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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)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF INTEREST IN A FUND

THE SUBSCRIPTION

The Board is pleased to announce that on 6 July 2017 (after trading hours), the Company submitted an application form to Maples Fund Services (Asia) Limited pursuant to which the Company has applied to subscribe for the Interest at the Subscription Amount. The Fund is managed by the Manager with the objective of achieving stable capital appreciation for its shareholders.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in relation to the Subscription are more than 5% but all applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 6 July 2017 (after trading hours), the Company has applied to subscribe for the Interest in the Fund at the Subscription Amount.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Fund and its ultimate beneficial owner(s) are Independent Third Parties.

TERMS OF THE FUND

The principal terms of the Fund under the Placing Memorandum are as follows:

Purpose of the Fund

Based on the Company's current understanding with reference to the Placing Memorandum, the investment objective of the Fund is to achieve stable capital appreciation for its shareholders and the Fund will seek to achieve the investment objective primarily by investments with high liquidity such as shares of listed companies listed on the main board or the growth enterprise market of the Stock Exchange with certain capitalisation requirements and bond offerings. The Fund may also invest in A shares through Stock Connect and equity rights of non-listed companies. The Fund may also invest in, without limitation, equity rights of listed companies, acquire existing shares of any company and/or convertible debt.

The Fund may reinvest proceeds derived from any investment.

Size and Structure of the Fund

The size of the Fund is anticipated to be approximately HK\$600,000,000. The Fund comprises of four classes of Shares, namely Class A Shares, Class B Shares, Class C Shares and Class D Shares.

Class A Shares, Class B Shares and Class C Shares will be offered during the placing of the shares of the Fund prior to the Closing Date. The offering of shares of the Fund may be conditional upon (i) the ratio of the subscription amounts of Class A Shares, Class B Shares and Class C Shares to be 1:1:1 on the Closing Date and (ii) the subscription amount of Class C Shares shall not be less than one-third of the total subscription amount on the Closing Date.

Term of the Fund

The term of the Fund shall be 36 months, subject to prior consent of all shareholders of the Fund to extend such term for additional periods of up to 12 months with a maximum of two extensions.

Compulsory Additional Subscriptions

The Manager may from time to time issue written notices ("**Funding Notices**") to all the holders of Class C Shares pro rata to their shareholding (i) if, on a valuation day (as determined pursuant to the Placing Memorandum), the net asset value of the Fund (as adjusted with respect to any redemption of Class B Shares from time to time) falls below 80% of the total subscription amount of Class A Shares, Class B Shares and Class C Shares on the Closing Date (the "**Total Subscription Amount**"), to subscribe for Class D Shares equal to such amount as required to restore the net asset value of the Fund to not less than 80% of the Total Subscription Amount; (ii) to make up sufficient cash for any distributions as described in "**Dividend Policy and Distributions prior to termination of the Fund**" or "**Termination of the Fund**" below or (iii) for payment of the operating expenses of the Fund including, without limitation, the referral fee payable to the referral agent of the Fund, the establishment costs of the Fund, management fees of the Fund, fees, costs and expenses associated with the auditor of the Fund, the administrator of the Fund, the custodian of the Fund and the termination of the Fund, the arrangement fees and interest of any notes issued pursuant to the

terms of the Placing Memorandum (“Notes”), legal due diligence, fees and expenses with respect to asset evaluation/valuation and legal costs and expenses of the Fund or under the circumstances particularised under the Placing Memorandum.

The Manager expects that a Funding Notice will be issued as and when it is required (in any event at least semi-annually to fund the payment of the Class A Fixed Return and the Class B Fixed Return) and request for subscription and payment on such subscription day (as the directors of the Fund may from time to time determine pursuant to the Placing Memorandum) as the Manager specifies in the Funding Notice.

Dividend Policy and Distributions prior to termination of the Fund

With respect to Class A Shares, subject to all Cayman Islands laws and the articles of association of the Fund, the Fund will make distributions to the holders of Class A Shares, out of funds legally available therefor, a Class A Fixed Return on the basis of the subscription amount of Class A Shares which will accrue daily and be distributed semi-annually.

With respect to Class B Shares, subject to all Cayman Islands laws and the articles of association of the Fund, the Fund will make distributions to the holders of Class B Shares, out of funds legally available, a Class B Fixed Return on the basis of the remaining subscription amount of Class B Shares (that is, such remaining subscription amount shall be equal to the total subscription amount less any redemption of Class B Shares) which will accrue daily and be distributed semi-annually.

Class C Shares are entitled to a Class C Fixed Return with respect to its total subscription amount which shall accrue on a daily basis and be distributed upon the termination of the Fund.

No dividends or distribution will be made with respect to Class D Shares during the Term.

Transfer of Shares

Class A Shares and Class B Shares may be transferred in accordance with the articles of association of the Fund as amended from time to time.

Neither Class C Shares nor Class D Shares may be transferred without the prior unanimous consent in writing of all the holders of Class A Shares and Class B Shares and the directors of the Fund.

Termination of the Fund

Immediately prior to the termination of the Fund (whether due to expiry of the Term or whatever reason), the holders of Class C Shares shall indemnify the Fund, to the extent that (i) the Fund has insufficient assets to satisfy any part of the repayment of the principal and any accrued but unpaid interest on the Notes (if issued), (ii) the then net asset value of Class A Shares (as determined pursuant to the Placing Memorandum) falls short of an amount equal to the sum of the total subscription amount of Class A Shares including the amounts subscribed on the Closing Date and

the aggregate of Class A Fixed Return which Class A Shares are entitled to, as adjusted with respect to any distribution of any Class A Fixed Return over the Term and (iii) the then net asset value of Class B Shares (as determined pursuant to the Placing Memorandum) falls short of an amount equal to the sum of the total subscription amount of Class B Shares including the amounts subscribed on the Closing Date and the aggregate of Class B Fixed Return which Class B Shares are entitled to, as adjusted with respect to any redemption of Class B Shares and the distribution of any Class B Fixed Return over the Term.

Upon the termination of the Fund, the assets of the Fund shall be used to pay any accrued and unpaid fees, including any referral fee due to the referral agent of the Fund, management fees due to the Manager and third party liabilities payable, and the principal and any accrued but unpaid interest in respect of the Notes (in the event that any Notes have been issued) (which will be funded out of the aforementioned indemnification provided by the holders of Class C Shares). Any balance shall be distributed in cash or, in the discretion of the directors of the Fund, in kind to the shareholders of the Fund in the following priority:

- (1) *Firstly*, in the payment to the holders of Class A Shares, an amount equal to the sum of (a) the total subscription amount of Class A Shares, (b) the aggregated Class A Fixed Return which Class A Shares are entitled to over the Term which sum is adjusted by deducting the aggregate Class A Fixed Return already distributed during the Term;
- (2) *Secondly*, in the payment to the holders of Class B Shares, an amount equal to the sum of (a) the total subscription amount of Class B Shares, (b) the aggregated Class B Fixed Return which Class B Shares are entitled to over the Term which sum is adjusted by deducting the aggregate redemption amount of Class B Shares and the aggregated Class B Fixed Return already distributed during the Term;
- (3) *Thirdly*, in the payment to the holders of Class D Shares pro rata to their respective subscription amount (which sum is adjusted by deducting the aggregate redemption amount of Class D Shares);
- (4) *Fourthly*, in the payment to the holders of Class C Shares, an amount equal to the sum of (a) the total subscription amount of Class C Shares, (b) the aggregated Class C Fixed Return which Class C Shares are entitled to during the Term;
- (5) *Lastly*, if any, 20% of the balance to be allocated to the holders of Class B Shares and 80% of the balance to be allocated to the holders of Class C Shares, pro rata to their respective remaining subscription amount.

INFORMATION OF THE FUND

The Fund is an exempted company incorporated with limited liability in the Cayman Islands on 31 May 2017 and does not have historical financial results.

The Fund shall set up an investment committee (“**Investment Committee**”) comprising three members, one of them will be nominated by the holders of Class B Shares, and two of them will be nominated by the holders of Class C Shares. Any investment by the Fund in a product (shares, bond or equity) not being more than 20% of the net asset value (as determined pursuant to the Placing Memorandum) of the Fund (immediately prior to the investment) will be subject to the prior approval of at least two members of the Investment Committee.

Any investment by the Fund in a product (shares, bond or equity) more than 20% of the net asset value (as determined pursuant to the Placing Memorandum) of the Fund will be subject to the prior approval of all the members of the Investment Committee.

The day-to-day administrative and operating matters of the Fund shall be the responsibility of the Manager and/or Harvest Global Investments Limited (as investment advisor of the Fund), the respective scope of duties and responsibilities and remuneration shall be set out in the management agreement between the Fund and the Manager and the investment advisory agreement between the Manager and Harvest Global Investments Limited.

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

INFORMATION OF THE COMPANY AND THE GROUP

The Company is incorporated in Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in the business of car rental businesses, material trading businesses and providing financial services.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

With reference to the investment objective of the Fund and the extensive experience and skills of the directors of the Fund and the Manager, the Board believes the Subscription will enable the Group to capture investment opportunities and further diversify the Group’s investment portfolio. The Subscription is also in alignment with the Group’s strategy to expand its business, and focus on the development of financial and asset management business. The Board considers that the terms of the Placing Memorandum and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in relation to the Subscription are more than 5% but all applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction on the part of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meaning:

- “Board” the board of Directors;
- “Class A Fixed Return” a fixed return of 10% (or, in the case of a holder of Class A Shares being an entity other than the subscriber of Class B Shares, such lower rate as agreed between such holder of Class A Shares and the Fund) simple interest per annum of the subscription amount in respect of Class A Shares commencing from the Closing Date on which Class A Shares are issued until 31 December (or in the year of termination of the Fund, the date of such termination) of each financial year, as the case may be from funds lawfully available therefor;
- “Class B Fixed Return” a fixed return of 10% simple interest per annum of the subscription amount in respect of Class B Shares commencing from the Closing Date on which Class B Shares are issued until 31 December (or in the year of termination of the Fund, the date of such termination) of each financial year, as the case may be from funds lawfully available therefor, as adjusted proportionally with respect to the year ending on 31 December 2017 and any redemption of shares of the Fund;
- “Class C Fixed Return” a fixed return of 10% simple interest per annum of the subscription amount in respect of Class C Shares commencing from the Closing Date on which Class C Shares are issued until 31 December (or in the year of termination of the Fund, the date of such termination) of each financial year, as the case may be from funds lawfully available therefor;
- “Class A Share(s)” a share in the share capital of the Fund which is designated as a Class A Share and having the specific features as set out more particularly in the Placing Memorandum;
- “Class B Share(s)” a share in the share capital of the Fund which is designated as a Class B Share and having the specific features as set out more particularly in the Placing Memorandum;
- “Class C Share(s)” a share in the share capital of the Fund which is designated as a Class C Share and having the specific features as set out more particularly in the Placing Memorandum;

“Class D Share(s)”	a share in the share capital of the Fund which is designated as a Class D Share and having the specific features as set out more particularly in the Placing Memorandum;
“Closing Date”	on or about 21 July 2017 (or such other date as the directors of the Fund may determine from time to time);
“Company”	HongDa Financial Holding Limited, 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: 1822);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Fund”	Honghua Investment Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	a third party independent of and not connected with the Company and its subsidiaries and connected persons;
“Interest”	200,000 Class C Shares;
“Listing Rule”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Manager”	Long Yuan Fund Management Limited;
“Placing Memorandum”	the private placing memorandum dated 6 July 2017 issued by the Fund setting out, among other things, the terms of the Fund and the offer for subscription of certain classes of shares in the capital of the Fund;
“PRC”	The People’s Republic of China (excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and the islands of Taiwan);

“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of Share(s);
“Stock Connect”	Shenzhen-Hong Kong Stock Connect or Shanghai-Hong Kong Stock Connect;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Amount”	the subscription amount of HK\$200,000,000 for the Subscription;
“Subscription”	the subscription by the Company for the Interest in Fund;
“Term”	36 months (or such period as extended pursuant to the terms of the Placing Memorandum); and
“%”	per cent.

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

Hong Kong, 6 July 2017

As at the date of this announcement, the Board comprises of 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