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ASIA INVESTMENT FINANCE GROUP LIMITED

亞投金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 33)

**INSIDE INFORMATION
FRAMEWORK AGREEMENTS
IN RELATION TO
(I) SUBSCRIPTION OF ZERO-COUPON CONVERTIBLE BONDS
BY CITIC MERCHANT
AND
(II) FORMATION OF JOINT VENTURE COMPANY**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

THE SUBSCRIPTION

The Board is pleased to announce that on 23 December 2016 (after trading hours), the Company and CITIC Merchant entered into the Subscription Framework Agreement, pursuant to which CITIC Merchant intended to subscribe for (or procure its designated party to subscribe for), and the Company intended to allot and issue, the Convertible Bonds in an aggregate principal amount of HK\$75 million.

The Convertible Bonds, with a maturity of three years, will be convertible into the Convertible Shares with a nominal value of HK\$0.1 each in the issued share capital of the Company at any time during the term of the Convertible Bonds by their holders at a Conversion Price of HK\$0.15 per Conversion Share. The Subscription will be subject to various conditions set out below under the heading “Conditions precedent to the Subscription”.

Assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$0.15 per Conversion Share, the Convertible Bonds will be convertible into 500,000,000 Conversion Shares, representing approximately 5.34% of the issued share capital of the Company as at the date of this announcement and approximately 5.07% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares.

Save and except for certain clauses of the Subscription Framework Agreement including but not limited to formal agreement, confidentiality and governing law and termination, the Subscription Framework Agreement does not constitute a legally-binding commitment of the parties thereto in respect of the Subscription.

If the Subscription proceeds, a formal agreement will be entered into between the Company and CITIC Merchant in this regard.

THE JOINT VENTURE FRAMEWORK AGREEMENT

The Board is also pleased to announce that on 23 December 2016 (after trading hours), the Company and CITIC Merchant entered into the Joint Venture Framework Agreement, pursuant to which the Company and CITIC Merchant intended to establish the Joint Venture Company to engage in formation and management of funds for conducting state-owned enterprises restructuring and overseas mergers and acquisitions.

Pursuant to the Joint Venture Framework Agreement, it was intended that the Joint Venture Company will be owned as to 51% by the Company and 49% by CITIC Merchant.

Save and except for certain clauses of the Joint Venture Framework Agreement including but not limited to formal agreement, exclusivity, confidentiality, governing law and termination, the Joint Venture Framework Agreement does not constitute a legally-binding commitment of the parties thereto in respect of the formation of the Joint Venture Company.

If the formation of Joint Venture Company proceeds, a formal agreement will be entered into between the Company and CITIC Merchant in this regard.

The Board wishes to emphasize that no binding agreement in relation to the Subscription and the formation of the Joint Venture Company has been entered into as at the date of this announcement. As such, the Subscription and the formation of Joint Venture Company may or may not proceed. For the avoidance of doubt, the Subscription and the formation of Joint Venture Company will be inter-conditional in the event they proceed.

If the formation of Joint Venture Company materialises, it will constitute a notifiable transaction for the Company under the Listing Rules. The Company will make further announcement in respect of the formation of the Joint Venture Company and the Subscription as and when appropriate in accordance with the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and are recommended to consult their professional advisors if they are in any doubt about their position and actions that they should take.

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

The Board is pleased to announce that on 23 December 2016 (after trading hours), the Company and CITIC Merchant entered into the Subscription Framework Agreement. On the same date (after trading hours), the Company and CITIC Merchant also entered into the Joint Venture Framework Agreement.

THE SUBSCRIPTION FRAMEWORK AGREEMENT

The Subscription

Pursuant to the Subscription Framework Agreement, CITIC Merchant intended to subscribe for (or procure its designated party to subscribe for), and the Company intended to allot and issue, the Convertible Bonds in an aggregate principal amount of HK\$75 million.

Assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$0.15 per Conversion Share, the Convertible Bonds will be convertible into 500,000,000 Conversion Shares, representing approximately 5.34% of the issued share capital of the Company as at the date of this announcement and approximately 5.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

It was intended that the terms of the Convertible Bonds will include:

Principal amount:	HK\$75,000,000
Coupon:	0% per annum
Maturity:	3 years
Conversion Price:	HK\$0.15 per Conversion Share.

The Conversion Price of HK\$0.15 per Conversion Share represents:

- (i) a premium of approximately 29.31% over the closing price of HK\$0.116 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a premium of approximately 24.58% over the average closing price of HK\$0.1204 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 24.07% over the average closing price of HK\$0.1209 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day

The principal amount of the Convertible Bonds and the Conversion Price were determined by arm's length negotiations between the Company and CITIC Merchant with reference to the prevailing market price of the Shares and the capital contribution intentions of the Company and CITIC Merchant for the formation of the Joint Venture Company.

Number of Conversion Shares:

Upon the exercise of the conversion rights in full, 500,000,000 Conversion Shares will be issued, representing approximately 5.34% of the existing issued share capital of the Company and approximately 5.07% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares

Conversion right:

Holders of the Convertible Bonds shall have the right to convert any or all of the Convertible Bonds at any time during the term of the Convertible Bonds

Redemption:

Holders of the Convertible Bonds shall have the right to redeem the Convertible Bonds before their maturity date and after the first anniversary of the date of issue of the Convertible Bonds

Terminal interest:

A one-off interest payment of 15% of the principal only upon redemption at maturity.

Anti-dilution:

Customary anti-dilution mechanism

Board seat:

Subject to the articles of the Company and the Listing Rules, the holders together holding not less than 75% of the then outstanding principal amount of the Convertible Bonds may make recommendation to the Board to nominate one (1) person as a Director

Conditions precedent for the Subscription

Completion of the formal agreement for the Subscription will be subject to the conditions to be detailed in the formal agreement being fulfilled. These conditions will include, inter alia, the following:

- (i) the formation of the Joint Venture Company pursuant to the relevant cooperation agreement to be entered into between the Company and CITIC Merchant having become unconditional (other than the condition that the formal agreement for the Subscription having become unconditional);
- (ii) the Listing Committee having granted the listing of, and permission to deal in, the Conversion Shares to be allotted and issued by the Company upon the exercise of the conversion rights of the Convertible Bonds;
- (iii) the Board and, where appropriate, the Shareholders shall have approved the formal agreement for the Subscription and the transactions contemplated thereunder at an extraordinary general meeting of the Company in accordance with the Listing Rules;
- (iv) the board of directors of CITIC Merchant shall have approved the formal agreement for the Subscription and the transactions contemplated thereunder; and
- (v) the grant of any necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies, whether in Hong Kong or elsewhere (including but not limited to the Stock Exchange) in favour of the Company for the transactions contemplated under the formal agreement for the Subscription.

Use of Proceeds

The net proceeds from the Subscription will be applied to the establishment of the Joint Venture Company.

Formal Agreement

Each of the Parties shall use its best endeavours to enter into a formal agreement in accordance with the terms of the Subscription Framework Agreement.

Non-legally-binding Effect

Save and except for certain clauses of the Subscription Framework Agreement including but not limited to formal agreement, confidentiality, governing law and termination, the Subscription Framework Agreement does not constitute a legally-binding commitment of the parties thereto in respect of the Subscription.

Termination

The Subscription Framework Agreement shall terminate and be of no force and effect on the earlier of (i) the date on which the formal agreement in relation to the Subscription is to be executed, or (ii) 14 February 2017, or such later date as the Company and CITIC Merchant may otherwise agree in writing.

THE JOINT VENTURE FRAMEWORK AGREEMENT

Formation of Joint Venture Company and its Principal Activities

Pursuant to the Joint Venture Framework Agreement, it was intended that the Joint Venture Company will be owned as to 51% by the Company and 49% by CITIC Merchant, and that the scope of business of the Joint Venture Company will be to engage in formation and management of funds for conducting state-owned enterprises restructuring and overseas mergers & acquisitions.

The principal term of the Joint Venture Framework Agreement are summarized below:

Parties and shareholding percentage:	(i) The Company (51%) (ii) CITIC Merchant (49%)
Total registered capital of the Joint Venture Company:	HK\$150,000,000 to be contributed by: The Company: HK\$75,000,000 The Subscriber: HK\$75,000,000

The respective amounts of capital contributions of the Company and CITIC Merchant were determined after arm's length negotiations among the Company and CITIC Merchant with reference to the current capital requirement of the Joint Venture Company and the capital contribution intentions of the Company and CITIC Merchant.

Scope of business:	Formation and management of funds for conducting state-owned enterprises restructuring and overseas mergers and acquisitions.
Board of directors:	Each party shall be entitled to nominate and appoint such number of directors to the board of directors of the Joint Venture Company according to their respective shareholding.
Operation:	CITIC Merchant shall be responsible for the management of day-to-day operation of the Joint Venture Company by appointing the majority representation to the executive committee to be formed by the board of directors of the Joint Venture Company to oversee the day-to-day management and operations.

- Put option:** CITIC Merchant shall grant an option to the Company to require CITIC Merchant to purchase the 51% shareholding in the Joint Venture Company held by the Company at the original investment cost (i.e. HK\$75,000,000) (the “**Original Investment Amount**”) if the Joint Venture Company suffers a loss for three consecutive years.
- Call option:** The Company shall grant an option to CITIC Merchant to require the Company to sale the 51% shareholding in the Joint Venture Company to CITIC Merchant at the Original Investment Amount.
- Guarantee return:** CITIC Merchant shall guarantee and warrant to the Company that the total dividends to be received by the Company from the Joint Venture Company in a three-year period commencing from commencement of its business shall not be less than 15% of the Original Investment Amount and CITIC Merchant shall indemnify the Company for any shortfall thereof.
- Incentive to senior management of the Joint Venture Company:** The Company shall grant to certain executive officers of the Joint Venture Company share option of the Company amounting to 1% of its enlarged issued share capital. Such share options shall be exercisable at an exercise price of HK\$0.15 per share.
- Conditions precedent to the formation of the Joint Venture Company:**
- (i) The Company having obtained all the necessary approvals from the Shareholders (if applicable) and the Directors;
 - (ii) CITIC Merchant having obtained all the necessary approvals from the board of directors of CITIC Merchant;
 - (iii) The transactions contemplated hereunder having obtained all the necessary approvals from the relevant authorities including but not limited to the Stock Exchange;
 - (iv) Subscription by CITIC Merchant or its designated party of the Convertible Bonds issued by the Company in the principal amount of HK\$75 million pursuant to the terms and conditions of the formal agreement for the Subscription to be entered into between the Company and CITIC Merchant having become unconditional (other than the condition that the cooperation agreement for the formation of the Joint Venture Company having become unconditional).

Formal Agreement

Each of the Company and CITIC Merchant shall use its best endeavours to enter into a formal cooperation agreement for the formation of the Joint Venture Company in accordance with the terms of the Joint Venture Framework Agreement.

Exclusivity

Notwithstanding anything else provided in the Joint Venture Framework Agreement, each of the Company and CITIC Merchant undertook to the other party that it shall not for the period from the date of the Joint Venture Framework Agreement until 14 February 2017 (both dates inclusive), negotiate or enter into any discussions or sign, with any party, any memorandum of understanding, letter of intent, agreement or understanding or arrangements (whether legally binding or not) or continue or permit to continue any such negotiations or arrangements in respect of any business that is similar to the transaction contemplated by the Joint Venture Framework Agreement or would potentially compete with the businesses and transactions contemplated by the Joint Venture Framework Agreement.

Non-legally-binding Effect

Save and except for certain clauses of the Joint Venture Framework Agreement including but not limited to formal agreement, exclusivity, confidentiality, governing law and termination, the Joint Venture Framework Agreement does not constitute a legally-binding commitment of the parties thereto in respect of the formation of the Joint Venture Company.

Termination

The Joint Venture Framework Agreement shall terminate and be of no force and effect on the earlier of (i) the date on which a formal cooperation agreement in relation to the formation of the joint Venture Company is to be executed, or (ii) 14 February 2017, or such later date as the Company and CITIC Merchant may otherwise agree in writing.

INFORMATION OF THE PARTIES

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

CITIC Merchant provides merchant bank services with cross-border and cross-market trading platform under the CITIC Group Corporation. CITIC International Assets Management Limited is the controlling shareholder of CITIC Merchant.

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

REASONS FOR THE SUBSCRIPTION AND THE FORMATION OF THE JOINT VENTURE COMPANY AND USE OF PROCEEDS

As mentioned in the interim report of the Company for the six months period ended 30 June 2016, despite the uncertainties in the global economy, the Group is still confident in the future of the global financial markets, particularly in those countries and regions within the scope of the “One-Belt-One-Road” policy. As detailed in the announcement of the Company dated 14 September 2016, the Company entered into a memorandum of understanding with Kazyna Capital Management Joint Stock Company (“KCM”) in relation to the proposed joint establishment of the Hong Kong Kazakhstan Logistics & Growth Fund with target capitalization of not less than USD1 billion in response to development opportunities arising from the national strategy of “One-Belt-One-Road” initiative. KCM was established by the government of the Republic of Kazakhstan in accordance with legislation of the Republic of Kazakhstan as a joint stock company in 2007.

By carrying out the Subscription and formation of the Joint Venture Company, the Group can raise capital for the expansion of its financial platforms and capture the investment opportunities for state-owned enterprises restructuring and overseas mergers and acquisitions through the Joint Venture Company. In addition, the Group can invite CITIC Merchant to be a strategic investor who will introduce new investment opportunities to the Group amongst overseas capital markets, vessel chartering and state-owned enterprises restructuring, particularly in the countries and regions within the scope of the “One-Belt-One-Road” policy.

The gross proceeds from the Subscription are HK\$75 million. The Company intends to apply the proceeds from the Subscription for the formation of the Joint Venture Company.

The Directors consider that the terms of Subscription Framework Agreement and Joint Venture Framework Agreement are fair and reasonable and the Subscription and the formation of the Joint Venture Company are in the interests of the Company and its Shareholders as a whole.

GENERAL

The Board wishes to emphasize that no binding agreement in relation to the Subscription and the formation of the Joint Venture Company has been entered into as at the date of this announcement. As such, the Subscription and the formation of Joint Venture Company may or may not proceed. For the avoidance of doubt, the Subscription and the formation of Joint Venture Company will be inter-conditional in the event they proceed.

If the formation of Joint Venture Company materialises, it will constitute a notifiable transaction for the Company under the Listing Rules. The Company will make further announcement in respect of the formation of the Joint Venture Company and the Subscription as and when appropriate in accordance with the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and are recommended to consult their professional advisors if they are in any doubt about their position and actions that they should take.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“CITIC Merchant”	CITIC Merchant Co., Limited, the Subscriber, which is a company incorporated in Hong Kong with limited liability and an Independent Third Party
“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)
“Conversion Price”	the conversion price of HK\$0.15 per Conversion Share upon the exercise of conversion rights under the Convertible Bonds
“Conversion Shares”	up to 500,000,000 Shares to be allotted and issued upon exercise of the subscription rights attaching to the Convertible Bonds
“Convertible Bond(s)”	the zero-coupon convertible bond(s) in the aggregate principal amount of HK\$75,000,000 intended to be issued by the Company pursuant to the Subscription
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons
“Joint Venture Company”	the Joint Venture Company intended to be formed by the Company and CITIC Merchant pursuant to the Joint Venture Framework Agreement
“Joint Venture Framework Agreement”	the framework agreement dated 23 December 2016 entered into between the Company and CITIC Merchant in relation to the formation of the Joint Venture Company
“Last Trading Day”	23 December 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the issue of this announcement

“Listing Committee”	Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	share(s) of HK\$0.10 each of the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds
“Subscription Framework Agreement”	the framework agreement dated 23 December 2016 entered into between the Company and CITIC Merchant in relation to the Subscription
“%”	per cent.

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

Hong Kong, 23 December 2016

As at the date of this announcement, the Board comprises five executive Directors, namely Ms. Cheung Kwan, Mr. Wei Jiafu, Mr. Huang Shenglan, Mr. Cheng Wen and Mr. Wong Kwong Sum; and three independent non-executive Directors, namely Mr. Anthony Espina, Mr. Wong Tin Yau, Kelvin and Mr. Ho Chun Chung, Patrick.