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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF TREASURE SECURITIES LIMITED

THE AGREEMENT

The Board is pleased to announce that, on 15 January 2016 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$27,200,000 subjected to the terms and conditions of the Agreement, which will be satisfied by cash.

IMPLICATIONS OF THE LISTING RULES

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 15 January 2016 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$27,200,000, which will be satisfied by cash.

The principal terms of the Agreement are summarized as follows:

THE AGREEMENT

Date

15 January 2016

Parties

- (i) Purchaser: Gold Collection Enterprises Limited;
- (ii) Vendors: Hui Hok Suen (“**Ms. Hui**”) (holder of 99.95% of the Sale Shares);
and
Wong Weng Kuen (“**Mr. Wong**”) (holder of 0.05% of the Sale Shares).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors are Independent Third Parties.

The Purchaser is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendors has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The Consideration is HK\$27,200,000, which is subject to adjustment, will be settled in cash in the following manner:

- (i) HK\$1,300,000, being the refundable first deposit which has been paid by the Purchaser upon the execution of MOU (“**First Deposit**”);
- (ii) HK\$5,200,000, being the refundable second deposit, shall be paid to Ms. Hui upon the signing of the Agreement by the parties (“**Second Deposit**”); and
- (ii) HK\$20,700,000 being the balance of the Consideration prior to adjustment, shall be payable by cheque or other means as agreed by the Purchaser and the Vendors within five (5) business days after Completion.

Each of the Vendors shall be entitled to his or her share of corresponding consideration in accordance with the proportion of their shareholdings in the Target Company.

If the Final Consideration Amount falls below the amount of Consideration, the Vendors shall pay the Purchaser a sum equal to the amount of the shortfall within seven (7) days after the determination of the Final Consideration Amount.

If the Final Consideration Amount exceeds the amount of Consideration, the Purchaser shall pay the Vendors a sum equal to the amount of the excess within seven (7) days after the determination of the Final Consideration Amount provided that the Final Consideration Amount will not exceed HK\$31,000,000.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor, with reference to the (i) unaudited net asset value of the Target Company as at 30 November 2015; and (ii) a premium with reference to other comparables offer in the market.

Completion Accounts

As soon as practicable after Completion, the Vendors shall prepare the Completion Accounts within thirty (30) days after Completion to determine the final consideration amount ("**Final Consideration Amount**") which is equal to the sum of adjusted net asset value of the Target Company (with adjustments made in accordance with the provisions of the Agreement) and the Premium.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions precedent, among others:

- (A) (if required under the SFO) the approval of the SFC of the Purchaser (and its beneficial owners) to become substantial shareholder(s) of the Target Company arising from the sale of Sale Shares under the SFO;
- (B) the Purchaser having notified the Vendors in writing that the Purchaser is fully satisfied with the result of the due diligence review provided that such notification shall not prejudice in any manner whatsoever any of the Purchaser's right in respect of a claim under the warranties;
- (C) the warranties, given under the Agreement remaining true and correct; and
- (D) such other consents and approval, whether of regulatory authorities (including those required by any of the regulators (including the SFC, the Stock Exchange and Hong Kong Securities Clearing Company Limited) or under the laws and regulations administered by the regulators) or otherwise of the transactions contemplated by the Agreement being obtained; and if conditions are imposed for the grant of any such consents or approvals that such conditions are reasonably acceptable to the Parties.

The Purchaser may waive all or any of the aforesaid Conditions specified except for Conditions (A) and (D) at any time on or before 5:00 p.m. on the Long Stop Date or if extended pursuant to the Agreement, the Extended Long Stop Date.

If the Substantial Shareholder Application cannot be approved by the SFC by the Long Stop Date, the Purchaser is entitled to extend the Long Stop Date to Extended Long Stop Date so as to provide more time for the Purchaser to obtain SFC's approval of the Substantial Shareholder Application.

Termination

If any of the Conditions specified in condition precedent has not been satisfied or waived on (if the Purchaser has not exercised its right of extension) the Long Stop Date or (if extended) the Extended Long Stop Date, then:

- (i) if the Substantial Shareholder Application has not been approved by the SFC and: (a) the SFC has indicated that the reason for not giving the approval lies on the fault of the Purchaser, then the Vendors are entitled to forfeit the sum of HK\$2,600,000 out of the Deposits and the remaining balance of the Deposits after the said forfeiture (which should be HK\$3,900,000) should be refunded to the Purchaser within five (5) business days after service of notice of such refund by the Purchaser to the Vendors; or (b) the SFC has not indicated which party or person is responsible for failure to obtain the approval, then the Vendors are entitled to forfeit the sum of HK\$1,300,000 out of the Deposits and the remaining balance after the said forfeiture (which should be HK\$5,200,000) should be refunded to the Purchaser within five (5) business days after service of notice of such refund by the Purchaser to the Vendors; and
- (ii) in any other case, all the Deposits shall be refunded to the Purchaser within five (5) business days after service of notice of such refund by the Purchaser to the Vendors; and

the Agreement other than those clauses which should survive the termination of the Agreement, shall lapse and have no further effect and the Parties shall be released from all obligations under it other than obligations under the aforesaid surviving clauses.

Completion

Subject to the satisfaction or waiver of conditions precedent, Completion shall take place on the Completion Date or at such other time and place as may be agreed between the Parties.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability with an issued and paid up share capital of HK\$20,000,000 divided into 20,000,000 ordinary shares. The Target Company is a licensed corporation to carry out Type 1 (Dealing in Securities) regulated activity under the SFO and is an exchange participant of the Stock Exchange. It is principally engaged in the business of securities brokerage.

Set out below are financial information of the Target Company for the financial years ended 31 March 2015 and 31 March 2014 as prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the financial year ended	
	31 March 2015	31 March 2014
	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)
Net profit/(loss) before taxation and extraordinary items	(11,015)	(4,498,636)
Net profit/(loss) after taxation and extraordinary items	109,307	(3,721,825)

The net assets of the Target Company as at 30 November 2015 according to its unaudited management accounts were approximately HK\$14,800,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Currently, the Group is principally engaged in the credit guarantee and investment business in the PRC and trading business in Hong Kong.

In order to expand the sources of income and prospects of the Group, the Group has been actively seeking various investment opportunities. The Directors are of the view that the Acquisition provides a prime opportunity for the Group to expand its financial platform to the financial service industry in Hong Kong, and the Group is expected to be benefited from the creation of synergies with existing operations of the Group which is expected to increase its shareholders' value and benefit the Company and its shareholders as a whole.

In view of the above, the Directors consider that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempted from the shareholder's approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Acquisition”	the purchase of the Sale Shares by the Purchaser pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 15 January 2016 and entered into by the Purchaser and the Vendors in respect of the Acquisition
“Board”	the board of Directors
“Company”	Harmonic Strait Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Agreement
“Completion Accounts”	the management accounts (including balance sheet and profit and loss account together with all notes, reports, statements and other documents annexed to those accounts) made up to the Completion Date or any other date as agreed between the Purchaser and the Vendors
“Completion Date”	the seventh business day after the fulfillment or waiver of the Conditions or such other date as the Purchaser and the Vendors may agree in writing
“Conditions”	the condition(s) set out under the paragraph headed “Conditions precedent” in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of the Premium and the adjusted net asset value of the Target Company as agreed by the Parties subjected to the terms and conditions of the Agreement (subject to adjustment) and it is initially set as HK\$27,200,000
“Deposits”	collectively the First Deposit and the Second Deposit
“Directors”	director(s) of the Company
“Extended Long Stop Date”	15 January 2017, being a date falling on expiry of 12 months after the date of the Agreement

“Final Consideration Amount”	the sum of the Premium and the adjusted net asset value of the Target Company as determined from the Completion Accounts
“First Deposit”	HK\$1,300,000, which is the refundable first deposit
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, 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)”	third party(ies) and (if applicable) its/their ultimate beneficial owner(s) which is/are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 July 2016, being a date falling on expiry of 6 months after the date of the Agreement
“MOU”	the memorandum of understanding dated 9 December 2015 (supplemented by the supplemental memorandum of understanding dated 31 December 2015) signed by the Purchaser and the Vendors in relation to the acquisition of the Sale Shares
“Mr. Wong”	Mr. Wong Weng Kuen, one of the Vendors
“Ms. Hui”	Ms. Hui Hok Suen, one of the Vendors
“Premium”	HK\$13,000,000 agreed by the Parties subjected to the terms and conditions of the Agreement
“Purchaser”	Gold Collection Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sale Shares”	20,000,000 issued and fully-paid ordinary share in the capital of the Target Company, representing the entire issued share capital of the Target Company
“Second Deposit”	HK\$5,200,000, which is the refundable second deposit
“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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the SFO
“Substantial Shareholder Application”	application lodged by the Purchaser to the SFC for the approval of the Purchaser (and its beneficial owners) to become substantial shareholder(s) of the Target Company arising from the sale of Sale Shares under the SFO
“Target Company”	Treasure Securities Limited, a company incorporated in Hong Kong with limited liability
“Vendors”	Ms. Hui and Mr. Wong, being the registered and beneficial owners of the Sale Shares
“%”	per cent

By Order of the Board
Harmonic Strait Financial Holdings Limited
Tong Nai Kan
Executive Director

Hong Kong, 15 January 2016

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Tong Nai Kan, Mr. Wong Kwong Sum, Mr. Xie Li and Mr. Zhao Tieliu; one non-executive director, Dr. Wang Edward Xu; and four independent non-executive directors, namely Mr. Cheung Wah Keung, Mr. Anthony Espina, Mr. Zhang Huadi and Mr. Ho Chun Chung, Patrick.