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ASIA INVESTMENT FINANCE GROUP LIMITED

亞投金融集團有限公司

(Formerly known as Harmonic Strait Financial Holdings Limited 和協海峽金融集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

INSIDE INFORMATION

**MEMORANDUM OF UNDERSTANDING IN RELATION TO
THE PROPOSED JOINT ESTABLISHMENT OF
THE HONG KONG KAZAKHSTAN LOGISTICS & GROWTH FUND**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 14 September 2016 (after the trading hours of the Stock Exchange), the Company entered into the MOU with KCM in relation to the proposed joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund with target capitalization of not less than USD 1 billion.

Save for the provision on confidentiality, the MOU is not intended to be legally binding. If the Company proceeds with the proposed joint establishment of the Fund, it will enter into legally binding agreement(s) with KCM in this regard.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The principal terms of the MOU are as follows:

Date: 14 September 2016

Parties: The Company and KCM

KCM was established by the government of the Republic of Kazakhstan in accordance with legislation of the Republic of Kazakhstan as a joint stock company in 2007. KCM is wholly-owned by Baiterek National Management Holding JSC, the ultimate principal shareholder of which is the government of the Republic of Kazakhstan.

KCM is a fund of funds ensuring a flow of direct investments in project companies through its participation in private equity funds with the aim to ensure diversification, modernization and sustainable development of the national economy of Kazakhstan. For the financial year of 2014, the strategic portfolio of KCM comprises 13 private equity funds with the total capitalization of USD2.7 billion. KCM establishes and invests in private equity funds through close cooperation with major international investors such as the European Bank for Reconstruction and Development, International Finance Corporation, Community Development Corporation of the Commonwealth countries, Netherlands Development Financial Company, Development Bank of Japan, International Petroleum Investment Company, CITIC Capital Holdings, CITIC Group, RUSNANO JSC, Asian Development Bank, and Islamic Development Bank.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, KCM and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Proposed investment objective and strategy of the Hong Kong Kazakhstan Logistics & Growth Fund

The goal of the MOU is to establish a Hong Kong Kazakhstan Logistics & Growth Fund with target capitalization of not less than USD1 billion. The purposes of the Fund include:

- Investing in logistics, transportation and corresponding infrastructure;
- Investing in new high technologies in relation to the logistics, ports and terminals;
- Investing in processing industries, and exploration and production of natural resources and other assets;
- formation of “One Belt One Road” international logistic channel, optimize the cooperation between countries on “One Belt One Road”; and
- integration of all modes of transport in order to organize efficient supply chains.

Binding effect

Save for the provision on confidentiality, the MOU is not intended to be legally binding. If the Company proceeds with the proposed joint establishment of the Fund, it will enter into legally binding agreement(s) with KCM in this regard.

The MOU shall enter into force upon signature and shall be valid for a period of three years which may be terminated by either Party by written notice of one Party one month prior to the intended date of termination.

REASONS FOR AND BENEFITS OF THE JOINT ESTABLISHMENT OF THE HONG KONG KAZAKHSTAN LOGISTICS & GROWTH FUND

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

As mentioned in the annual report of the Company for the financial year ended 31 December 2015, although the global economic is in volatile, the management of the Group is still confident of the global financial market, especially the countries along the “One Belt, One Road” routes, in future and continues to develop its financial platform. The Group has widened its principal scope of business after completion of the acquisition of two licensed corporations regulated by SFC in Hong Kong. The acquired corporations are carrying out, Type 1 (Dealing in Securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

As KCM is a well-established sovereign fund entity of the government of the Republic of Kazakhstan, the Directors believe that the strategic cooperation with KCM can enable the Group to co-invest in those regional logistics transportation and technology industry leaders in the countries along the “One Belt, One Road” routes more effectively. The joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund will be a vital step for the Group to launch and raise fund for expansion of its financial platform across the globe, and is also an important move taken by the Group in response to development opportunities arising from the national strategy of “One Belt, One Road” initiative and facilitate the Chinese funds to “Going Global”.

The Directors consider that the terms of the MOU are fair and reasonable and that the proposed joint establishment of the Fund is in the interest of the Company and Shareholders as a whole.

GENERAL

The Board wishes to emphasise that the proposed joint establishment of the Fund may or may not proceed and that the Company has not entered into any binding agreement in relation to the proposed joint establishment of the Fund as at the date of this announcement. If the proposed joint establishment of the Fund materialises, it may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. The Company will make further announcement in respect of the proposed joint establishment of the Fund as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Board”	board of the Directors
“Company”	Asia Investment Finance Group Limited (亞投金融集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 33)
“Directors”	directors of the Company
“Fund”	the Hong Kong Kazakhstan Logistics & Growth Fund to be established by the Company and KCM pursuant to the MOU
“Group”	the Company and its subsidiaries
“independent third party(ies)”	third party(ies) that is independent of and not connected with the Company, any promoter(s), director(s), supervisor(s), chief executive(s), substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates
“KCM”	Kazyna Capital Management Joint Stock Company, a joint stock company incorporated in the Republic of Kazakhstan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 14 September 2016 entered into between the Company and KCM in relation to the proposed joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund
“Party or Parties”	the Company and KCM together the Parties and each, a Party
“PRC”	means the People’s Republic of China, and for the purpose of the MOU shall not include Hong Kong, Taiwan and the Special Administrative Region of Macau
“SFC”	The Securities and Futures Commission or any other body which assumes in whole or in part the powers and functions of the Securities and Futures Commission under the SFO

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any subsidiary legislation made thereunder amended, consolidated or substituted from time to time
“Share(s)”	share(s) of HK\$0.10 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	the lawful currency of the United States of America

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

Hong Kong, 14 September 2016

As at the date of this notice, the Board comprises five executive Directors, namely Ms. Cheung Kwan, Dr. Wei Jiafu, Mr. Wong Kwong Sum, Mr. Zhao Tieliu and Mr. Xie Li; one non-executive Director, namely Mr. Wang Edward Xu and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Ho Chun Chung, Patrick and Mr. Zhang Huadi.