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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)

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES

The Board proposes that, following the Share Consolidation becoming effective and the completion of the Rights Issue, to implement the Capital Reduction involving a reduction of the issued share capital of the Company by reducing the par value of each issued Consolidated Share from HK\$0.20 to HK\$0.01 through a cancellation of the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued Consolidated Shares. The credit arising from the Capital Reduction will be applied towards offsetting the accumulated loss of the Company as at the Effective Date, thereby reducing the accumulated loss of the Company. The balance of credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate.

Immediately following the Capital Reduction becoming effective, each authorised but unissued Consolidated Share will be sub-divided into twenty (20) Adjusted Shares of par value of HK\$0.01 each.

The Capital Reduction and the Share Sub-division are conditional upon fulfillment of the conditions contained in the section headed “Conditions of the Capital Reduction and the Share Sub-division” in this announcement.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the necessary resolution(s) in respect of the Capital Reduction and the Share Sub-division. A circular containing, among other things, information regarding the Capital Reduction and the Share Sub-division, together with a notice of the EGM will be despatched to the Shareholders on or before 29 May 2020.

PROPOSED CAPITAL REDUCTION AND SHARE SUB-DIVISION

Reference is made to the Announcement.

The Board proposes that, following the Share Consolidation becoming effective and the completion of the Rights Issue, to implement the Capital Reduction and the Share Sub-division in the following manner:

- (i) the issued share capital of the Company be reduced by reducing the par value of each issued Consolidated Share from HK\$0.20 to HK\$0.01 through a cancellation of the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued Consolidated Shares;
- (ii) the credit arising from the Capital Reduction be applied towards offsetting the accumulated loss of the Company as at the Effective Date, thereby reducing the accumulated loss of the Company. The balance of credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate;
- (iii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares with par value of HK\$0.20 each be subdivided into twenty (20) Adjusted Shares with par value of HK\$0.01 each; and
- (iv) each of the Adjusted Shares arising from the Capital Reduction and the Share Sub-division shall rank pari passu in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Effects of the Capital Reduction and the Share Sub-division

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 20,000,000,000 Existing Shares, of which 6,810,750,454 Existing Shares have been issued and are fully paid or credited as fully paid.

Immediately upon the Share Consolidation becoming effective and the completion of the Rights Issue, assuming that (i) no further Shares will be issued or repurchased from the date of this announcement up to and including the Record Date and (ii) all Shareholders will take up the Rights Shares, the authorised share capital of the Company shall be HK\$200,000,000 divided into 1,000,000,000 Consolidated Shares, of which 408,645,026 Consolidated Shares shall be issued as fully paid or credited as fully paid.

Based on the 408,645,026 Consolidated Shares in issue as at the date of the completion of the Rights Issue, and assuming no further Shares will be issued or repurchased prior to the Effective Date, a credit amounting to approximately HK\$77,642,554.94 will arise as a result of the Capital Reduction. It is proposed that the credit arising from the Capital Reduction will be credited to the distributable reserve account of the Company, which shall be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the Effective Date (other than the Shares to be issued and allotted arising from the Share Consolidation and the Rights Issue), the share capital structure of the Company will be as follows:

| | As at the date of this announcement | Immediately upon the Share Consolidation becoming effective but prior to the completion of the Rights Issue and Capital Reduction and the Share Sub-division becoming effective | Immediately upon completion of the Rights Issue but prior to the Capital Reduction and the Share Sub-division becoming effective | Immediately upon the Capital Reduction and the Share Sub-division becoming effective |
|-----------------------------|-------------------------------------|---|--|--|
| Par value | HK\$0.01 per Existing Share | HK\$0.20 per Consolidated Share | HK\$0.20 per Consolidated Share | HK\$0.01 per Adjusted Share |
| Number of authorised Shares | 20,000,000,000 Existing Shares | 1,000,000,000 Consolidated Shares | 1,000,000,000 Consolidated Shares | 20,000,000,000 Adjusted Shares |
| Authorised share capital | HK\$200,000,000 | HK\$200,000,000 | HK\$200,000,000 | HK\$200,000,000 |
| Number of issued Shares | 6,810,750,454 Existing Shares | 340,537,522 Consolidated Shares | 408,645,026 Consolidated Shares | 408,645,026 Adjusted Shares |
| Issued share capital | HK\$68,107,504.54 | HK\$68,107,504.4 | HK\$81,729,005.2 | HK\$4,086,450.26 |

Upon the Capital Reduction and the Share Sub-division becoming effective, the size of each board lot of the Adjusted Shares will remain the same as that of the Consolidated Shares, being 30,000 Adjusted Shares per board lot. The Adjusted Shares will rank pari passu in all respects with each other.

As at the date of this announcement, the Company has Existing CBs convertible into 1,857,142,856 new Existing Shares. Save as disclosed above, the Company has no outstanding share options, warrants or convertible bonds.

Conditions of the Capital Reduction and the Share Sub-division

The Capital Reduction and the Share Sub-division are conditional upon the following conditions being fulfilled:

- (i) the Share Consolidation becoming effective;
- (ii) the Rights Issue having been completed;
- (iii) the passing of a special resolution by the Shareholders approving the Capital Reduction and the Share Sub-division at the EGM;
- (iv) the Court granting an order confirming the Capital Reduction;
- (v) compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (vi) registration by the Registrar of Companies in the Cayman Islands of the order of the Court confirming the Capital Reduction and a minute approved by the Court containing the particulars required under the Companies Law with respect to the Capital Reduction;
- (vii) compliance with the relevant legal procedures and requirements under the laws of Cayman Islands and the Listing Rules to effect the Capital Reduction and the Share Subdivision; and
- (viii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reduction and the Share Sub-division.

The Capital Reduction and the Share Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reduction and the Share Sub-division at the EGM, the legal advisors to the Company (as to Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and further announcement(s) will be made by the Company on the preliminary timetable as soon as the Court hearing dates are confirmed.

As at the date of this announcement, none of the above conditions have been fulfilled.

Reasons for the Capital Reduction and the Share Sub-division

The proposed Capital Reduction and Share Sub-division will enable the par value of the Shares to be reduced from HK\$0.20 to HK\$0.01 each. The credit arising from the Capital Reduction will be applied towards offsetting the accumulated loss of the Company as at the Effective Date, thereby reducing the accumulated loss of the Company. The balance of credit (if any) will be transferred to the distributable reserve account of the Company which may be utilised by the Directors as a distributable reserve.

The Board is of the opinion that the proposed Capital Reduction will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

In addition, the Board considers that the Capital Reduction and Share Sub-division will enable the nominal or par value of the Shares to be reduced from HK\$0.20 to HK\$0.01 each, thus giving greater flexibility to the Company to issue new Shares in the future given that the Company is not permitted, without order of the Court, to issue new Shares below their nominal or par value. It is important for Shareholders to note that, at this stage, there can be no assurance that any dividends will be declared or paid in the future, or that the Company will issue new Adjusted Shares, even if the Capital Reduction and the Share Sub-division take effect.

As such, the Directors are of the view that the Capital Reduction and the Share Sub-division are in the best interests of the Company and its Shareholders as a whole. Save for applying the credit arising from the Capital Reduction towards offsetting the accumulated loss of the Company and the expenses to be incurred in relation to the Capital Reduction and the Share Sub-division, the Directors consider that the Capital Reduction and the Share Sub-division will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

As at the date of this announcement, other than the Share Consolidation, Capital Reduction and the Share Sub-division, there is no understanding, agreement or arrangement for corporate actions (excluding rights issue, open offer and placing) that may affect the trading in its Shares in the coming 12 months.

Listing and dealings of the Adjusted Shares

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reduction and the Share Sub-division.

Subject to the granting of listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Exchange of share certificates for the Adjusted Shares

As the Court hearing dates have yet to be fixed, the Effective Date is not ascertainable at present. Should the Capital Reduction and the Share Sub-division becoming effective, Shareholders may submit share certificates for the Consolidated Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the Adjusted Shares at the expense of the Company within the relevant free exchange period from the Effective Date. Details of such free exchange of share certificates will be announced as soon as the Effective Date is ascertained.

The Company will publish announcement(s) to update the Shareholders when the Court hearing dates, the effective date of the Capital Reduction and the Share Sub-division, and the period when the Shareholders can submit share certificates for the Consolidated Shares to exchange for new share certificates for the Adjusted Shares is/are ascertained and/or updated.

All existing certificates of the Consolidated Shares or (as the case may be) the Existing Shares will continue to be evidence of title to such Shares but all existing certificate of Existing Shares will cease to be valid for trading and settlement purpose.

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the date of this announcement, there are outstanding Existing CBs upon the full conversion of which a total of 1,857,142,856 new Existing Shares may be allotted and issued to the relevant bondholders. The Capital Reduction and the Share Sub-division may lead to adjustment to the conversion price of the Existing CBs and the number of Adjusted Shares which may fall to be issued upon exercise of the conversion rights attaching to the Existing CBs, such adjustment to be made in accordance with the terms and conditions of the Existing CBs and the Listing Rules. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

Save as disclosed above, as at the date of this announcement, the Company has no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares, Consolidated Shares or Adjusted Shares, as the case may be.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Capital Reduction and the Share Sub-division. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Capital Reduction and the Share Sub-division and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to the Hong Kong local times and dates.

| Event | Time and Date |
|--|---|
| Expected despatch date of the circular, proxy form and notice of the EGM | Friday, 29 May 2020 |
| Latest time for lodging transfers of the Existing Shares to attend and vote at the EGM | 4:30 p.m. on Wednesday, 17 June 2020 |
| Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive) | Thursday, 18 June 2020 to Tuesday, 23 June 2020 (both days inclusive) |
| Latest time for lodging proxy forms to qualify for attendance and voting at the EGM | 3:30 p.m. on Sunday, 21 June 2020 |
| Record date for attendance and voting at the EGM | Tuesday, 23 June 2020 |
| Expected date and time of the EGM | 3:30 p.m. Tuesday, 23 June 2020 |
| Announcement of poll results of the EGM | Tuesday, 23 June 2020 |
| <i>The following events are conditional on the results of the EGM and the approval from the Court and therefore the dates are tentative:</i> | |
| Effective date of the Capital Reduction and the Share Sub-division. | Monday, 30 November 2020 |
| Commencement of dealings in the Adjusted Shares | 9:00 a.m. on Monday, 30 November 2020 |
| First day of free exchange of existing share certificates for new share certificates for the Adjusted Shares | Monday, 30 November 2020 |
| Last day of free exchange of existing share certificates for new share certificates for the Adjusted Shares | Wednesday, 9 December 2020 |

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the necessary resolution(s) in respect of the Capital Reduction and the Share Sub-division. A circular containing, among other things, information regarding the Capital Reduction and the Share Sub-division, together with a notice of the EGM will be despatched to the Shareholders on or before 29 May 2020.

To the best knowledge of the Directors, no Shareholder have a material interest in the Capital Reduction and the Share Sub-division and accordingly, no Shareholders will be required to abstain from voting on the resolutions to approve the Capital Reduction and the Share Sub-division at the EGM.

DEFINITIONS

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

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| “Adjusted Share(s)” | the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reduction and the Share Sub-division becoming effective |
| “Announcement” | the announcement of the Company dated 15 May 2020 in relation to the Share Consolidation and the Rights Issue |
| “Board” | the board of Directors |
| “Capital Reduction” | the proposed reduction of the issued share capital of the Company by reducing the par value of each issued Consolidated Share from HK\$0.20 to HK\$0.01 through a cancellation of the paid-up capital of the Company to the extent of HK\$0.19 on each of the issued Consolidated Shares |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Operational Procedures” | the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time |

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| “Companies Law” | the Companies Law (as revised) of the Cayman Islands, as amended, supplemented, or otherwise modified from time to time |
| “Company” | HongDa Financial Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange |
| “Consolidated Share(s)” | the ordinary share(s) of par value of HK\$0.20 each in the share capital of the Company immediately following the Share Consolidation becoming effective |
| “Court” | the Grand Court of the Cayman Islands |
| “Directors” | directors of the Company |
| “Effective Date” | the date on which the Capital Reduction and the Share Sub-division become effective |
| “EGM” | the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve the Capital Reduction and the Share Sub-division |
| “Existing CBs” | (a) the 5% convertible bonds due 2020 (as amended and extended) issued by the Company on 17 May 2016 with an outstanding principal amount of HK\$100,000,000 at conversion price of HK\$0.35 per Existing Share; (b) the 5% convertible bonds due 2021 (as amended and extended) issued by the Company on 17 May 2016 with an outstanding principal amount of HK\$100,000,000 at conversion price of HK\$0.10 per Existing Share; (c) the 8% convertible bonds due 2020 issued by the Company on 31 August 2017 with an outstanding principal amount of HK\$200,000,000 at conversion price of HK\$0.35 per Existing Share. A total of 1,857,142,856 new Existing Shares shall be issued upon full conversion of the Existing CBs |

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| “Existing Share(s)” | the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective |
| “General Rules of CCASS” | the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “Listing Committee” | has the same meaning ascribed thereto under the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan |
| “Record Date” | the date by reference to which entitlements to the Rights Issue will be determined |
| “Rights Issue” | the proposed issue by way of rights on the basis of one (1) Rights Share for every five (5) Consolidated Shares in issue and held on the Record Date at the subscription price of HK\$0.20 each, details of which are set out in the Announcement |
| “Rights Share(s)” | new Consolidated Share(s) to be allotted and issued under the Rights Issue |
| “Share(s)” | the Existing Share(s), Consolidated Share(s) or Adjusted Share(s) (as the case may be) |

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| “Share Consolidation” | the proposed consolidation of every twenty (20) issued and unissued Existing Shares into one (1) Consolidated Share, details of which are set out in the Announcement |
| “Share Sub-division” | the proposed sub-division of each authorized but unissued Consolidated Share into twenty (20) Adjusted Shares of par value of HK\$0.01 each |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

By order of the Board
HongDa Financial Holding Limited
Qiu Bin
Chairman and Executive Director

Hong Kong, 27 May 2020

As at the date of this announcement, the Board comprises Mr. Qiu Bin (Chairman and CEO) and Ms. Sin Pui Ying as executive Directors; Mr. Cheng Chai Fu as a non-executive Director; and Mr. Wong Yiu Kit, Ernest, Mr. Zhao Xianming, Mr. An Dong and Mr. Fung Tze Wa as independent non-executive Directors.