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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately HK\$3,246.9 million (2015: HK\$271.2 million) for the year ended 31 December 2016.
- The Group's net loss attributable to owners of the parent for the year ended 31 December 2016 amounted to approximately HK\$16.6 million (2015: HK\$7.6 million).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL RESULTS

The board of directors (the “**Board**”) of HongDa Financial Holding Limited (the “**Company**”) presents the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK\$	2015 HK\$ (Restated)
CONTINUING OPERATIONS			
REVENUE	5	3,246,906,008	271,220,536
Cost of sales		<u>(3,114,871,260)</u>	<u>(247,819,646)</u>
Gross profit		132,034,748	23,400,890
Other income and gains, net	5	6,220,993	26,639,581
Selling and distribution expenses		(2,488,228)	(3,214,820)
General and administrative expenses		(34,824,382)	(33,578,226)
Other expenses, net		(83,531,148)	(160,606)
Finance costs	6	(33,677,555)	(1,886,327)
Share of loss of a joint venture		<u>(3,123,146)</u>	<u>(7,854,777)</u>
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7	(19,388,718)	3,345,715
Income tax expense	8	<u>(12,015,954)</u>	<u>(2,862,100)</u>
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(31,404,672)	483,615
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	9	(828,460)	(11,044,111)
Gain on disposal of a discontinued operation		<u>15,603,267</u>	<u>2,982,161</u>
		<u>14,774,807</u>	<u>(8,061,950)</u>
LOSS FOR THE YEAR		<u>(16,629,865)</u>	<u>(7,578,335)</u>
Attributable to:			
Owners of the parent		<u>(16,629,865)</u>	<u>(7,578,335)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10		
— For loss for the year		HK(0.26) cent	HK(0.14) cent
— For profit/(loss) from continuing operations		HK(0.48) cent	HK0.01 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
LOSS FOR THE YEAR	<u>(16,629,865)</u>	<u>(7,578,335)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	(39,987,400)	1,187,400
Reclassification adjustment for loss included in the consolidated statement of profit or loss	38,918,740	—
Income tax effect	<u>—</u>	<u>(118,740)</u>
	(1,068,660)	1,068,660
Exchange differences:		
Exchange differences on translation of foreign operations	(9,232,125)	(282,671)
Reclassification adjustments for a foreign operation disposed of during the year	<u>—</u>	<u>(2,797,029)</u>
	(9,232,125)	(3,079,700)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	<u>(10,300,785)</u>	<u>(2,011,040)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(10,300,785)</u>	<u>(2,011,040)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(26,930,650)</u>	<u>(9,589,375)</u>
Attributable to:		
Owners of the parent	<u>(26,930,650)</u>	<u>(9,589,375)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
NON-CURRENT ASSETS			
Property, plant and equipment		23,866,795	37,870,159
Goodwill		—	26,210,338
Intangible assets		47,315,686	68,670,000
Interest in a joint venture		7,880,984	10,163,742
Long term deposits		6,804,775	3,095,346
Available-for-sale investments	<i>11</i>	112,000,000	39,987,400
Total non-current assets		197,868,240	185,996,985
CURRENT ASSETS			
Inventories		5,193,443	1,293,115
Trade receivables	<i>12</i>	1,099,418,264	250,161,834
Loan receivables		—	111,835,710
Prepayments, deposits and other receivables	<i>13</i>	13,046,900	460,929,350
Tax recoverable		141,476	206,638
Pledged bank deposit		—	18,794,078
Cash and cash equivalents		39,482,564	5,050,455
Total current assets		1,157,282,647	848,271,180
CURRENT LIABILITIES			
Trade payables	<i>14</i>	386,022	34,305,597
Other payables and accruals		18,895,162	15,583,694
Interest-bearing bank and other borrowings		180,528,860	26,109,159
Tax payable		17,728,062	4,403,273
Total current liabilities		217,538,106	80,401,723
NET CURRENT ASSETS		939,744,541	767,869,457
TOTAL ASSETS LESS CURRENT LIABILITIES		1,137,612,781	953,866,442
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings		6,300,524	5,404,574
Derivative financial instruments	<i>15</i>	63,586,000	—
Convertible bonds	<i>15</i>	147,653,618	—
Deferred tax liabilities		13,931,809	17,594,788
Total non-current liabilities		231,471,951	22,999,362
Net assets		906,140,830	930,867,080
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>16</i>	65,014,150	64,813,750
Reserves		841,126,680	866,053,330
Total equity		906,140,830	930,867,080

NOTES:

1. CORPORATE AND GROUP INFORMATION

HongDa Financial Holding Limited (the “**Company**”) (formerly known as E-Rental Car Company Limited) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business in Hong Kong is located at Suites 3101-3105, 31/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were primarily involved in the provision of car rental services; materials trading and financing services.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Amendments to a number of HKFRSs	<i>Annual Improvements 2012-2014 Cycle</i>

The adoption of the above new and revised HKFRS has had no significant financial effect on these consolidated financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts²</i>
HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but available for adoption

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Car rental segment — primarily engages in the provision of car rental services;
- (b) Materials trading segment — primarily engages in the trading of materials; and
- (c) Financing services segment — primarily engages in money lending business through the provision of loans.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that unallocated interest income, unallocated other income and gains, unallocated depreciation, unallocated finance costs as well as corporate and other unallocated expenses and share of loss of a joint venture are excluded from such measurement.

Segment assets exclude tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis, as well as interest in a joint venture.

Segment liabilities exclude an interest-bearing other borrowing, derivative financial instruments, convertible bonds, certain tax payable and deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Car rental		Materials trading		Financing services		Total	
	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$
								(Restated)
Segment revenue:								
Sales of goods	—	—	3,213,631,497	240,375,762	—	—	3,213,631,497	240,375,762
Car rental income	24,844,076	24,612,269	—	—	—	—	24,844,076	24,612,269
Loan interest income	—	—	—	—	8,430,435	6,232,505	8,430,435	6,232,505
	<u>24,844,076</u>	<u>24,612,269</u>	<u>3,213,631,497</u>	<u>240,375,762</u>	<u>8,430,435</u>	<u>6,232,505</u>	<u>3,246,906,008</u>	<u>271,220,536</u>
Revenue from continuing operations	<u>24,844,076</u>	<u>24,612,269</u>	<u>3,213,631,497</u>	<u>240,375,762</u>	<u>8,430,435</u>	<u>6,232,505</u>	<u>3,246,906,008</u>	<u>271,220,536</u>
Segment results	(81,141,458)	15,641,843	118,294,118	10,715,238	6,925,491	6,229,696	44,078,151	32,586,777
Reconciliation:								
Unallocated interest income							90,661	41,128
Unallocated other income and gains							1,896,169	7,941,570
Unallocated depreciation							(1,715,135)	(1,700,648)
Corporate and other unallocated expenses							(28,952,392)	(27,653,897)
Unallocated finance costs							(31,663,026)	(14,438)
Share of loss of a joint venture							(3,123,146)	(7,854,777)
							<u>(19,388,718)</u>	<u>3,345,715</u>
Profit/(loss) before tax from continuing operations							<u>(19,388,718)</u>	<u>3,345,715</u>

	Car rental		Materials trading		Financing services		Total	
	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$	2016 HK\$	2015 HK\$ (Restated)
Segment assets	85,328,743	541,791,110	1,102,990,274	240,101,783	112,000,000	111,835,710	1,300,319,017	893,728,603
Reconciliation:								
Corporate and other unallocated assets							54,831,870	122,189,961
Assets related to a discontinued operation							—	18,349,601
Total assets							<u>1,355,150,887</u>	<u>1,034,268,165</u>
Segment liabilities	47,480,620	44,942,438	—	10,909	170,000	—	47,650,620	44,953,347
Reconciliation:								
Corporate and other unallocated liabilities							401,359,437	24,323,330
Liabilities related to a discontinued operation							—	34,124,408
Total liabilities							<u>449,010,057</u>	<u>103,401,085</u>
Other segment information:								
Finance costs	2,014,529	1,871,889	—	—	—	—	2,014,529	1,871,889
Write-off of materials	—	—	—	106,625	—	—	—	106,625
Depreciation	9,825,135	9,972,697	—	—	—	—	9,825,135	9,972,697
Impairment of goodwill	24,263,284	—	—	—	—	—	24,263,284	—
Impairment of property, plant and equipment	6,426,135	—	—	—	—	—	6,426,135	—
Impairment of intangible assets	13,907,128	—	—	—	—	—	13,907,128	—
Impairment of an available-for-sale investment	38,918,740	—	—	—	—	—	38,918,740	—
Capital expenditure*	5,855,173	20,254,806	—	—	—	—	5,855,173	20,254,806

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

The following tables present revenue from external customers of continuing operations for the years ended 31 December 2016 and 2015, and certain non-current assets information of continuing operations as at 31 December 2016 and 2015, by geographical areas.

	European Union <i>HK\$</i>	United States of America <i>HK\$</i>	Mainland China <i>HK\$</i>	Hong Kong <i>HK\$</i>	Other Asia region [*] <i>HK\$</i>	Total <i>HK\$</i>
Year ended 31 December 2016						
Revenue from external customers	<u>554,134,256</u>	<u>4,202,490</u>	<u>2,280,023,955</u>	<u>4,227,945</u>	<u>404,317,362</u>	<u>3,246,906,008</u>
Year ended 31 December 2015						
Revenue from external customers	<u>—</u>	<u>1,165,710</u>	<u>269,878,969</u>	<u>175,857</u>	<u>—</u>	<u>271,220,536</u>
As at 31 December 2016						
Non-current assets	—	—	183,766,134	14,102,106	—	197,868,240
Non-current assets (excluding financial instruments)	<u>—</u>	<u>—</u>	<u>69,821,359</u>	<u>9,242,106</u>	<u>—</u>	<u>79,063,465</u>
As at 31 December 2015						
Non-current assets	—	—	171,253,803	14,732,893	—	185,986,696
Non-current assets (excluding financial instruments)	<u>—</u>	<u>—</u>	<u>129,761,773</u>	<u>13,152,466</u>	<u>—</u>	<u>142,914,239</u>

The Group's revenue information of continuing operations by geographical areas is based on the destination to where the goods are delivered, except for revenue arising from the rendering of services, which is based on the locations where the customers are domiciled/located. The Group's non-current asset information of continuing operations by geographical areas is based on the locations of the assets.

* Other Asia region includes Malaysia and Singapore, etc.

Information about major customers

Revenues of HK\$2,428.5 million (2015: HK\$184.7 million) and HK\$382.9 million (2015: HK\$55.4 million) were derived from sales to two customers by the materials trading segment, which individually amounted to 10 per cent or more of the Group's total revenue for the current and prior years.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of car rental and other services rendered; and loan interest earned from financing services rendered during the year.

An analysis of revenue, other income and gains, net from continuing operations is as follows:

	2016 <i>HK\$</i>	2015 <i>HK\$</i> (Restated)
Revenue		
Sales of goods	3,213,631,497	240,375,762
Car rental income	24,844,076	24,612,269
Loan interest income	8,430,435	6,232,505
	<u>3,246,906,008</u>	<u>271,220,536</u>
Other income		
Bank interest income	90,661	41,128
Other interest income	—	1,306,098
Income in relation to certain procurement/credit/investment arrangements	2,361,269	25,176,977
Others	306,187	115,378
	<u>2,758,117</u>	<u>26,639,581</u>
Gains, net		
Gain on disposal of items of property, plant and equipment, net	1,551,945	—
Gain on disposal of an equity investment at fair value through profit or loss	63,931	—
Fair value gain on derivative financial instruments in relation to convertible bonds	1,847,000	—
	<u>3,462,876</u>	<u>—</u>
	<u>6,220,993</u>	<u>26,639,581</u>

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2016 <i>HK\$</i>	2015 <i>HK\$</i> (Restated)
Interest on bank and other borrowings	14,010,419	1,871,889
Interest on convertible bonds	19,632,549	—
Bank charges	34,587	14,438
	<u>33,677,555</u>	<u>1,886,327</u>

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax from continuing operations is arrived at after charging/(crediting):

	2016 <i>HK\$</i>	2015 <i>HK\$</i> (Restated)
Cost of inventories sold and services rendered	3,114,871,260	247,819,646
Depreciation	11,540,270	11,673,345
Foreign exchange differences, net	240,021	1,060,757
Fair value gain on derivative financial instruments in relation to convertible bonds	(1,847,000)	—
Impairment of goodwill	24,263,284	—
Impairment of property, plant and equipment	6,426,135	—
Impairment of intangible assets	13,907,128	—
Impairment of an available-for-sale investment	38,918,740	—
Write-off of inventories/materials	15,861	106,625
Gain on disposal of an equity investment at fair value through profit or loss	(63,931)	—
Loss/(gain) on disposal of items of property, plant and equipment, net	<u>(1,551,945)</u>	<u>53,981</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016 <i>HK\$</i>	2015 <i>HK\$</i> (Restated)
Current — Hong Kong		
Charge for the year	15,622,424	3,281,869
Current — Elsewhere	56,509	5,304
Deferred	<u>(3,662,979)</u>	<u>(425,073)</u>
Total tax charge for the year	<u>12,015,954</u>	<u>2,862,100</u>

9. DISCONTINUED OPERATION

On 22 August 2016, the Company and an independent third party (the “**Purchaser**”) entered into a sale and purchase agreement, pursuant to which the Purchaser agreed to purchase and the Company agreed to sell the entire issued share capital of Perception Digital Technology (BVI) Limited and its subsidiary, PD Trading (Hong Kong) Limited (“**Disposed Subsidiaries**”) for a consideration of HK\$1. The Disposed Subsidiaries carried out all of the Group’s consumer electronic devices/platforms and related solutions/services. The disposal was completed on 22 August 2016. The Group ceased to operate the consumer electronic devices/platforms and related solutions/services segment thereafter and the segment is no longer included in the note for operating segment information. The gain on disposal of this discontinued operation amounted to HK\$15,603,267. For the year ended 31 December 2015, the gain on disposal of the discontinued operation of HK\$2,982,161 represented certain subsidiaries which also carried out the same business as the Disposed Subsidiaries.

The results of the Disposed Subsidiaries and subsidiaries disposed in 2015 are presented below:

	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
Revenue	555,852	4,088,183
Cost of services provided	(442,930)	(3,648,637)
Gross profit	112,922	439,546
Other income	23	221,429
Research and development costs	—	(1,507,783)
Selling and distribution expenses	(1,667)	(3,312,082)
General and administrative expenses	(936,077)	(6,102,209)
Other expenses, net	(3,661)	(14,208)
Finance costs	—	(768,535)
Loss before tax	(828,460)	(11,043,842)
Income tax expenses	—	(269)
Loss for the year from the discontinued operation	(828,460)	(11,044,111)
Gain on disposal of the discontinued operation	15,603,267	2,982,161
	<u>14,774,807</u>	<u>(8,061,950)</u>

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings/(loss) per share are based on:

	2016 <i>HK\$</i>	2015 <i>HK\$</i> (Restated)
Earnings/(loss)		
Earnings/(loss) attributable to ordinary equity holders of the parent used in the basic earnings/(loss) per share calculation:		
From continuing operations	(31,404,672)	483,615
From a discontinued operation	14,774,807	<u>(8,061,950)</u>
	<u>(16,629,865)</u>	<u>(7,578,335)</u>
	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	6,483,845,685	5,550,858,225
Effect of dilution – weighted average number of ordinary shares:		
Warrants	—	101,863,626
Share Options	—	<u>76,332,912</u>
	<u>6,483,845,685</u>	<u>5,729,054,763</u>

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK\$16,629,865 (2015: HK\$7,578,335) and the weighted average number of ordinary shares of 6,483,845,685 (2015: 5,550,858,225) in issue during the year. The basic loss per share amount for the year ended 31 December 2015 has been adjusted to reflect the bonus element in the placing of shares of the Company for the year ended 31 December 2015.

No adjustment has been made to the basic loss per share amounts for the year ended 31 December 2016 in respect of a dilution as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basis loss per share amounts presented for the year ended 31 December 2016.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2015 in respect of a dilution as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented for the year ended 31 December 2015.

The calculation of the diluted earnings per share amount for the year ended 31 December 2015 was based on the profit from continuing operations attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Non-current assets		
Unlisted equity investments, at fair value	<u>112,000,000</u>	<u>39,987,400</u>

During the year, the gross fair value loss in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$39,987,400 (2015: gain of HK\$1,187,400).

As at 31 December 2015, the unlisted equity investment represented an 10% equity interest in Prime Elite Ventures Limited. During the year, there was a significant decline in the fair value of this unlisted equity investment. The directors of the Company considered that such a decline indicated that this unlisted equity investment has been impaired and an impairment loss of HK\$38,918,740 (2015: Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2016.

12. TRADE RECEIVABLES

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Trade receivables	1,099,418,264	274,834,380
Impairment	<u>—</u>	<u>(24,672,546)</u>
	<u>1,099,418,264</u>	<u>250,161,834</u>

Major debtors of the Group as at 31 December 2016 mainly represented trade receivables due from independent third parties in connection with materials trading. The Group's trading terms with its customers are mainly on credit except for car rental customers, where payment in advance is normally required. The credit period is generally 90 to 160 days, or could be longer under certain circumstances. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016	2015
	HK\$	HK\$
Within 30 days	210,269,401	378,142
31 to 60 days	575,117,263	732,627
61 to 90 days	312,799,342	341,779
Over 90 days	1,232,258	248,709,286
	<u>1,099,418,264</u>	<u>250,161,834</u>

13. AMOUNTS DUE FROM DIRECTORS

Included in “Prepayments, deposits and other receivables” were amounts due from directors, which are disclosed pursuant to 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At	Maximum	At	Maximum	At	Security held
	31 December 2016	amount outstanding during the year	31 December 2015 and 1 January 2016	amount outstanding during the year	1 January 2015	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Ms. Deng Shufen	—	905,368	905,368	2,400,000	2,400,000	None
Mr. Gui Bin (retired on 3 June 2016)	—	301,789	301,789	800,000	800,000	None
Ms. Liu Jiangyuan	—	301,789	301,789	800,000	800,000	None
	<u>—</u>		<u>1,508,946</u>		<u>4,000,000</u>	

The amounts due from directors were unsecured, interest-free and were repayable on demand. The amounts were fully settled during the year.

14. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Within 30 days	275,508	823,883
31 to 60 days	60,662	105,796
Over 60 days	49,852	33,375,918
	<u>386,022</u>	<u>34,305,597</u>

The trade payables are non-interest-bearing and the credit terms granted by trade creditors are generally 30 to 90 days or 90 days after the month-end statement.

15. CONVERTIBLE BONDS

On 17 May 2016, the Company issued 2018 convertible bonds and 2019 convertible bonds (collectively, the “**Convertible Bonds**”) with principal amounts of HK\$100,000,000 and HK\$100,000,000, respectively. The maturity dates of 2018 convertible bonds and 2019 convertible bonds are 16 May 2018 and 16 May 2019, respectively.

The Convertible Bonds are convertible at the option of the bondholder at any time after the 40th day from the date of issue and up to the 10th day prior to the dates of maturity at an initial conversion price of HK\$0.35 per share (subject to adjustments). Based on the initial conversion price, the Convertible Bonds are convertible into approximately 571,428,570 ordinary shares of the Company. Any Convertible Bonds not converted will be redeemed at the outstanding principal amounts of Convertible Bonds together with any interests accrued thereon. The Convertible Bonds carry interest at a rate of 5% per annum, which is payable semi-annually on 30 June and 31 December of a calendar year. The effective interest rates of the liability components of 2018 convertible bonds and 2019 convertible bonds are 22.8% and 23.5%, respectively.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond if the conversion option is not exercised. The conversion options embedded in the Convertible Bonds were recognised as derivative financial instruments and were measured at fair value on initial recognition and remeasured at each subsequent reporting date.

16. SHARE CAPITAL

Shares:

	Number of ordinary shares	Issued capital HK\$	Share premium account HK\$	Total HK\$
At 1 January 2016	6,481,375,000	64,813,750	874,704,786	939,518,536
Exercise of warrants	<u>20,040,000</u>	<u>200,400</u>	<u>2,928,417</u>	<u>3,128,817</u>
At 31 December 2016	<u><u>6,501,415,000</u></u>	<u><u>65,014,150</u></u>	<u><u>877,633,203</u></u>	<u><u>942,647,353</u></u>

Warrants:

During the year ended 31 December 2012, the Group issued unlisted warrants to an independent third party (the “**Warrants Subscriber**”) as part of the conditions for the provision of a loan facility of HK\$50 million by the Warrants Subscriber to the Group for a period of 5 years. The warrants entitle the Warrants Subscriber to subscribe up to HK\$16,807,500 in aggregate, in cash for ordinary shares of the Company at an original subscription price of HK\$0.27 per share, subject to adjustments, at any time during the period from 31 October 2012 to 30 October 2017.

During the prior years, as a result of the completion of several open offers and placings of the Company, the subscription price of the outstanding warrants had been adjusted to HK\$0.12 per share pursuant to the terms of the instrument relating to the warrants. During the year ended 31 December 2015, as a result of the completion of the connected placing in June 2015, the subscription price of the outstanding warrants was further adjusted to HK\$0.11 per share pursuant to the terms of the instrument relating to the warrants.

On 17 November 2016, 20,040,000 warrants were exercised at a price of HK\$0.11 per warrant share by the Warrants Subscriber. At the end of the reporting period, the Company had 132,755,454 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 132,755,454 additional shares.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period on 20 January 2017, the Group entered into a shareholders’ agreement with several independent third parties, including Ever Step Holdings Limited (“**Ever Step**”), Charm Success Group Limited (“**Charm Success**”) and King Focus International Limited (“**King Focus**”), whereby the Group shall subscribe 14 new shares of King Focus at a consideration of US\$14 and upon completion of the subscription subject to certain precedent conditions, the Group, Ever Step and Charm Success will hold 14%, 37% and 49%, respectively, of the enlarged issued capital of King Focus. On 23 January 2017, the Group made a shareholder loan advance of HK\$74.5 million to King Focus.

BUSINESS REVIEW

Car rental business

With its existing fleet size, 北京途安汽車租賃有限責任公司(Beijing Tu An Car Rental Services Limited*) (“**Beijing Tu An**”), an indirect wholly-owned subsidiary of the Company in the PRC which is principally engaged in car rental services business, has reached its full utilization. Beijing Tu An is enhancing its execution capabilities, making great efforts in sourcing new customers and focusing on improving service quality, especially the management of drivers’ services and its fleet. Different from the general car rental companies in Mainland China, over 80% of our customers are mid- to high-end corporations with long-term rental history. Beijing Tu An will change its operational strategies based on market demands. Since the second half of 2016, Beijing Tu An invested 81 electric cars for conducting its rental business. Beijing Tu An is also in collaboration with foreign car rental companies to explore and enlarge its customer base. For the year ended 31 December 2016, the Group’s car rental segment recorded revenue of approximately HK\$24.8 million (2015: HK\$24.6 million) and gross profit of approximately HK\$4.5 million (2015: HK\$6.2 million), representing a gross profit margin of approximately 18.1% (2015: 25.2%).

Materials trading business

Since the materials trading business has been a stable income source, the Group had allocated more resources and investment for expansion in this segment. For the year ended 31 December 2016, revenue from the Group’s materials trading segment significantly increased by 1237% to approximately HK\$3,213.6 million from approximately HK\$240.4 million for the year ended 31 December 2015. The Group also recorded gross profit and gross profit margin from this segment of approximately HK\$119.4 million (2015: HK\$10.8 million) and 3.7% (2015: 4.5%) respectively. Sales demand from customers for materials trading has significantly increased for the year and the Group was able to grasp this opportunity to trade of materials to increase income for the Group. Nevertheless, the sale was believably opportunistic and might not continue over long period of time.

Financing services business

The Company had, through a wholly-owned subsidiary, applied for and in October 2015 successfully obtained a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to conduct money lending business in Hong Kong through the provision of loans. The Company will strive to gain position in the financing services market by providing flexible, convenient and tailor-made services to raise accessibility to the Group’s financing services. As the provision of financing services was still at an early stage, our revenue generated from this segment only contributed approximately HK\$8.4 million to the Group’s revenue for the year ended 31 December 2016 (2015: HK\$6.2 million).

* *For identification purpose only*

FUTURE OUTLOOK

Access to financing services is crucial to business and economic growth, the Group believes that the provision of financing services is a business with high potential growth and sustainability. The Group seeks to grasp potential business opportunities by strategically tapping into the financial services industry. The Group looks forward to further expanding its income streams and paving way for future development through the provision of a wider array of comprehensive services.

The Group will implement a diversified strategy to expand its business, and focus on the development of financial and asset management business. The Group is proactively identifying opportunities for acquisition of financial business, including various financial institutions, asset or fund management companies, so as to strengthen the Group's business sectors. Furthermore, with an aim of supporting our business development, the Group has been continuously introducing institutional investors and strategic partners by way of issuing convertible bonds and via other different financing channels for new business opportunities. The Group believes this will enhance value for the shareholders of the Company in the long run.

FINANCIAL REVIEW

Results of the Group

Revenue

During the year ended 31 December 2016, the Group recorded a revenue of approximately HK\$3,246.9 million, which represented an increase of 1097% as compared to the revenue of approximately HK\$271.2 million as recorded for the year ended 31 December 2015. As mentioned in the section headed "**BUSINESS REVIEW**", the increase was mainly resulted from (i) the increase in materials trading from approximately HK\$240.4 million for the year ended 31 December 2015 to approximately HK\$3,213.6 million for the year ended 31 December 2016 and (ii) the development of financing services business which contributed revenue of approximately HK\$8.4 million.

Cost of sales

Cost of sales of the Group increased by approximately 1157% from approximately HK\$247.8 million for the year ended 31 December 2015 to approximately HK\$3,114.9 million for the year ended 31 December 2016. The increase was mainly attributable to the increase in sales of materials trading during the year.

Gross profit and margin

The Group recorded a gross profit of approximately HK\$132.0 million for the year ended 31 December 2016, representing an increase of approximately 464% as compared to the gross profit recorded in the prior year. The gross profit margin decreased by approximately 4.5% from 8.6% in 2015 to 4.1% in the year. The decrease was resulted from increase in sales of materials trading, which had lower profit margin.

Other income and gains, net

Other income and gains, net of the Group decreased by approximately 77%, from approximately HK\$26.6 million for the year ended 31 December 2015 to approximately HK\$6.2 million for the year ended 31 December 2016. The decrease was mainly resulted from decrease in income in relation to certain procurement/credit/investment arrangements during the year.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 22% from approximately HK\$3.2 million for the year ended 31 December 2015 to approximately HK\$2.5 million for the year ended 31 December 2016. The decrease was mainly due to implement of cost-saving measures during the year.

General and administrative expenses

General and administrative expenses increased by approximately 4% from approximately HK\$33.6 million for the year ended 31 December 2015 to approximately HK\$34.8 million for the year ended 31 December 2016, was mainly due to the extra cost incurred as a result of business expansion during the year.

Other expenses, net

Other expenses, net, increased from approximately HK\$161,000 for the year ended 31 December 2015 to approximately HK\$83.5 million for the year ended 31 December 2016. The significant increase was mainly due to the impairment losses of goodwill, intangible assets, available-for-sale investment and property, plant and equipment recognised during the year.

Finance costs

Finance costs increased from approximately HK\$1.9 million for the year ended 31 December 2015 to approximately HK\$33.7 million for the year ended 31 December 2016, mainly due to (i) the drawdown of certain new interest-bearing bank and other borrowings utilised to finance the purchase of motor vehicles for the car rental business and potential projects; and (ii) effective interest on convertible bonds during the year.

Income tax expense

Income tax expense increased from approximately HK\$2.9 million for the year ended 31 December 2015 to approximately HK\$12.0 million for the year ended 31 December 2016, which was mainly due to the profit generated from the materials trading during the year.

Liquidity and financial resources

	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
Current assets	1,157,282,647	848,271,180
Current liabilities	217,538,106	80,401,723
Current ratio	5.32	10.55

As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately HK\$39.5 million (2015: HK\$5.1 million).

In view of the Group's current level of cash and cash equivalents, funds generated internally from our operations and from the corporate actions completed during the year, the Board is confident that the Group will have sufficient financial resources to meet its debt repayment and financing needs for its operations for the foreseeable future.

Gearing ratio

	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
Total interest-bearing bank and other borrowings	186,829,384	31,513,733
Equity	906,140,830	930,867,080
Gearing ratio	20.6%	3.4%

As at 31 December 2016, the gearing ratio is 20.6% (2015: 3.4%). As at 31 December 2016, the maturity profile of the interest-bearing bank and other borrowings of the Group falling due within one year, the second year and the third to fifth years, inclusive, amounted to approximately HK\$180.5 million (2015: HK\$26.1 million), HK\$6.3 million (2015: HK\$3.3 million) and Nil (2015: HK\$2.1 million), respectively.

Capital structure

The capital of the Company comprises only ordinary shares of HK\$0.01 each (the “**Shares**”). As at 31 December 2016, the total number of issued shares was 6,501,415,000 (with an aggregate nominal value of HK\$65,014,150). The total number of issued shares had been changed during the year as follows:

	<i>No. of Shares</i>
1 January 2016	6,481,375,000
Add: Exercise of Warrants (<i>Note</i>)	<u>20,040,000</u>
31 December 2016	<u><u>6,501,415,000</u></u>

Note:

On 31 October 2016, Capital Fame Technology Limited (“**Capital Fame**”), the subscriber, partially exercised the warrants granted pursuant to the warrant subscription agreement dated 18 October 2012 between the Company and Capital Fame, to subscribe for 20,040,000 shares (with aggregate nominal value of HK\$2,204,400). As at 31 December 2016, Capital Fame had remaining warrants which carry rights to subscribe for up to a total of 132,755,454 warrant shares.

Please refer to the announcements of the Company dated 18 October 2012, on the issue of the warrants and a series of announcements of the Company dated 19 March 2013; 2 September 2013, 24 January 2014, 20 November 2014 and 15 June 2015 on the adjustments to share subscription price.

Foreign currency exposure

The foreign currency exposure of the Group primarily arises from revenue or income generated, cost and expenses incurred, and certain bank and other borrowings denominated in currencies other than the functional currency of the Group’s operating units. For the Group’s operating units that have Renminbi as their functional currency, their foreign currency transactions and the units’ monetary assets and liabilities denominated in foreign currencies that were translated at the functional currency rates of exchange ruling as at 31 December 2016 were mainly denominated in Hong Kong dollars. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore had not engaged in any hedging activities.

Charges on the Group's assets

As at 31 December 2016, there is no pledge of time deposit for the Group's bank loan while as at 31 December 2015, the Group's bank loan was secured by the pledge of the Group's time deposit of approximately HK\$18.8 million. As at 31 December 2016, certain of the other borrowings were secured by certain of the Group's motor vehicles of approximately HK\$8.1 million (2015: HK\$21.4 million).

Contingent liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2016, the Group employed a total of 32 (2015: 28) employees. Total staff costs for continuing operations, including Directors' emoluments, amounted to approximately HK\$16.1 million for the Year (2015: approximately HK\$16.0 million).

The emolument policy of the Group is determined with reference to the performance, qualifications and experience of individual employees (including Directors), as well as the results of the Group and the market conditions. The Group provides discretionary bonus, medical insurance, provident fund, education subsidy and training to its employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard under the Model Code and the code of conduct throughout the year.

CORPORATE GOVERNANCE

The Company had complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the year.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 20 January 2017, Finest Achieve Limited (“**Finest Achieve**”), a direct wholly-owned subsidiary of the Company, Ever Step Holdings Limited (“**Ever Step**”), Charm Success Group Limited (“**Charm Success**”) and King Focus International Limited (“**King Focus**”) entered into a shareholders’ agreement, pursuant to which (1) King Focus has conditionally agreed to allot and issue and (i) Finest Achieve has conditionally agreed to subscribe for 14 new shares of King Focus at a consideration of US\$14, representing 14% of the enlarged issued share capital of King Focus on completion; (ii) Ever Step has conditionally agreed to subscribe for 36 new shares in King Focus at a consideration of US\$36, representing 36% of the enlarged issued share capital of King Focus on completion; (iii) Charm Success has conditionally agreed to subscribe for 49 new shares of King Focus at a consideration of US\$49, representing 49% of the enlarged issued share capital of King Focus on completion; (2) Finest Achieve agrees to provide to King Focus a loan in the amount of HK\$74,480,000 on an interest-free unsecured basis; (3) Charm Success agrees to provide to King Focus a loan in the amount of HK\$260,680,000 on an interest-free and unsecured basis (“**Charm Success Loan**”), and as at the date of the shareholders’ agreement, Charm Success has provided and advanced Charm Success Loan to King Focus; and (4) Finest Achieve, Ever Step and Charm Success further agree and undertake that they shall, on demand by King Focus and in proportion to their respective shareholdings in King Focus, advance additional shareholder loan to King Focus provided that the maximum amount in aggregate shall not exceed HK\$384,000,000 unless otherwise agreed by all the then shareholders.

It is the intention of Well Up (Hong Kong) Limited (“**Well Up**”), a wholly owned subsidiary of King Focus, to utilize the shareholders’ loans from Finest Achieve, Charm Success and Ever Step to partly finance the acquisition of shares in Ping An Securities Group (Holdings) Limited (“**Ping An**”), whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 231) (“**Ping An Acquisition**”). Completion of the Ping An Acquisition triggers an obligation of general offer to purchase the remaining shares in Ping An (“**Offer**”). To complete the Ping An Acquisition and the Offer, Well Up obtained a facility (“**Haitong Facility**”) from Haitong International Securities Company Limited. The Haitong Facility is in respect a credit facility of up to HK\$1,464 million, and is secured by, among other collaterals, the several corporate guarantee granted by, amongst others, the Company in favor of Haitong International Securities Company Limited.

Please refer to the announcements of the Company dated 20 January 2017 for details.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises all the three independent non-executive Directors, namely Mr. Zhao Xianming (chairman), Mr. Fang Jun and Mr. Wong Yiu Kit, Ernest. The primary duties of the Audit Committee are to supervise the internal control policies, the financial reporting systems and procedures of the Company, to review the financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors. The audited financial statements and this annual results announcement of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

The Audit Committee has met the external auditors of the Company, Messrs. Ernst & Young, and reviewed the Group’s results for the year ended 31 December 2016.

PUBLICATION OF 2016 FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.hongdafin.com) and the Stock Exchange (www.hkex.com.hk). The 2016 annual report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 28 March 2017

As at the date of this announcement, the board of directors of the Company comprises Ms. Deng Shufen (Chairman), Ms. Wu Qiong (Vice-Chairman) and Ms. Liu Jianguan as executive directors; Mr. Ho Kin Cheong Kelvin as non-executive director; and Mr. Fang Jun, Mr. Wong Yiu Kit, Ernest and Mr. Zhao Xianming as independent non-executive directors.