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弘達金融控股有限公司

HongDa Financial Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1822)

**ISSUE OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE
AND
FINANCIAL ASSISTANCE FROM CONNECTED PERSONS**

(1) ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 22 August 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe in cash for the Convertible Bonds in an aggregate principal amount of HK\$200,000,000.

Based on the initial Conversion Price of HK\$0.35 per Conversion Share, 571,428,571 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent (i) approximately 8.61 % of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.93% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be issued under the General Mandate.

The net proceeds from the Bond Issue (after deducting related expenses) are estimated to be approximately HK\$199,400,000 and the Company intends to use such net proceeds for (i) its money lending business, (ii) asset management business, (iii) working capital for its material trading, and (iv) other purposes as permitted in writing by the Subscriber from time to time.

(2) THE GUARANTEES

The Convertible Bonds will be secured by the Guarantees provided by the Guarantors. As (i) each of the Individual Guarantors is a director who is also a substantial shareholder of the Company and (ii) the Corporate Guarantor is a controlling shareholder of the Company, the provision of the Guarantees constitutes a connected transaction in the form of financial assistance from the connected persons in favour of the Group. As (i) the Company will not provide any security to the Guarantors for the aforesaid guarantee; and (ii) the Directors consider that the Guarantees are on normal commercial terms or better, the Guarantees are fully exempt from the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Completion of the transactions under the Subscription Agreement is subject to the satisfaction of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed "The Subscription Agreement" below for further information.

WARNING: As the transactions under the Subscription Agreement may or may not be completed, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

THE SUBSCRIPTION AGREEMENT

Date

22 August 2017 (after trading hours)

Parties

Issuer: The Company

Subscriber: China Huarong Macau (HK) Investment Holdings Limited

Subject matter

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$200,000,000.

Conditions Precedent

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

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and such approval and permission remaining in full force and effect;
- (ii) the Subscriber having received all of the documents and evidence set out in the Subscription Agreement in form and substance satisfactory to it on or prior to the date of the Completion Date; and
- (iii) no event of default is continuing or would result from the proposed issue by the Company of the Convertible Bonds to the Subscriber.

If any of the conditions precedent above have not been fulfilled or waived by the Subscriber on or before the day which falls on the expiry of 20 calendar days immediately following the date of the Subscription Agreement (or such later date as may be agreed between the Subscriber and the Company in writing), the Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither the Company nor the Subscriber shall have any claim against or liability or obligation to each other under the Subscription Agreement save for any rights or obligations which may accrue prior to the date of such termination.

The Guarantees

Pursuant to the Subscription Agreement, the Guarantors shall execute and deliver the Guarantees before Completion under which each of the Guarantors unconditionally and irrevocably guarantees, among others, the punctual performance by the Company of all of its obligations under or pursuant to the Subscription Agreement and other related transaction documents.

The granting of the guarantees in favour of the Subscriber under the Guarantees constitutes financial assistance given by the Guarantors for the benefit of the Group under the Listing Rules. As (i) each of the Individual Guarantors is a Director who is also a substantial shareholder of the Company and (ii) the Corporate Guarantor is a controlling shareholder of the Company, the proposed financial assistance constitutes a connected transaction for the Company under the Listing Rules. As (i) the Company will pay no consideration nor provide any security to the Guarantors for the aforesaid guarantee; and (ii) the Directors consider that the Guarantees are on normal commercial terms or better, the Guarantees are fully exempt from the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Completion

Subject to the satisfaction or waiver of all the conditions precedent set out in the Subscription Agreement, Completion shall take place on the Completion Date.

Upon Completion, the Subscriber shall pay a subscription price of HK\$200,000,000 in respect of the Convertible Bonds to the Company (less the costs and expenses in relation to the Convertible Bonds payable by the Company under the Subscription Agreement).

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

- Issuer** : The Company
- Principal Amount** : HK\$200,000,000
- Issue price** : 100% of the principal amount of the Convertible Bonds
- Interest** : The Convertible Bonds shall bear interest from and including the date of issue of the Convertible Bonds to the Maturity Date at the rate of eight per cent (8%) per annum payable on 18 June and 18 December of each calendar year in arrears
- Maturity Date** : The date falling on the third (3rd) anniversary of the date of issue of the Convertible Bonds, which can, subject to the agreement between the Company and the Subscriber, be extended to the fifth (5th) anniversary of the date of issue of the Convertible Bonds; and if that is not a Business Day, the Business Day immediately before such date
- Conversion Right** : The Bondholder shall have the right to convert all or any part in the lots of HK\$5,000,000 of the principal amount of the Convertible Bonds at any time from and including the first anniversary from the date of issue of the Convertible Bonds up to the close of business of the principal place of business of the Company in Hong Kong on the tenth day before the Maturity Date.

Conversion Price : HK\$0.35, being the initial conversion price per Conversion Share.

The initial Conversion Price of HK\$0.35 per Conversion Share was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent market price of the Shares and represents:

- (i) a premium of approximately 52.17% over the closing price of HK\$0.230 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 47.68% over the average closing price of approximately HK\$0.237 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 47.06% over the average closing price of approximately HK\$0.238 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

Adjustment to the Conversion Price : The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon the occurrence of, among others, the following events:

- (i) consolidation, subdivision or reclassification of the Shares;
- (ii) capitalization of profits or reserves;
- (iii) issue of Shares by way of a scrip dividend where the current market price exceeds the amount of the relevant cash dividend;
- (iv) capital distribution to the Shareholders;
- (v) rights issues of shares or options over Shares (at less than 95% of the current market price);
- (vi) rights issues of other securities;
- (vii) issues of new Shares or other issues of securities at less than 95% of the current market price; and
- (viii) modification of rights of conversion.

Conversion Shares : Assuming the conversion rights attaching to the Convertible Bonds have been exercised in full at the initial Conversion Price of HK\$0.35 per Conversion Share, a maximum of 571,428,571 Conversion Shares will be issued, representing approximately 8.61% of the issued share capital of the Company as at the date of this announcement and approximately 7.93% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares (assuming no other change in the issued share capital of the Company).

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of conversion.

Redemption on Maturity : Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the Maturity Date at the Applicable Redemption Amount plus an amount that would make up an aggregate internal rate of return on the relevant amount of the Convertible Bonds at 9.7% per annum thereon (having included the interest paid, but excluding any default interest (whether accrued, paid or unpaid)) calculated from the date of issue of the Convertible Bonds to (and including) the Maturity Date.

Redemption on an Event of Default : If the Company fails to rectify an event of default specified under the instrument of the Convertible Bonds and a written notice is served by a Bondholder to the Company specifying the event of default, that Bondholder shall have the right (but not the obligation) to demand the Company to, and the Company shall, redeem all or such part of the outstanding principal amount of the relevant Convertible Bonds at the Applicable Redemption Amount plus an amount that would make up an aggregate internal rate of return on the relevant portion of the principal amount of the Convertible Bonds at 18% per annum (having included the interest and default interest paid) calculated during the period from the date of issue of the Convertible Bonds to (and including) the actual date of payment.

- Status of the Convertible Bonds** : The Convertible Bonds constitute direct, guaranteed, unsecured, unsubordinated and unconditional obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and at all times rank at least equally with all of the Company's other present and future direct, unsecured unsubordinated and unconditional obligations. No application will be made for a listing of the Convertible Bonds.
- Transferability** : Subject to the terms and conditions of the Convertible Bonds, transfer of the Convertible Bonds can be made without prior consent of the Company.
- Voting** : The Convertible Bonds shall not confer on the Bondholders the right to attend and/or vote at general meetings of the Company.
- Dividends** : Bondholders shall not be entitled to receive any dividends, distribution in specie or issue of Shares in lieu of cash dividends declared by the Company.

APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

GENERAL MANDATE

At the annual general meeting of the Company held on 26 May 2017, a general mandate was granted to the Directors by the Shareholders pursuant to an ordinary resolution to exercise the powers of the Company to allot, issue and deal with up to 1,326,834,090 Shares, being 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution. The General Mandate has not been utilised prior to the date of this announcement. The Conversion Shares, being a maximum of 571,428,571 Shares to be issued upon the exercise in full of the conversion rights attaching to the Convertible Bonds based on the initial Conversion Price, will be issued under the General Mandate. Accordingly, the issue of the Convertible Bonds is not subject to the approval of the Shareholders.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares at the initial Conversion Price upon exercise of the conversion rights in full under the Convertible Bonds (assuming no further Shares will be issued or repurchased and no transfer of the Convertible Bonds by the Subscriber from the date of this announcement to the date of the full conversion of the Convertible Bonds).

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon exercise in full of the conversion rights under the Convertible Bonds	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Substantial Shareholder(s)				
Sino Merchant Car Rental Limited (<i>Note 1</i>)	3,499,233,889	52.75%	3,499,233,889	48.56%
Dundee Greentech Limited (<i>Note 2</i>)	789,500,000	11.90%	789,500,000	10.96%
Public Shareholders				
Bondholders	—	—	571,428,571	7.93%
Other public shareholders	<u>2,345,436,565</u>	<u>35.35%</u>	<u>2,345,436,565</u>	<u>32.55%</u>
Total	<u>6,634,170,454</u>	<u>100.00%</u>	<u>7,205,599,025</u>	<u>100.00%</u>

Notes:

- 1) These 3,499,233,889 Shares are registered in the name of Sino Merchant Car Rental Limited ("SMC"), the entire issued share capital of which is owned as to 60% by Ms. Deng Shufen (the chairman and an executive director of the Company) and 40% by Ms. Liu Jianguan (an executive director of the Company). Ms. Deng Shufen and Ms. Liu Jianguan are deemed to be interested in all the Shares in which SMC is interested by virtue of the SFO.
- 2) These 789,500,000 Shares are registered in the name of Dundee Greentech Limited (a company incorporated in the British Virgin Islands), the entire issued share capital of which is held by Mr. Liu Hailong.

INFORMATION ON THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange.

The Group is principally engaged in the business of car rental businesses, material trading businesses and providing financial services.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong with limited liability.

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

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF NET PROCEEDS

The Directors consider that the Bond Issue represents an opportunity to raise additional funds for the Company and the subscription of the Convertible Bonds will strengthen the Group's financial position in line with its business strategies.

The gross proceeds from the Bond Issue will be HK\$200,000,000. The net proceeds from the Bond Issue is expected to be approximately HK\$199,400,000 which will be used for (i) its money lending business, (ii) asset management business, (iii) working capital for its material trading, and (iv) other purposes as permitted in writing by the Subscriber from time to time.

The Directors consider that the terms of the Subscription Agreement (including the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and that the Subscription Agreement was entered into on normal commercial terms after arm's length negotiations between the parties thereto.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the past twelve months prior to the date of this announcement.

Completion of the transactions under the Subscription Agreement is subject to the satisfaction of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “The Subscription Agreement” above for further information.

WARNING: As the transactions under the Subscription Agreement may or may not be completed, the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITION

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

“Applicable Redemption Amount”	a redemption amount equal to the aggregate of (i) the principal amount outstanding on the Convertible Bonds; (ii) the outstanding interest up to the date of redemption; and (iii) any other outstanding amount due but unpaid under the Convertible Bonds, rounded (if necessary) to two decimal places with 0.005 being rounded upwards
“Board”	the board of Directors
“Bond Issue”	the subscription and issue of the Convertible Bonds pursuant to the Subscription Agreement
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	a day other than Saturdays, Sundays or public holidays on which commercial banks are open for business in Hong Kong and the PRC
“Company”	HongDa Financial Holding Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1822)
“Completion”	completion of the Subscription Agreement
“Completion Date”	the date on which the Completion takes place
“Conversion Price”	the initial conversion price of the Convertible Bonds, being HK\$0.35 per Conversion Share (subject to adjustments)
“Conversion Share(s)”	new Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds

“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$200,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Corporate Guarantor”	Sino Merchant Car Rental Limited
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26 May 2017 to allot and issue up to 1,326,834,090 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue as the date of passing such resolution
“Group”	the Company and its subsidiaries
“Guarantees”	the (i) personal guarantees to be executed by the Individual Guarantors as guarantors respectively and (ii) corporate guarantee to be executed by the Corporate Guarantor, pursuant to the terms of the Subscription Agreement
“Guarantors”	the Corporate Guarantor and the Individual Guarantors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Individual Guarantors”	Ms. Deng Shufen and Ms. Liu Jianguan
“Last Trading Day”	21 August 2017, being the last trading day of the Shares immediately prior to the date of the publication of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the third anniversary of the date of issue of the Convertible Bonds or subject to agreement between the Company and the Subscriber be extended to the fifth anniversary of the date of issue of the Convertible Bonds
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Huarong Macau (HK) Investment Holdings Limited
“Subscription Agreement”	the subscription agreement dated 22 August 2017 entered into between the Company as the issuer and the Subscriber as the subscriber in respect of the subscription for and issue of the Convertible Bonds
“subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Trading Day”	means a day when the Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days
%	per cent

By order of the Board
HongDa Financial Holding Limited
Deng Shufen
Chairman and Executive Director

Hong Kong, 22 August 2017

As at the date of this announcement, the Board comprises Ms. Deng Shufen (Chairman), Ms. Chen Xiaohang (CEO), Ms. Liu Jiangyuan and Mr. Gong Qingli as executive Directors; Mr. Jiang Tengfei (Vice-Chairman) as non-executive Director; and Mr. Fang Jun, Mr. Wong Yiu Kit, Ernest and Mr. Zhao Xianming as independent non-executive Directors.