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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)**

### **SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING IN RESPECT OF A PROPOSED ACQUISITION AND DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

#### **SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING**

Reference is made to the Announcement of the Company dated 23 March 2016 relating to the Proposed Acquisition. This announcement is made by the Company pursuant to Rule 13.09(2)(a) 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 would like to announce that on 21 April 2016, (after trading hours), the Company has entered into the Supplemental MOU with the Vendor and the Target Company, governing extension of the date of signing the formal sale and purchase agreement, grant of the exclusivity right, provision of the Earnest Money and arrangement for the Loan Facility.

Save and except for the above amendments under the Supplemental MOU, all the terms and conditions of the MOU remain unchanged and continue in full force and effect. The Supplemental MOU also does not constitute any legally-binding commitment on the part of the parties in relation to the Proposed Acquisition (save for grant of the exclusivity right and provision of the Earnest Money). If the Company proceeds with the Proposed Acquisition, it will enter into legally binding agreement(s) with the Vendor in respect of the Proposed Acquisition.

#### **General**

**The Board wishes to emphasise that the Proposed Acquisition may or may not proceed and that the Company has not entered into any binding agreement in relation to the Proposed Acquisition as at the date of this announcement. If the Proposed Acquisition materialises, it will 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 Acquisition as and when appropriate in accordance with the Listing Rules.**

## **DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

The Board announces that, on 21 April 2016, (after trading hours), the Loan Agreement has been entered into between the Lender, a wholly-owned subsidiary of the Company and the Target Company. Pursuant to the Loan Agreement, the Lender has conditionally agreed to grant the Loan Facility of a principal amount of US\$5 million (equivalent to approximately HK\$38.79 million) to the Target Company.

The principal terms and conditions of the Loan Agreement are set out in the section headed “The Loan Agreement” in this announcement.

As some of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of the Loan Facility under the Loan Agreement is more than 5% but less than 25%, the grant of the Loan Facility under the Loan Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is only subject to the announcement requirement of the Listing Rules.

### **THE GUARANTEE**

Simultaneously upon the entering into the Loan Agreement and the Supplemental MOU, the Guarantor has also executed the Guarantee in favour of the Lender and the Company, to unconditionally and irrevocably guarantee, the due and punctual payment and performance of the Target Company’s obligation in relation to the Loan Facility under the Loan Agreement and the Earnest Money under the Supplemental MOU, respectively.

Reference is made to the Announcement of the Company dated 23 March 2016 relating to the Proposed Acquisition. This announcement is made by the Company pursuant to Rule 13.09(2)(a) 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).

### **SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING**

On 21 April 2016 (after trading hours), the Company, the Vendor and the Target Company have entered into the supplemental MOU to reflect their mutual earnest intention for materializing the Proposed Acquisition.

Pursuant to the MOU, the Company and the Vendor agreed to proceed to perform due diligence review over each other and are with the view to finalise and sign the formal agreement no later than 90 days from the date of the MOU.

Further to the arm’s length negotiations, the Company, the Vendor and the Target Company, through the Supplemental MOU, have agreed to amend the MOU by giving additional time for the above-mentioned due diligence review and to finalise and sign the formal sale and purchase agreement no later than 90 business days from the date of the Supplemental MOU.

Under the Supplemental MOU, the Vendor undertook to grant the Company an exclusivity right over the issued shares of the Target Company from the date of signing the Supplemental MOU to the Validity Period (or such other date as may be agreed by the

Company and the Vendor). As such, without the prior written consent from the Company, the Vendor shall not transfer the issued shares of the Target Company, in whole or in part, to any third parties other than the Company. The Vendor further undertook not to negotiate with any other third parties for the sale and purchase of the issued shares of the Target Company (either in whole or in part) or other transactions or agreements with similar effects.

In addition, the Company shall pay the Target Company a sum of US\$5 million (equivalent to approximately HK\$38.79 million) as earnest money on the date of the Supplemental MOU. The Target Company shall acknowledge receipt of the Earnest Money which shall form partial payment of the consideration upon completion of the Proposed Acquisition. If the Company and the Vendor fail to:

- (i) sign the formal sale and purchase agreement within the Validity Period; or
- (ii) complete the Proposed Acquisition within 180 business days from the date of the Supplemental MOU,

the Target Company shall within 15 business days from the above points of time (whichever is earlier) return the Earnest Money in full to the Company or its designated recipient. If the Company and the Vendor agree to terminate the transaction prior to expiry of the Validity Period, the Target Company shall within 15 business days from such termination return the Earnest Money in full to the Target Company or its designated recipient. The Target Company shall be subject to a default interest calculated at 3% per annum of the Earnest Money on the basis of actual number of days elapsed and on a 360-day per year basis.

The Company and the Vendor agree to promote the business development of the Target Company, whereby the Company shall procure the provision of the Loan Facility to the Target Company for financing the construction of the Target Company's payment and settlement network in the Republic of Kazakhstan. Interest rate and term of the Loan Facility are set out separately in the Loan Agreement.

Save and except for the above amendments under the Supplemental MOU, all the terms and conditions of the MOU remain unchanged and continue in full force and effect. The Supplemental MOU does not constitute any legally-binding commitment on the part of the parties in relation to the Proposed Acquisition (save for grant of the exclusivity right and provision of the Earnest Money).

## **General**

**The Board wishes to emphasise that the Proposed Acquisition may or may not proceed and that the Company has not entered into any binding agreement in relation to the Proposed Acquisition as at the date of this announcement. If the Proposed Acquisition materialises, it will 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 Acquisition as and when appropriate in accordance with the Listing Rules.**

## **DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

With reference to the terms and conditions of the Supplemental MOU, the Board announces that, on 21 April 2015 (after trading hours), the Lender has entered into the Loan Agreement with the Target Company, pursuant to which the Lender has conditionally agreed to grant the Target Company, an Independent Third Party, the Loan Facility of a principal amount of US\$5 million (equivalent to approximately HK\$38.79 million), bearing interest at a rate of 2% per annum upon the terms of the Loan Agreement.

### **The Loan Agreement**

The principal terms of the Loan Agreement are summarised as follows:

- Date: 21 April 2016
- Lender: Dragon Choice Finance Limited, a licensed money lender in Hong Kong and a wholly owned subsidiary of the Company
- Borrower: The Target Company
- Principal amount of the Loan Facility: US\$5 million (equivalent to approximately HK\$38.79 million)
- Interest rate: 2% per annum on the basis of actual number of days elapsed and on a 360-day per year basis
- Default interest rate: 2% per annum on the basis of actual number of days elapsed and on a 360-day per year basis on any overdue sums, including outstanding principal amount of the Loan, interest and other amounts payable under the Loan Agreement, from the due date to the date of actual receipt of payment.
- Final repayment date: The final repayment date:
- (i) shall be the fifteenth business day from the termination date of the MOU, if the Company and the Vendor terminate the MOU within 90 business days from the date of the Loan Agreement;
  - (ii) shall be the fifteenth business day after the expiry of 90 business days from the date of the Loan Agreement, if the Company and the Vendor fail to sign the formal sale and purchase agreement within 90 business days from the date of the Loan Agreement;
  - (iii) shall be the fifteenth business day after the expiry of 180 business days from the date of the Loan Agreement, if the Company and the Vendor are able to enter into the formal sale and purchase agreement within 90 business days from the date of the Loan Agreement but fail to complete the formal sale and purchase agreement within 180 business days from the date of the Loan Agreement;

(iv) shall be the fifteenth business day after the expiry day of 180 business days from the date of the Loan Agreement (unless otherwise agreed by the Lender and the Target Company) in case of any circumstances other than those mentioned above.

Repayment: The Target Company shall repay the outstanding principal amount of the Loan in full together with any accrued and unpaid interest in one lump sum on the final repayment date.

Prepayment: The Target Company may prepay to the Lender the whole or any part of the outstanding principal amount of the Loan before the final repayment date, provided that:

- (i) the Target Company shall have given to the Lender not less than 10 business day's prior written notice specifying the amount to be prepaid and the date on which prepayment is to be made. The Target Company shall, on the date of prepayment, pay to the Lender all accrued interest on the basis of actual number of days elapsed; and
- (ii) unless otherwise agreed, the Target Company is not allowed to re-borrow such repaid portion from the Lender in accordance with the Loan Agreement.

Conditions precedent: The Lender shall provide the Target Company with the Loan Facility upon satisfaction of the following conditions precedent:

The Lender has received the following documents to its satisfaction:

- (i) the original copy of the Loan Agreement duly signed by the Target Company;
- (ii) the Guarantee (in form and substance satisfactory to the Lender) duly signed by the Guarantor to guarantee, warrant and indemnify all the responsibilities, obligations and liabilities arising from the Loan Agreement and the ancillary agreements (if applicable);
- (iii) certified copies of the certificate of incorporation, the memorandum and articles of association, of the Target Company;
- (iv) certified copy of the latest business registration certificate (if any) of the Target Company;
- (v) certified copy of the list of board members of the Target Company and their specimen signatures;

- (vi) certified copy of the board resolution of the Target Company approving signing of the Loan Agreement and relevant documents; and
- (vii) certified copies of the shareholder resolution and board resolution of the Guarantor approving the Guarantor to sign the Guarantee and relevant documents.

**Purpose:** Save for prior approval by the Lender in writing, the Loan facility is solely for the platform development of the Target Company's international clearing and settlement network in the Republic of Kazakhstan.

### **The Guarantee**

Simultaneously upon the entering into the Loan Agreement and the Supplemental MOU, the Guarantor has also executed the Guarantee in favour of the Lender and the Company, to unconditionally and irrevocably guarantee, the due and punctual payment and performance of the Target Company's obligation in relation to the Loan Facility under the Loan Agreement and the Earnest Money under the Supplemental MOU, respectively.

### **Funding of the Loan Facility**

The Loan Facility will be financed by the internal resources of the Group.

### **Information on the Guarantor, the Vendor and the Target Company**

The Guarantor is a company established in the PRC with limited liability, which is principally involved in the point-of-sale payment services and cross-border online payment services in the PRC. The Guarantor is an affiliate company of the Target Company and the Vendor.

The Vendor is an investment holding company incorporated in Hong Kong with limited liability.

The Target Company is a limited liability company incorporated in Hong Kong, which is committed to creating a worldwide financial settlement network targeting global markets, especially countries along the "one belt, one road" routes, to provide international clearing and settlement services for enterprises and individuals across the world. The Target Company is currently developing its international clearing and settlement business overseas. In order to expedite the commencement of the business operation of its international clearing and settlement services in the Republic of Kazakhstan, the Target Company is interested in seeking a short term funding to support its start up costs.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Guarantor and the Target Company is Independent Third Party and not connected with the Company.

## **Information of the Group and the Lender**

The Group is currently principally engaged in the credit guarantee, investment business and asset management and trading related business.

The Lender is a company incorporated in Hong Kong with limited liability and is principally engaged in money lending and related business in Hong Kong. The Lender holds a valid money lender licence under the provisions of the Money Lenders Ordinance to carry out its business.

## **Reasons for and benefits of the Supplemental MOU and the grant of the Loan Facility under the Loan Agreement**

As mentioned in the interim report of the Company for the six months period ended 30 June 2015, the Group has tried to widen its existing financing platform in China. However, the business environment, especially condition in the economics and regulations, is very challenging. Therefore, the Group will continually explore any business opportunities to expand the source of revenue and enhance the Group's profitability.

The Group is optimistic about the globalisation of PRC trading business under the "one belt, one road" initiative, the accelerating internationalisation of RMB after being included in the Special Drawing Rights (SDR) basket and the development prospects of the new model of international clearing and settlement services in the world financial markets. The Group considers that the Target Company has an absolute pioneering advantage over its global competitors in international clearing and settlement business and is able to leverage on the well-established clearing and settlement platform of the Vendor's affiliates.

Since the entering into of the MOU, the Group and the Vendor have been undergoing close negotiation and the due diligence review and investigation on the Target Company, including without limitation to its assets, liabilities, contracts, commitments and business and financial and legal aspects, has been in progress. As further time is required for the deal negotiation and the due diligence review to conclude the terms and conditions of a formal sale and purchase agreement, the Director considers that the additional terms of the Supplemental MOU governing provision of the Earnest Money, arrangement for the Loan Facility, extension of the date for entering into a formal sale and purchase agreement and grant of exclusivity right over the issued shares of the Target Company, as a whole, reflects the earnest intention of each party for materialising the Proposed Acquisition.

As the Lender holds a money lender licence, the grant of the Loan Facility under the Loan Agreement to the Target Company is in the ordinary and usual course of business of the Lender, being a wholly-owned subsidiary of the Company. The terms of the Loan Agreement were negotiated on an arm's length basis between the Lender and the Target Company. The Lender has assessed, and found the financial capability and shareholder background of the Guarantor satisfactory.

As the Loan Facility can generate certain return from the interest income under the Loan Agreement and the Directors consider that the Loan Agreement forms a critical part of the Supplemental MOU for the purpose of expediting the business commencement of the Target

Company, the Directors consider that the terms of the Supplemental MOU and the Loan Agreement are fair and reasonable and that the entering into of the Supplemental MOU and the Loan Agreement is in the interest of the Group and the Shareholders.

### **Listing Rules Implications**

As some of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the grant of the Loan Facility under the Loan Agreement is more than 5% but less than 25%, the grant of the Loan Facility under the Loan Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is only subject to the announcement requirement of the Listing Rules.

### **DEFINITIONS**

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

“Announcement”	the announcement of the Company dated 23 March 2016 relating to the Proposed Acquisition
“Board”	board of the Directors
“Company”	Harmonic Strait Financial Holdings Limited (和協海峽金融集團有限公司), 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
“Earnest Money”	an earnest money of US\$5 million (equivalent to approximately HK\$38.79 million) paid to the Target Company pursuant to the Supplemental MOU
“Group”	the Company and its subsidiaries
“Guarantee”	the deed of guarantee dated 21 April 2016 executed by the Guarantor in favour of each of the Lender and the Company to secure the performance of the Target Company’s obligations under the Loan Agreement and the Supplemental MOU in relation to the Earnest Money and the Loan Facility
“Guarantor”	重慶市錢寶科技服務有限公司 (Chongqing Globebill Technology Services Co., Ltd.*), a company established in the PRC with limited liability, being an affiliate company of the Target Company and the Vendor
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong



“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Lender”	Dragon Choice Finance Limited, a company incorporated in Hong Kong with limited liability, being a wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan amount of US\$5 million (equivalent to approximately HK\$38.79 million) granted by the Lender to the Target Company pursuant to Loan Agreement
“Loan Agreement”	the loan agreement dated 21 April 2016 entered into between the Lender and the Target Company
“Loan Facility”	a loan facility of US\$5 million (equivalent to approximately HK\$38.79 million) granted by the Lender to the Target Company pursuant to the Loan Agreement
“Money Lenders Ordinance”	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“MOU”	the memorandum of understanding dated 23 March 2016 entered into between the Company and the Vendor in relation to the Proposed Acquisition
“PRC”	means the People’s Republic of China, and for the purpose of this MOU shall not include Hong Kong, Taiwan and the Special Administrative Region of Macau
“Proposed Acquisition”	the proposed acquisition by the Company of the issued shares of the Target Company
“RMB”	Renminbi, the lawful currency of the PRC
“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

“Supplemental MOU”	the supplemental memorandum of understanding dated 21 April 2016 entered into among the Company, the Vendor and the Target Company in relation to the Proposed Acquisition
“Target Company”	Globebill International Business Settlement Limited, a company incorporated in Hong Kong with limited liability, which is committed to creating a worldwide financial settlement network targeting global markets, especially countries along the “one belt, one road” routes, to provide international clearing and settlement services for enterprises and individuals across the world
“US\$”	US Dollars, the lawful currency of the United States of America
“Validity Period”	90 business days from the date of the Supplemental MOU (or such other date as may be agreed by the Company and the Vendor)
“Vendor”	IZP Technologies (HK) Limited, a company incorporated in the Hong Kong with limited liability

By Order of the Board  
**Harmonic Strait Financial Holdings Limited**  
**Wong Kwong Sum**  
*Executive Director*

Hong Kong, 21 April 2016

*For the purposes of illustration only, any amount denominated in US\$ in this announcement and translated into HK\$ at the rate of US\$1 = HK\$7.758. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*

*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.*

\* *For identification purpose only*