdings Limited	881	1	0	15.00	18.20
4	16 October 2017	Youyuan International Holdings Limited	2268	1	4.5	16.82	17.86
5	17 October 2017	Coolpad Group Limited	2369	1	5	(19.31)	(19.97)
6	20 October 2017	Huajun Holdings Limited	377	1	10	75.26	72.41
7	20 October 2017	IR Resources Limited	8186	2	1	9.50	8.40
8	3 November 2017	Youyuan International Holdings Limited	2268	1	4.5	5.06	0.89
9	8 November 2017	Lingbao Gold Group Company Ltd.	3330	5	5.6	(19.50)	(19.00)
10	16 November 2017	Tianyun International Holdings Limited	6836	1	6	1.40	14.50
11	17 November 2017	Sheng Yuan Holdings Limited	851	1	8	27.30	28.20
12	17 November 2017	HMV Digital China Group Limited	8078	1	8	10.08	9.73
13	19 November 2017	REXLot Holdings Limited	555	5	3	15.52	13.56
14	23 November 2017	DX.com Holdings Limited (now known as Sino Vision Worldwide Holdings Limited)	8086	3	2.5	(19.56)	(18.62)
15	28 November 2017	FDG Electric Vehicles Limited	729	3	8	32.86	31.73
16	30 November 2017	Asia Energy Logistics Group Limited	351	3	5.5	14.93	10.03
17	4 December 2017	China First Capital Group Limited	1269	2	7.5 (Note)	(7.10)	(8.66)
18	7 December 2017	Huajun Holdings Limited	377	3	10	(1.45)	(19.05)
19	7 December 2017	Fortunet e-Commerce Group Limited	1039	1.5	13	(9.78)	(11.75)
20	13 December 2017	Huajun Holdings Limited	377	3	10	13.33	8.28
21	15 December 2017	Titan Petrochemicals Group Limited	1192	1	7.5	0.00	0.36
22	19 December 2017	SMI Holdings Group Limited	198	3	4	(5.19)	(5.66)
23	27 December 2017	China VAST Industrial Urban Development Company Limited	6166	3	6	12.83	14.96

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Item no.	Date of announcement	Name of listed issuer	Stock code	Term to maturity (years)	Annual interest rate %	Premium/	Premium/
						(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to/on the date of the announcement %	(Discount) of the conversion price over/(to) average closing price per share for the last five trading days prior to/on the date of the announcement %
24	28 December 2017	Green Leader Holdings Group Limited	61	3	6.5	(13.90)	(19.50)
25	29 December 2017	China Environmental Technology Holdings Limited	646	3	8	40.14	35.53
				5	13	75.26	72.41
				1	—	(19.56)	(19.97)
				2.3	6.3	8.03	6.86
	10 January 2018	The Company	33	1	Nil	(12.28)	(5.48)

Note: Annual interest rate of the convertible bonds is (i) 7% per annum for the first year; and (ii) 8% per annum for the second year. An average of 7.5% is used for the purpose of the comparison.

(a) Conversion price

The conversion prices of the Comparables (i) ranged from a discount of approximately 19.56% to a premium of approximately 75.26% (the “**LTD Range**”), with an average premium of approximately 8.03% (the “**LTD Average**”) for their respective closing price per share on the last trading day prior to/on the dates of the relevant announcements of the Comparables; and (ii) ranged from a discount of approximately 19.97% to a premium of approximately 72.41% (the “**5-Days Range**”), with an average premium of approximately 6.86% (the “**5-Days Average**”) for their respective average closing prices per share for the last five trading days prior to/on the dates of relevant announcements of the Comparables.

The Conversion Price of HK\$0.1 per Share represents (i) a discount of approximately 12.28% to the closing price per Share on the date of the Deed of Variation, which falls within the LTD Range and is below the LTD Average; and (ii) a discount of approximately 5.48% to the average closing price per Share for last five trading days up to and including the date of the Deed of Variation, which falls within the 5-Days Range and is below the 5-Days Average. Taking into account that the aforesaid discounts as represented by the Conversion Price to the respective closing prices per Share are within the market ranges represented by the Comparables, we consider that the Conversion Price is fair and reasonable and is in line with recent market practice.

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(b) Interest rate

The interest rates of the Comparables ranged from nil to 13.0% with an average interest rate of approximately 6.3%. The zero interest rate of the Convertible Bonds represents the lower bound of the Comparables and is more favourable as compared to the average interest rate of the Comparables. The zero coupon Convertible Bonds will save the Group interest expenses. As such, we consider the zero interest rate of the Convertible Bonds is fair and reasonable and is in line with recent market practice.

(c) Term to maturity

The terms to maturity of the Comparables ranged from a minimum of 1 year to a maximum of 5 years, with an average term of approximately 2.3 years. The extension of 1 year under the Deed of Variation (so that the Convertible Bonds with a total term of three years as a consequence) therefore falls within the range of the terms to maturity of the Comparables and is in line with recent market practice.

In view of the above and taking into account the reasons for and benefits of the Alteration of Terms as described above, we are of the view that the principal terms of the Convertible Bonds including the Conversion Price, the interest rate and the extended term to maturity of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Financial Impact of the Alteration of Terms

(a) Net asset value

According to the 2017 Interim Report, the net assets of the Group was approximately HK\$432.1 million as at 30 June 2017. Upon the Alteration of Terms becoming effective, there may be result in changes in the fair value of the Convertible Bonds which will be subject to the valuation from independent valuers and the review of the independent auditors of the Company in subsequent financial statements of the Group.

(b) Liquidity

As stated in the 2017 Interim Report, the Group had cash and cash equivalents of approximately HK\$76.7 million as at 30 June 2017. The Alteration of Terms will enable the Group to delay a substantial cash outflow as the maturity date of the Convertible Bonds is extended, which would alleviate the immediate pressure on cash flow of the Group and is expected to maintain the immediate liquidity of the Group by retaining financial resources for its operation and development.

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(c) Earnings

We were advised by the Management that upon the Alteration of Terms becoming effective, although the Convertible Bonds will remain as non-interest bearing and the Company will not be required to pay any interest to the Bondholder, liability portion of the Convertible Bonds will be carried at amortised cost using the effective interest method. As such, effective interest expenses (non-cash) of the Convertible Bonds will be charged to the consolidated statement of profit or loss subsequent to the Alteration of Terms becoming effective until the conversion and/or redemption of the Convertible Bonds in full.

(d) Gearing ratio

As stated in the 2017 Interim Report, the Group had no interest-bearing borrowing as at 30 June 2017 and the gearing ratio was zero. Upon the Alteration of Terms becoming effective, both the total borrowings and total equity of the Group would remain unchanged assuming no other factors affecting the financial position of the Group. As such, it is expected that the Alteration of Terms will not have any immediate material changes to the gearing position of the Group and the gearing position would improve upon the exercise of the conversion rights attaching to the Convertible Bonds.

After taking into consideration of the above, particularly, the liquidity position of the Group, we are of the view that the Alteration of Terms is in the interest of the Company and the Shareholders as a whole.

5. Dilution effect on the shareholding interests of the existing public Shareholders

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds:

	As at the Latest Practicable Date		Immediately after the issue of the Conversion Shares upon full exercise of the Convertible Bonds	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Ms. Cheung	1,450,000,000	15.55%	1,450,000,000	14.04%
The Bondholder <i>(Note)</i>	<u>1,000,000,000</u>	<u>10.72%</u>	<u>2,000,000,000</u>	<u>19.37%</u>
Sub-total	2,450,000,000	26.27%	3,450,000,000	33.41%
Public Shareholders	<u>6,877,172,000</u>	<u>73.73%</u>	<u>6,877,172,000</u>	<u>66.59%</u>
Total	<u><u>9,327,172,000</u></u>	<u><u>100.00%</u></u>	<u><u>10,327,172,000</u></u>	<u><u>100.00%</u></u>

Note: The Bondholder is wholly-owned by Ms. Cheung.

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Upon Completion and full conversion of the Convertible Bonds at the initial Conversion Price, 1,000,000,000 Conversion Shares will be allotted and issued, representing approximately 10.72% of the total number of issued Shares as at the Latest Practicable Date and approximately 9.68% of the total number of issued Shares as enlarged by the issuance of the Conversion Shares. Assuming that the Company does not issue and/or repurchase any Shares from the Latest Practicable Date up to the Alteration of Terms becoming effective, the aggregate shareholding of the public Shareholders will decrease from approximately 73.73% as at the Latest Practicable Date to approximately 66.59% upon full conversion of the Convertible Bonds, representing a dilution of approximately 9.68%.

We are aware of the potential dilution effect as a result of conversion of the Convertible Bonds. However, it should be noted that (i) the Alteration of Terms would effectively allow the Group to refinance its debts under the Convertible Bonds with the same terms for one year; and (ii) the Convertible Bonds are zero coupon and do not carry any interest burden to the Group. Based on the foregoing, we consider the Alteration of Terms and the entering into of the Deed of Variation is in the interests of the Company and the Shareholders as a whole and we are of the opinion that such potential dilution to shareholdings of the public Shareholders is acceptable.

Recommendation

Having considered the principal factors and reasons described above, we are of the opinion that (i) the entering into of the Deed of Variation is not in the ordinary and usual course of business of the Company; and (ii) the terms of the Deed of Variation and the Alteration of Terms are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders Relating to Convertible Bonds, as well as the Independent Board Committee to advise the Independent Shareholders Relating to Convertible Bonds, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Deed of Variation and the transactions contemplated thereunder (including the Alteration of Terms).

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Ross Cheung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executives

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executives of the Company or their respective associates were deemed or taken to have under provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name of Director	Capacity/ Nature of interest	Number of Shares Interested (Long position)	Approximate percentage of the issued Shares of the Company as at the Latest Practicable Date
Ms. Cheung Kwan	Beneficial owner	1,700,000,000 ^(Notes 1, 3)	18.23%
	Interest of a controlled corporation	2,000,000,000 ^(Note 2)	21.44%
Ms. Wang Angel Yunxiao	Beneficial owner	90,000,000 ^(Note 3)	0.96%
Mr. Wei Jiafu	Beneficial owner	30,000,000 ^(Note 3)	0.32%
Mr. Wong Kwong Sum	Beneficial owner	10,000,000 ^(Note 3)	0.11%

Name of Director	Capacity/ Nature of interest	Number of Shares Interested (Long position)	Approximate percentage of the issued Shares of the Company as at the Latest Practicable Date
Mr. Anthony Espina	Beneficial owner	9,000,000 ^(Note 3)	0.10%
Mr. Ho Chun Chung, Patrick	Beneficial owner	9,000,000 ^(Note 3)	0.10%
Mr. Ge Ming	Beneficial owner	9,000,000 ^(Note 3)	0.10%
Mr. Liu Hu	Beneficial owner	50,000,000 ^(Note 3)	0.54%

Notes:

- Ms. Cheung Kwan owns 1,450,000,000 Shares as beneficial owner, and was granted 250,000,000 Share Options, details of which was set out in Note 3.
- Internet Finance Investment Co. Ltd. (i.e. the Bondholder) holds 1,000,000,000 Shares as beneficial owner, and holds the Convertible Bonds which is convertible to 1,000,000,000 Shares upon full exercise of its conversion rights. As Ms. Cheung Kwan owns the entire shareholding interest in the Bondholder, Ms. Cheung Kwan is deemed to be interested in 2,000,000,000 Shares.
- A share option scheme was adopted by the Company on 26 June 2017. The following table sets forth the details of the Share Options granted to our Directors:

Name of Director	Date of Grant	Validity period of the Share Options	Exercise price	Number of Share Options granted
Ms. Cheung Kwan	27 July 2017	27 July 2017 to 26 July 2020 (both dates inclusive)	HK\$0.15	250,000,000
Ms. Wang Angel Yunxiao	27 July 2017	27 July 2017 to 26 July 2020 (both dates inclusive)	HK\$0.15	90,000,000
Mr. Wei Jiafu	27 July 2017	27 July 2017 to 26 July 2020 (both dates inclusive)	HK\$0.15	30,000,000
Mr. Wong Kwong Sum	27 July 2017	27 July 2017 to 26 July 2020 (both dates inclusive)	HK\$0.15	10,000,000

Name of Director	Date of Grant	Validity period of the Share Options	Exercise price	Number of Share Options granted
Mr. Anthony Espina	27 July 2017	27 July 2017 to 26 July 2020 (both dates inclusive)	HK\$0.15	9,000,000
Mr. Ho Chun Chung, Patrick	27 July 2017	27 July 2017 to 26 July 2020 (both dates inclusive)	HK\$0.15	9,000,000
Mr. Ge Ming	27 July 2017	27 July 2017 to 26 July 2020 (both dates inclusive)	HK\$0.15	9,000,000
Mr. Liu Hu	29 November 2017	29 November 2017 to 28 November 2020 (both dates inclusive)	HK\$0.15	50,000,000

As at the Latest Practicable Date, save as disclosed above, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Interests of substantial Shareholders and other persons

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Director or chief executive of the Company, no other person or company (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were

directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of substantial shareholder	Capacity/ Nature of interest	Number of Shares/ Underlying Shares Interested (Long position)	Approximate percentage of the issued Shares of the Company as at the Latest Practicable Date
Internet Finance Investment Co. Ltd.	Beneficial owner	2,000,000,000 ^(Note)	21.44%

Note:

Internet Finance Investment Co. Ltd. (i.e. the Bondholder) holds 1,000,000,000 Shares as beneficial owner, and holds the Convertible Bonds which is convertible to 1,000,000,000 Shares upon full exercise of its conversion rights. As Ms. Cheung Kwan owns the entire shareholding interest in the Bondholder, Ms. Cheung Kwan is deemed to be interested in 2,000,000,000 Shares.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN CONTRACT OR ARRANGEMENT

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling Shareholders or their respective associates had any interests in businesses which compete or may compete with the business of the Group or had any other conflict of interests which any such person has or may have with the Group.

7. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

9. EXPERT AND CONSENT

- (a) The following is the qualification of the Independent Financial Adviser, who has been named in this circular and has given opinions and advices which are contained in this circular:

Name	Qualification
Akron Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2016, the date to which the latest audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it is included.
- (d) The letter and recommendation from the Independent Financial Adviser are given as of the date of this circular for incorporation herein.

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 3201, 32/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
- (b) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in the case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Unit 3201, 32/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the Subscription Agreement;
- (b) the Deed of Variation;
- (c) this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 39 of this circular; and
- (f) the written consent of the Independent Financial Adviser as referred to in the paragraph headed "Expert and Consent" in this appendix.



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: 00033)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Asia Investment Finance Group Limited (the “**Company**”) will be held at 11:00 a.m. on Tuesday, 20 March 2018 at Unit 3201, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong to consider and, if thought fit, approve, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the deed of variation dated 10 January 2018 (the “**Deed of Variation**”) entered into between the Company and Internet Finance Investment Co. Ltd. (the “**Bondholder**”), in relation to the proposed alteration of certain terms and conditions of the outstanding zero coupon convertible bonds in the aggregate principal amount of HK\$100,000,000 due on 18 February 2018 (the “**Convertible Bonds**”) (details relating to the Deed of Variation are set out in the circular of the Company dated 28 February 2018 and a copy of the Deed of Variation has been produced to the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) be and is hereby approved, confirmed and ratified;
- (b) subject to the Stock Exchange consenting to the alteration to the terms and conditions of the Convertible Bonds and the Stock Exchange granting approval for the listing of, and permission to deal in, the shares of the Company that may be issued pursuant to the alteration to the terms and conditions of the Convertible Bonds (the “**Conversion Shares**” and each a “**Conversion Share**”), the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot, issue and otherwise deal with the Conversion Shares which may be allotted and issued by the Company upon the exercise of the conversion right attaching to the outstanding Convertible Bonds in the principal amount of HK\$100,000,000 at the conversion price of HK\$0.10 per Conversion Share in accordance with the terms and conditions of the Convertible Bonds as varied by the Deed of Variation, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the

NOTICE OF EGM

Company held on 26 June 2017, and to do all such things and acts and execute all such documents in connection with the issue and allotment of the Conversion Shares;

- (c) any one Director be and is hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of such Director, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Deed of Variation and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company.”;

2. “**THAT:**

- (a) the grant of 250,000,000 share options to Ms. Cheung Kwan (“**Ms. Cheung**”) pursuant to the share option scheme of the Company adopted on 26 June 2017 entitling Ms. Cheung to subscribe for 250,000,000 shares of the Company at an exercise price of HK\$0.15 per share (the “**Share Options**”) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and
- (b) any one director of the Company be and is hereby authorised to do any act or thing and to sign, seal, execute and/or deliver any document for and on behalf of the Company as may be necessary, desirable or expedient in connection with the grant of the Share Options to Ms. Cheung and the transactions contemplated thereunder.”;

3. (a) To re-elect Ms. Wang Angel Yunxiao as a non-executive Director of the Company; and
- (b) To re-elect Mr. Liu Hu as an executive Director of the Company.

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

Hong Kong, 28 February 2018

Registered Office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman, KY1-1104
Cayman Islands

*Principal place of business
in Hong Kong:*
Unit 3201, 32/F.
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

NOTICE OF EGM

Notes:

1. In order to be eligible to attend and vote at the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 March 2018.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or materially certified copy of such powers of attorney or authority, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting.
4. A form of proxy for use at the EGM is enclosed. Whether or not you propose to attend the EGM in person, you are strongly advised to complete and sign the form of proxy in accordance with the instructions printed on it and then deposit with the Company's branch share registrar and transfer office in Hong Kong as indicated above. Returning the completed form of proxy will not preclude you from attending the EGM and voting in person if you so wish.
5. If two or more persons are jointly registered as holders of a share, the vote of the senior person who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority shall be determined by the order in which the names stand on the Company's register of shareholders in respect of the relevant shares.
6. A shareholder holding more than one share entitled to attend and vote at the EGM need not cast the votes in respect of such shares in the same way on any resolution and therefore may vote a share or some or all such shares either for or against a resolution and/or abstain from voting a share or some or all of the shares and, subject to the terms of the instrument appointing any proxy, a proxy appointed under one or more instruments may vote a share or some or all of the shares in respect of which he is appointed either for or against a resolution and/or abstain from voting

As at the date of this notice, the Board comprises four executive Directors, namely Ms. Cheung Kwan, Mr. Wei Jiafu, Mr. Liu Hu and Mr. Wong Kwong Sum; one non-executive Director, Ms. Wang Angel Yunxiao; and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Ho Chun Chung, Patrick and Mr. Ge Ming.