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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Reference is made to the annual report of HongDa Financial Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2016 (the “**Annual Report**”) published on the websites of The Stock Exchange of Hong Kong Limited and the Company on 26 April 2017.

Further to the information disclosed in the Annual Report, the Company wishes to provide the shareholders of the Company and the potential investors with the following supplementary information.

ACTUAL USE OF PROCEEDS FROM THE CONVERTIBLE BONDS

As disclosed in the Annual Report, the Group entered into a subscription agreement in May 2016 to issue convertible bonds (the “**Convertible Bonds**”) for the maximum principal amount of HK\$200,000,000 and all of the Convertible Bonds were issued in full on 17 May 2016. The net proceeds from the issue of the Convertible Bonds, after deduction of related expenses, were estimated to be approximately HK\$199,600,000. The net proceeds were intended to be utilized to improve working capital of the Group and/or for the purpose of financing future acquisitions.

As at the date of the Annual Report, approximately HK\$112,000,000 of the net proceeds had been used to establish a joint venture company between the Company’s wholly owned subsidiary, Hongda Financial Hong Kong Company and Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd. (中新(黑龍江)互聯網小額貸款有限公司) for the principal business objectives of developing the businesses of internet microfinance, microfinance, discounted note, asset transfer, agency and subprime lending in the PRC, the transaction of which was disclosed in the Company’s announcement issued on 8 November 2016. The remaining HK\$87,600,000 was utilised as working capital for the operation of materials trading business. The Board considered that the net proceeds were applied in accordance with the intended uses disclosed in the Annual Report.

INVESTMENT INTO PRIME ELITE VENTURES LIMITED (“PRIME ELITE”)

As disclosed in the Annual Report, during the financial year, there was a significant decline in the fair value of the unlisted equity investment held by the Group that represented 10% equity interest in Prime Elite. The impaired loss of HK\$38,918,740 (2015: Nil) that was recognised in the consolidated statement of profit or loss for the year ended 31 December 2016 was made with reference to a valuation report issued by an independent third party valuer.

The Group decided to invest into Prime Elite in 2015, a new entity planning to develop a brand new business related to car rental apps, which the Group believed would have a lot of potential in the near future due to the increasing market demand for car rentals on mobile phones through apps. The Group learned from the management of Prime Elite that Prime Elite invested heavily in its early stage of operations and it has difficulty in obtaining further financing to support the continuous operation and business growth, which led to the opinion of management of Prime Elite that the present value of future expected cash inflows cannot cover the present value of future expected cash outflows, resulting in the impairment loss.

CAR RENTAL BUSINESS OF BEIJING TU AN

The goodwill and intangible assets related to the car rental business are arisen from the business combination of Beijing Tu An Car Rental Services Limited (北京途安汽車租賃有限責任公司) “**Beijing Tu An**”) in 2014. As a part of the annual financial reporting procedures of our Group, we have engaged a third party independent valuer to estimate the enterprise value of Beijing Tu An to assess the recoverable amount, which was the value in use of the business.

Since the value in use of Beijing Tu An was less than its carrying amount, there was an indication of impairment. After allocation of the impairment loss to Beijing Tu An’s goodwill, the remaining amount of impairment was allocated to its intangible assets and property, plant and equipment proportional to their carrying amounts before impairment.

As disclosed in Note 14 to the audited financial statements in the Annual Report, key assumptions to derive the cash flow projections are budgeted revenue and discount rate. The budgeted revenue for the forecasted period was adjusted downwards as the actual 2016 growth was behind the initially budgeted performance. As disclosed in “Business Review — Car Rental Business” in the Annual Report, the fleet size of Beijing Tu An has reached full utilization, and Beijing Tu An couldn’t obtain budgeted external financing to expand the fleet size to meet the growth of the business. The event that determined whether the budgeted revenue should be adjusted was whether the Beijing Tu An could demonstrate the ability to obtain financing as planned to expand the fleet size to support

the business growth at a higher rate. Immediately before the issuance of the valuation report and the finalization of the audited financial statements, Beijing Tu An failed to demonstrate the ability to obtain the said financing. The budgeted revenue was therefore adjusted, leading to a lower value in use.

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

Hong Kong, 12 July 2017

As at the date of this announcement, the Board comprises Ms. Deng Shufen (Chairman), Ms. Chen Xiaohang (CEO), Ms. Liu Jianguan 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.