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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

 **KINGSTON SECURITIES**

THE PLACING

On 29 April 2016 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 1,000,000,000 Placing Shares at the Placing Price of HK\$0.200 per Placing Share to currently expected not fewer than six Placees who and whose beneficial owners shall be Independent Third Parties.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of Placing Shares under the Placing represent (i) approximately 11.95% of the existing issued share capital of the Company of 8,368,072,000 Shares as at the date of this announcement; and (ii) approximately 10.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares of 9,368,072,000. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$100,000,000.

The Placing Price of HK\$0.200 per Placing Share represents (i) a discount of approximately 13.79% to the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 15.97% to the average closing price of HK\$0.238 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

The gross proceeds from the Placing will be HK\$200 million. The net proceeds from the Placing will amount to approximately HK\$194.6 million which is intended to be applied to the investment opportunities and the related working capital for business development in new financial platforms, including but not limited to the proposed acquisition of Globebill International Business Settlement Limited as mentioned in the announcement of the Company dated 21 April 2016 and 23 March 2016, as to enhance corporate development and broaden the income base of the Group. In the event that the above-mentioned investment opportunities in relation to the new financial platforms do not materialise, the net proceeds will be applied to any other investment opportunities in the field of finance that may arise in the future and the relevant working capital need for business development. The net price raised per Placing Share will be approximately HK\$0.195 per Share.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

29 April 2016 (after trading hours)

Issuer

The Company

Placing Agent

Kingston Securities Limited

The Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 1,000,000,000 Placing Shares to independent Placees. The Placing Agent will receive a placing commission of 2.5% of the aggregate amount equal to the Placing Price multiplied by the actual number of Placing Shares successfully placed by the Placing Agent. The terms of the Placing Agreement were arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market condition. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable based on current market conditions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its associates are Independent Third Parties. As at the date of this announcement, the Placing Agent is not interested in any Shares.

Placees

The Placing Agent will, on a best effort basis, place the Placing Shares to currently expected not fewer than six Placees (who are independent professional, institutional or other investors), who and whose ultimate beneficial owner(s) are Independent Third Parties. If any of the Placees becomes a substantial Shareholder (as defined under the Listing Rules) after the completion of the Placing, a further announcement will be made by the Company.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 1,000,000,000 Placing Shares under the Placing represent (i) approximately 11.95% of the existing issued share capital of the Company of 8,368,072,000 Shares as at the date of this announcement; and (ii) approximately 10.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares of 9,368,072,000. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$100,000,000.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.200 per Placing Share represents (i) a discount of approximately 13.79% to the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 15.97% to the average closing price of HK\$0.238 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Placing is in the interests of the Company and the Shareholders as a whole.

General Mandate to allot and issue the Placing Shares

The Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Accordingly, the issue of the Placing Shares is not subject to the approval of the Shareholders. Under the General Mandate, the Company is authorised to issue up to 1,475,280,000 Shares under the General Mandate. Up to the date of this announcement, no Shares has been issued under the General Mandate.

Conditions of the Placing Agreement

Completion of the Placing Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the Placing; and
- (ii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure events.

Completion of the Placing

Completion of the Placing, in any event, will take place within four business days after the fulfillment of the conditions as set out in paragraph headed “Conditions of the Placing Agreement” above or such other date to be agreed between the Company and the Placing Agent in writing (the “**Completion Date**”). If the above conditions are not satisfied and/or waived (other than condition (i) above, which cannot be waived) in whole or in part by the Placing Agent on or before 5:00 p.m. on 16 May 2016 (being the tenth Business Day after the date of signing of the Placing Agreement) or such later date to be agreed between the Company and the Placing Agent in writing, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties under the Placing Agreement will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches thereof).

Termination and force majeure

The Placing Agent may terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances (inclusive of any pandemics or epidemics) which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the Completion Date;

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate, if repeated, the Placing Agent shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in credit guarantee, lending and investment business in the PRC, the trading of party products business and trading of metal and mineral business.

The maximum gross proceeds from the Placing will be HK\$200 million. The maximum net proceeds from the Placing will amount to approximately HK\$194.6 million which is intended to be applied to the investment opportunities and the related working capital for business development in new financial platforms, including but not limited to the proposed acquisition of Globebill International Business Settlement Limited as mentioned in the announcement of the Company dated 21 April 2016 and 23 March 2016, as to enhance

corporate development and broaden the income base of the Group. In the event that the above-mentioned investment opportunities in relation to the new financial platforms do not materialise, the net proceeds will be applied to any other investment opportunities in the field of finance that may arise in the future and the relevant working capital need for business development. The net proceeds raised per Placing Share will be approximately HK\$0.195 per Share.

The Directors have considered various ways of raising funds and believe that the Placing represents an opportunity to raise capital for the Group and are of the view that the Placing is in the best interest of the Company and its Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Apart from the fund raising activities mentioned below, the Company has not carried out other equity fund raising activities during the 12 months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
5 November 2015	Subscription of new shares and convertible bonds under specific mandate	HK\$199 million	For the development of the asset management businesses in Hong Kong and/or the PRC, and as general working capital of the Group	<p>(i) approximately HK\$7 million used as deposit for the acquisition of a licensed corporation to carry out business in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. <i>(Note a)</i></p> <p>(ii) approximately HK\$11.3 million used as deposit for the acquisition of a licensed corporation to carry out business in Type 1 regulated activity under the SFO (dealing in securities). <i>(Note b)</i></p> <p>(iii) approximately HK\$4 million used as working capital and spent in various operating and administration expenses.</p>

Note:

- a. A balance of about HK\$6 million is committed for completion of this acquisition and another amount of HK\$70 million is reserved to expand the asset management business after completion of this acquisition.
- b. A balance of about HK\$20.7 million is committed for completion of this acquisition and another amount of HK\$80 million is reserved to expand the margin financing business of this company after completion of this acquisition.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing, to the best knowledge of the Directors, is set out as below:

	As at the date of this announcement		Immediately after the completion of the Placing	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders				
Internet Finance Investment Co. Ltd. and/or Ms. Cheung Kwan (<i>Note 1</i>)	2,450,000,000	29.28	2,450,000,000	26.15
Mr. Tong Nai Kan (<i>Note 2</i>)	44,000,000	0.53	44,000,000	0.47
Public Shareholders				
The Placees	—	—	1,000,000,000	10.67
Other public Shareholders	<u>5,874,072,000</u>	<u>70.19</u>	<u>5,874,072,000</u>	<u>62.71</u>
Total	<u><u>8,368,072,000</u></u>	<u><u>100.00</u></u>	<u><u>9,368,072,000</u></u>	<u><u>100.00</u></u>

Notes:

1. Internet Finance Investment Co. Ltd. is wholly owned by Ms. Cheung Kwan.
2. Mr. Tong Nai Kan is an executive Director.
3. The amounts and percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

GENERAL

The Placing Shares will be issued under the General Mandate and therefore the Placing will not be subject to any Shareholders' approval. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“AGM”	the annual general meeting of the Company held on 5 June 2015
“Board”	the board of Directors

“Business Day”	a day (other than a Saturday, Sunday, public holiday, or days on which a typhoon signal No. 8 or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks are generally open for business in Hong Kong
“Company”	Harmonic Strait Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of, not connected or acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates (as defined under as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of up to 1,000,000,000 Placing Shares on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in Type 1 regulated activity (dealing in securities) under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 29 April 2016 in relation to the Placing
“Placing Price”	HK\$0.200 per Placing Share

“Placing Share(s)”	up to 1,000,000,000 new Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“SFO”	the Securities and Futures Ordinance (chapter 571) of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 29 April 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.