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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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF A PROPOSED ACQUISITION

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 would like to announce that on 23 March 2016 (after trading hours), the Company entered into the MOU with the Vendor, pursuant to which the Company intended to purchase and the Vendor intended to sell the total issued shares of the Target Company, which is incorporated in Hong Kong and is committed to creating a worldwide financial settlement network targeting at global markets, especially countries along the “one belt, one road” routes, to provide international settlement services for global trade and spending.

The MOU is not intended to be legally binding (save for certain provision on confidentiality). 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.

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).

MEMORANDUM OF UNDERSTANDING

The principal terms of the MOU are as follows:

Date: 23 March 2016

Parties: The Company and the Vendor

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

Assets to be acquired and business prospect

The Company through its wholly-owned subsidiary intended to purchase and the Vendor intended to sell the total issued shares of the Target Company. The Target Company is a global financial technology company incorporated in Hong Kong, and is committed to creating a worldwide financial settlement network targeting at global markets, especially countries along the “one belt, one road” routes, to provide international settlement services for global trade and spending.

Settlement networks, as monetary settlement channels, form part of the strategic core financial infrastructure under the “one belt, one road” initiative. In light of changes in global economic and trading patterns, China becoming the largest trading nation in the world and the accelerating pace of RMB’s internationalization, the Target Company is speedily building a worldwide low-cost clearing and settlement platform based on new technologies and shortened channels, known as Globebill (錢寶). Directly connecting with the systems of central banks of various overseas countries, Globebill (錢寶) plans to (i) establish regional settlement circles in such five regions as Central Asia, Europe, Middle East, Africa and South Asia; (ii) create direct channels for settlements between local currencies and RMB; (iii) develop a new technology-driven financial settlement system to provide settlement services for cross-border trading and spending between China and the rest of the world, between countries in the same regions and between regions and the rest of the world; and (iv) take a pioneering position in terms of the scale of international settlement and number of nations covered by its services.

The Target Company is positioned to establish a global presence for Globebill’s (錢寶) international clearing and settlement services from the following areas:

1. providing global markets with a direct channel for settlements between local currencies and RMB to lower cross-border settlement costs and mitigate risks for trading businesses, thereby facilitating global trade flows;
2. for the purposes of global bulk commercial transactions, providing an express settlement channel in a “T + 0” mode, which will mitigate currency exchange risks and has obvious advantages over the existing settlement channel;
3. establishing regional settlement circles as an innovative model in such five regions as Central Asia, Europe, Middle East, Africa and South Asia, whereby settlements can be made in major currencies within the regions, so as to improve the independence and stability of the monetary systems of these regions, as well as forming a global network for settlements between local currencies and RMB; and
4. adopting a decentralized, distributed deployment model and applying blockchain technologies to construct the next generation of global clearing and settlement network and framework based on the core technical and standard patents of the Target Company.

Consideration

The consideration for the Proposed Acquisition may be paid in a combination of allotment of Shares and/or convertible instruments. The consideration shall be determined through further negotiation and mutual agreement between the Company and the Vendor.

Formal agreement

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

Financing scheme

The Target Company plans to raise funds to finance its business deployment and development project in relation to the settlement circles in the above-mentioned five regions across the globe.

The Company is planning to raise capital from new investors and investment funds in close collaboration with the Vendor during investment roadshows.

Binding effect

Save for the provisions on confidentiality, the other terms of the MOU are not intended to be legally binding.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

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

As mentioned in the interim report of the Company for the six months period ended 30 June 2015, the Group now 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 globalization of PRC trading business under the "one belt, one road" initiative, the accelerating internationalization 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, and 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 the well-established global clearing and settlement platform of the Vendor's affiliates. As such, the Group is of the opinion that the Proposed Acquisition represents a good opportunity for it to enhance and internationalize its financial service platform and thus will serve to strengthen its corporate development and broaden its income base.

The Directors consider that the terms of the MOU are fair and reasonable and that the Proposed Acquisition is in the interest of the Company and Shareholders as a whole.

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.

DEFINITIONS

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

“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 total 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
“Target Company”	a financial technology 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 enterprise and individuals across the world.
“US\$”	US Dollars, the lawful currency of the United States
“Vendor”	億贊普(香港)科技有限公司 (IZP Technologies (HK) Company Limited*) a company incorporated in the Hong Kong with limited liability

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

Hong Kong, 23 March 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.

* *For identification purpose only*