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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 2017**

**FINANCIAL HIGHLIGHTS**

- The Group recorded a turnover of approximately HK\$3,000.0 million (2016: HK\$3,246.9 million) for the year ended 31 December 2017.
- The Group's net loss attributable to owners of the parent for the year ended 31 December 2017 amounted to approximately HK\$4.4 million (2016: HK\$16.6 million).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

**ANNUAL RESULTS**

The board of directors (the “**Board**”) of HongDa Financial Holding Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2017 together with the comparative audited figures for the year ended 31 December 2016 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 HK\$	2016 HK\$
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	5	<b>2,999,972,730</b>	3,246,906,008
Cost of sales		<u>(2,883,058,592)</u>	<u>(3,114,871,260)</u>
Gross profit		<b>116,914,138</b>	132,034,748
Other income and gains, net	5	<b>58,472,248</b>	6,220,993
Selling and distribution expenses		<b>(2,835,466)</b>	(2,488,228)
General and administrative expenses		<b>(62,509,453)</b>	(34,824,382)
Other expenses		<b>(14,135,348)</b>	(83,531,148)
Finance costs	6	<b>(74,417,626)</b>	(33,677,555)
Share of losses of:			
Joint venture		<b>(6,164,732)</b>	(3,123,146)
Associate		<b>(16,864,899)</b>	—
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	7	<b>(1,541,138)</b>	(19,388,718)
Income tax expense	8	<b>(6,697,270)</b>	(12,015,954)
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(8,238,408)</b>	(31,404,672)
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation	9	—	(828,460)
Gain on disposal of a discontinued operation		—	15,603,267
		—	14,774,807
<b>LOSS FOR THE YEAR</b>		<b>(8,238,408)</b>	(16,629,865)
Attributable to:			
Owners of the parent		<b>(4,445,322)</b>	(16,629,865)
Non-controlling interest		<b>(3,793,086)</b>	—
		<b>(8,238,408)</b>	(16,629,865)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	10		
— For loss for the year		<b>HK(0.07) cent</b>	HK(0.26) cent
— For loss from continuing operations		<b>HK(0.07) cent</b>	HK(0.48) cent
Diluted			
— For loss for the year		<b>HK(0.17) cent</b>	HK(0.26) cent
— For loss from continuing operations		<b>HK(0.17) cent</b>	HK(0.48) cent

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
<b>LOSS FOR THE YEAR</b>	<b><u>(8,238,408)</u></b>	<b><u>(16,629,865)</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	22,768,000	(39,987,400)
Reclassification adjustment for loss included in the consolidated statement of profit or loss	<u>—</u>	<u>38,918,740</u>
	22,768,000	(1,068,660)
Exchange differences:		
Exchange differences on translation of foreign operations	1,982,738	(9,232,125)
Share of other comprehensive income of an associate	<u>1,361,501</u>	<u>—</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b><u>26,112,239</u></b>	<b><u>(10,300,785)</u></b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b><u>17,873,831</u></b>	<b><u>(26,930,650)</u></b>
Attributable to:		
Owners of the parent	21,666,917	(26,930,650)
Non-controlling interest	<u>(3,793,086)</u>	<u>—</u>
	<b><u>17,873,831</u></b>	<b><u>(26,930,650)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK\$	2016 HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		24,538,634	23,866,795
Investment property		218,817,726	—
Goodwill		—	—
Intangible assets		41,968,109	47,315,686
Interest in a joint venture		8,416,252	7,880,984
Interest in an associate		112,736,711	—
Long term prepayment and deposits		105,726,305	6,804,775
Loan receivable		15,629,000	—
Debt component of acquired convertible bond		38,845,732	—
Available-for-sale investments	11	203,813,000	112,000,000
Derivative financial instrument		68,000	—
Total non-current assets		<u>770,559,469</u>	<u>197,868,240</u>
<b>CURRENT ASSETS</b>			
Inventories		7,108,684	5,193,443
Trade receivables	12	1,018,088,069	1,099,418,264
Prepayments, deposits and other receivables		14,092,619	13,046,900
Tax recoverable		1,313,412	141,476
Cash and cash equivalents		29,408,675	39,482,564
Restricted cash		11,973,985	—
Total current assets		<u>1,081,985,444</u>	<u>1,157,282,647</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	126,336	386,022
Other payables and accruals		148,009,084	18,895,162
Interest-bearing bank and other borrowings		276,152,656	180,528,860
Tax payable		4,113,726	17,728,062
Derivative financial instrument	14	6,649,000	—
Convertible bond	14	93,920,966	—
Total current liabilities		<u>528,971,768</u>	<u>217,538,106</u>
<b>NET CURRENT ASSETS</b>		<u>553,013,676</u>	<u>939,744,541</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,323,573,145</u>	<u>1,137,612,781</u>
<b>NON-CURRENT LIABILITIES</b>			
Other payables		497,133	—
Interest-bearing other borrowings		100,000,000	6,300,524
Derivative financial instruments	14	64,164,000	63,586,000
Convertible bonds	14	222,933,238	147,653,618
Deferred tax liabilities		10,408,284	13,931,809
Provision		1,100,000	—
Total non-current liabilities		<u>399,102,655</u>	<u>231,471,951</u>
<b>NET ASSETS</b>		<u>924,470,490</u>	<u>906,140,830</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	66,341,705	65,014,150
Reserves		876,069,142	841,126,680
		<u>942,410,847</u>	<u>906,140,830</u>
Non-controlling interest		<u>(17,940,357)</u>	<u>—</u>
Total equity		<u>924,470,490</u>	<u>906,140,830</u>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. CORPORATE AND GROUP INFORMATION**

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is 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 Suite 3618, Level 36, Two Pacific Place, 88 Queensway, Hong Kong.

During the year, the Group was primarily involved in the provision of car rental and other services; materials trading; and financing services and investments.

### **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 investment property, 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following revised HKFRSs for the first time in the current year:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial impact on these financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

### **4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has four 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;

- (c) Financing services and investments segment — primarily engages in money lending business through the provision of loans and financial investment holding; and
- (d) Others segment — engages in provision of other services, such as fund administration, public relations and property investment.

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 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, restricted cash 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 interest-bearing other borrowings, 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 and investments		Others		Total	
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
<b>Segment revenue:</b>										
Sales of goods	—	—	2,972,351,061	3,213,631,497	—	—	—	—	2,972,351,061	3,213,631,497
Car rental income	27,352,949	24,844,076	—	—	—	—	—	—	27,352,949	24,844,076
Loan interest income	—	—	—	—	—	8,430,435	—	—	—	8,430,435
Service income	—	—	—	—	—	—	268,720	—	268,720	—
Revenue from continuing operations	<u>27,352,949</u>	<u>24,844,076</u>	<u>2,972,351,061</u>	<u>3,213,631,497</u>	<u>—</u>	<u>8,430,435</u>	<u>268,720</u>	<u>—</u>	<u>2,999,972,730</u>	<u>3,246,906,008</u>
<b>Segment results</b>	(10,374,765)	(81,141,458)	109,285,249	118,294,118	(16,922,721)	6,925,491	(10,485,230)	—	71,502,533	44,078,151
<b>Reconciliation:</b>										
Unallocated interest income									1,663,963	90,661
Unallocated other income and gains									53,373,000	1,896,169
Unallocated depreciation									(2,168,826)	(1,715,135)
Corporate and other unallocated expenses									(47,916,181)	(28,952,392)
Unallocated finance costs									(71,830,895)	(31,663,026)
Share of loss of a joint venture									(6,164,732)	(3,123,146)
Loss before tax from continuing operations									<u>(1,541,138)</u>	<u>(19,388,718)</u>

	Car rental		Materials trading		Financing services and investments		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	<i>HKS</i>	<i>HKS</i>	<i>HKS</i>	<i>HKS</i>	<i>HKS</i>	<i>HKS</i>	<i>HKS</i>	<i>HKS</i>	<i>HKS</i>	<i>HKS</i>
<b>Segment assets</b>	<b>70,790,958</b>	<b>85,328,743</b>	<b>1,022,283,367</b>	<b>1,102,990,274</b>	<b>318,707,895</b>	<b>112,000,000</b>	<b>221,516,137</b>	—	<b>1,633,298,357</b>	<b>1,300,319,017</b>
Reconciliation:										
Corporate and other unallocated assets									<b>219,246,556</b>	<b>54,831,870</b>
Total assets									<b>1,852,544,913</b>	<b>1,355,150,887</b>
<b>Segment liabilities</b>	<b>39,854,359</b>	<b>47,480,620</b>	—	—	<b>500,000</b>	<b>170,000</b>	<b>131,169,664</b>	—	<b>171,524,023</b>	<b>47,650,620</b>
Reconciliation:										
Corporate and other unallocated liabilities									<b>756,550,400</b>	<b>401,359,437</b>
Total liabilities									<b>928,074,423</b>	<b>449,010,057</b>
<b>Other segment information:</b>										
Finance costs	<b>2,586,278</b>	2,014,529	—	—	—	—	<b>453</b>	—	<b>2,586,731</b>	2,014,529
Depreciation	<b>7,611,942</b>	9,825,135	—	—	—	—	<b>8,421</b>	—	<b>7,620,363</b>	9,825,135
Impairment of goodwill	—	24,263,284	—	—	—	—	—	—	—	24,263,284
Impairment of property, plant and equipment	<b>3,120,570</b>	6,426,135	—	—	—	—	—	—	<b>3,120,570</b>	6,426,135
Impairment of intangible assets	<b>8,972,827</b>	13,907,128	—	—	—	—	—	—	<b>8,972,827</b>	13,907,128
Impairment of an available-for-sale investment	—	38,918,740	—	—	—	—	—	—	—	38,918,740
Capital expenditure*	<b>7,782,003</b>	5,855,173	—	—	—	—	<b>107,340</b>	—	<b>7,889,343</b>	5,855,173

\* 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 2017 and 2016, and certain non-current assets information of continuing operations at 31 December 2017 and 2016, by geographical area.

	United States of America <i>HK\$</i>	Mainland China <i>HK\$</i>	Hong Kong <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i> (Restated)
<b>For the year ended 31 December 2017</b>					
Revenue from external customers	—	27,612,669	2,972,360,061	—	2,999,972,730
<b>For the year ended 31 December 2016</b>					
Revenue from external customers	4,202,490	24,844,076	3,217,859,442	—	3,246,906,008
<b>At 31 December 2017</b>					
Non-current assets	219,572,270	263,876,685	271,481,514	15,629,000	770,559,469
Non-current assets (excluding financial instruments)	219,572,270	60,063,685	126,941,477	—	406,577,432
<b>At 31 December 2016</b>					
Non-current assets	—	183,766,134	14,102,106	—	197,868,240
Non-current assets (excluding financial instruments)	—	69,821,359	9,242,106	—	79,063,465

The Group's revenue information of continuing operations by geographical area is based on the locations where the customers are domiciled/located or the destination where the goods are delivered. The Group's non-current assets information of continuing operations by geographical area is based on the locations of the assets.

## Information about major customers

Revenues of HK\$1,328.9 million (2016: HK\$2,428.5 million), HK\$1,043.7 million (2016: HK\$382.9 million) and HK\$599.7 million (2016: Nil) were derived from sales to three (2016: two) customers by the materials trading segment, which individually amounted to 10 per cent or more of the Group's total revenue for the years ended 31 December 2017 and 2016.



## 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:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
<b>Revenue</b>		
Sales of goods	2,972,351,061	3,213,631,497
Car rental income	27,352,949	24,844,076
Loan interest income	—	8,430,435
Service income	268,720	—
	<u>2,999,972,730</u>	<u>3,246,906,008</u>
<b>Other income</b>		
Bank interest income	60,467	90,661
Other interest income	1,603,496	—
Income in relation to certain procurement/credit/investment arrangements	—	2,361,269
Others	244,290	306,187
	<u>1,908,253</u>	<u>2,758,117</u>
<b>Gains, net</b>		
Gain on disposal of items of property, plant and equipment, net	3,190,995	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	53,373,000	1,847,000
	<u>56,563,995</u>	<u>3,462,876</u>
	<u>58,472,248</u>	<u>6,220,993</u>

## 6. FINANCE COSTS

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Interest on bank and other borrowings	28,754,276	14,010,419
Interest on convertible bonds	45,523,711	19,632,549
Bank charges	139,639	34,587
	<u>74,417,626</u>	<u>33,677,555</u>

## 7. LOSS BEFORE TAX

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Cost of inventories sold and services rendered	2,883,058,592	3,114,871,260
Depreciation	9,789,189	11,540,270
Foreign exchange differences, net	556,960	240,021
Fair value gain on derivative financial instruments in relation to convertible bonds	(53,373,000)	(1,847,000)
Fair value loss on derivative financial instruments in relation to acquired convertible bond	1,445,000	—
Impairment of goodwill	—	24,263,284
Impairment of property, plant and equipment	3,120,570	6,426,135
Impairment of intangible assets	8,972,827	13,907,128
Impairment of an available-for-sale investment	—	38,918,740
Write-off of property, plant and equipment	596,240	—
Write-off of inventories	—	15,861
Gain on disposal of an equity investment at fair value through profit or loss	—	(63,931)
Gain on disposal of items of property, plant and equipment, net	<u>(3,190,995)</u>	<u>(1,551,945)</u>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Current — Hong Kong		
Charge for the year	8,848,875	15,622,424
Underprovision in prior years	236,785	—
Current — Elsewhere	179,651	56,509
Deferred	<u>(2,568,041)</u>	<u>(3,662,979)</u>
Total tax charge for the year	<u><u>6,697,270</u></u>	<u><u>12,015,954</u></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 was no longer included in the note for operating segment information. The gain on disposal of this discontinued operation amounted to HK\$15,603,267.

The results of the Disposed Subsidiaries presented below:

	2016 <i>HK\$</i>
Revenue	555,852
Cost of services provided	<u>(442,930)</u>
Gross profit	112,922
Other income	23
Selling and distribution expenses	(1,667)
General and administrative expenses	(936,077)
Other expenses, net	<u>(3,661)</u>
Loss before tax	(828,460)
Income tax expenses	<u>—</u>
Loss for the year from the discontinued operation	(828,460)
Gain on disposal of the discontinued operation	<u>15,603,267</u>
	<u><u>14,774,807</u></u>

## 10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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\$4,445,322 (2016: HK\$16,629,865) and the weighted average number of ordinary shares of 6,615,306,357 (2016: 6,483,845,685) in issue during the year.

The calculation of the diluted loss per share amounts for the year ended 31 December 2017 is based on the loss for the year attributable to ordinary equity holders of the parent, adjusted to reflect the impact from the interest expense on the convertible bonds and fair value gain on derivative component of the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic 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.

No adjustment had been made to the basic loss per share amounts presented 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 basic loss per share amounts presented for the year ended 31 December 2016.

The calculation of basic and diluted loss per share are based on:

	2017 HK\$	2016 HK\$
Loss attributable to ordinary equity holders of the Company used in the basis loss per share calculation:		
From continuing operations	(4,445,322)	(31,404,672)
From a discontinued operation	—	14,774,807
	<u>(4,445,322)</u>	<u>(16,629,865)</u>
<i>Add:</i> Interest expense on convertible bonds	45,523,711	19,632,549
<i>Less:</i> Fair value gain on derivative component of the convertible bonds	(53,373,000)	(1,874,000)
	<u>(12,294,611)</u>	<u>1,128,684</u>
Profit/(loss) attributable to ordinary equity holders of the parent before interest on convertible bonds	<u>(12,294,611)</u>	<u>1,128,684</u>
Attributable to:		
Continuing operations	(12,294,611)	(13,646,123)
Discontinued operation	—	14,774,807
	<u>(12,294,611)</u>	<u>1,128,684</u>
	<b>2017</b>	<b>2016</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	6,615,306,357	6,483,845,685
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	763,992,171	—
	<u>7,379,298,528</u>	<u>6,483,845,685</u>

## 11. AVAILABLE-FOR-SALE INVESTMENTS

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
<b>Non-current assets</b>		
Unlisted equity investments, at fair value	<u><b>203,813,000</b></u>	<u>112,000,000</u>

During the year, the gross fair value gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK\$22,768,000 (2016: fair value loss of HK\$39,987,400).

During the year ended 31 December 2016, there was a significant decline in the fair value of an unlisted equity investment. The directors of the Company considered that such a decline indicated that this unlisted equity investment had been impaired and an impairment loss of HK\$38,918,740 was recognised in the prior year's consolidated statement of profit or loss.

## 12. TRADE RECEIVABLES

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Trade receivables	<u><b>1,018,088,069</b></u>	<u>1,099,418,264</u>

The Group's trading terms with its customers are mainly on credit except for certain 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.

As at 31 December 2017, certain of the Group's other borrowings were secured by the pledge of the Group's trade receivables of HK\$602,229,490 (2016: Nil).

An ageing analysis of the trade receivables at the end of the year, based on the invoice date, is as follows:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Within 30 days	<b>199,495,640</b>	210,269,401
31 to 60 days	<b>215,672,561</b>	575,117,263
61 to 90 days	<b>214,307,681</b>	312,799,342
Over 90 days	<u><b>388,612,187</b></u>	<u>1,232,258</u>
	<u><b>1,018,088,069</b></u>	<u>1,099,418,264</u>

### 13. TRADE PAYABLES

An ageing analysis of the trade payables at the end of the year, based on the invoice date, is as follows:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Within 30 days	36,419	275,508
31 to 60 days	30,441	60,662
Over 60 days	59,476	49,852
	<u>126,336</u>	<u>386,022</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.

### 14. CONVERTIBLE BONDS

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

Convertible Bonds A 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, Convertible Bonds A are convertible into approximately 571,428,570 ordinary shares of the Company. Any Convertible Bonds A not converted will be redeemed at the outstanding principal amounts of Convertible Bonds A together with any interests accrued thereon. Convertible Bonds A 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 bond and 2019 convertible bond are 22.8% and 23.5%, respectively.

On 31 August 2017, the Company issued 2020 convertible bond (the “**Convertible Bond B**”) with a principal amount of HK\$200,000,000. The maturity date of Convertible Bond B is 30 August 2020.

Convertible Bond B is convertible at the option of the bondholder at any time from and including the first anniversary from the date of issue of Convertible Bond B 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, Convertible Bond B is convertible into approximately 571,428,570 ordinary shares of the Company. Any Convertible Bond B not converted will be redeemed at the outstanding principal amount of Convertible Bond B together with any interest accrued thereon. Convertible Bond B carries interest at a rate of 8% per annum, which is payable semi-annually on 18 June and 18 December of a calendar year. The effective interest rate of the liability component of the Convertible Bond B is 22.4%.

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.

The movements of the liability and derivative components of the convertible bonds for the year are set out below:

	<b>Liability component</b> <i>HK\$</i>	<b>Derivative component</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At 1 January 2016	—	—	—
Issue of Convertible Bonds A*	134,253,946	65,433,000	199,686,946
Interest expenses	19,632,549	—	19,632,549
Interest paid	(6,232,877)	—	(6,232,877)
Fair value gain on derivative component of convertible bonds	—	(1,847,000)	(1,847,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2016 and at 1 January 2017	147,653,618	63,586,000	211,239,618
Issue of Convertible Bond B*	139,068,656	60,600,000	199,668,656
Interest expenses	44,910,012	—	44,910,012
Interest paid	(14,778,082)	—	(14,778,082)
Fair value gain on derivative component of convertible bonds	—	(53,373,000)	(53,373,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	<u>316,854,204</u>	<u>70,813,000</u>	<u>387,667,204</u>

\* Included transaction costs of HK\$331,344 (2016: HK\$313,054) arising from the issue of convertible bonds.

## 15. SHARE CAPITAL

### Shares:

	Number of ordinary shares	Issued capital HK\$	Share premium account HK\$	Total HK\$
At 1 January 2017	6,501,415,000	65,014,150	877,633,203	942,647,353
Exercise of warrants (note (a))	132,755,454	1,327,555	19,399,371	20,726,926
Transfer of share option reserve upon expiry of share options (note (b))	—	—	112,000,000	112,000,000
At 31 December 2017	<u>6,634,170,454</u>	<u>66,341,705</u>	<u>1,009,032,574</u>	<u>1,075,374,279</u>

### Notes:

- (a) On 3 January 2017, 23 February 2017 and 31 March 2017, 132,755,454 warrant shares in aggregate were issued as the subscription rights attaching to the warrants amounting to HK\$14,603,100 had been exercised at a price of HK\$0.11 per warrant share by a warrant subscriber. An amount of HK\$6,123,826 was transferred from the warrant reserve to share premium account upon the exercise of the warrants.
- (b) On 15 June 2015, pursuant to a placing agreement dated 26 March 2015, between the Company and a placing agent, the Company completed a placing of an aggregate of 1,500,000,000 new ordinary shares of HK\$0.01 each at a price of HK\$0.26 per share, with grant of 800,000,000 option shares at an exercise price of HK\$0.26 per option share issued to Sino Merchant Car Rental Limited. Sino Merchant Car Rental Limited is the controlling shareholder which held approximately 67.4% of equity interests of the Company immediately after the completion of the placing agreement. During the year, the remaining outstanding 400,000,000 option shares lapsed upon expiry and the share option reserve amount of HK\$112,000,000 was credited to the share premium account.

## 16. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 22 January 2018, the Group entered into a sales and purchase agreement with Spring Power Holdings Limited (“**Spring Power**”), an independent third party, whereby the Group shall subscribe 498 series B preference share of Spring Power at a consideration of US\$3.0 million (approximately HK\$23.4 million). Spring Power is engaged in research and development of robotic projects.



## **BUSINESS REVIEW**

### **Car rental business**

During the year under review, the Group continued its operation of the car rental services business in the People's Republic of China (the “**PRC**”) through 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. To meet the society's growing concerns in environmental protection, the Company has launched the rental service of new energy vehicles in 2016 in addition to the conventional long-term and short-term car rental services,

The rapid growth of the internet has led to the emergence of various online rental models, and thus driven a diversified development of the car rental industry. Despite the healthy growth of the overall car rental industry and the expanding scale of the market, competition has remained fierce due to the market being highly fragmented with regional characteristics. The Group's car rental business segment focuses on high-end and middle-end corporate customers committed to long-term leases, and as a result has been able to maintain stable income and profitability in the competitive market. For the year ended 31 December 2017, the car rental segment recorded a revenue of approximately HK\$27.4 million (2016: HK\$24.8 million) and gross profit of approximately HK\$4.2 million (2016: HK\$4.5 million), representing a gross profit margin of approximately 15.3% (2016: 18.1%).

### **Materials trading business**

The material trading business is currently another major source of income for the Group. For the year ended 31 December 2017, the Group's materials trading segment recorded a revenue of approximately HK\$2,972.3 million (2016: HK\$3,213.6 million) and a gross profit of approximately HK\$110.5 million (2016: HK\$119.4 million), representing a gross profit margin of approximately 3.7% (2016: 3.7%).

Sales demand from customers of materials trading increased significantly in 2016, which resulted in the increase of revenue from the business segment. Although the demand subsided in 2017 and led to a slight decrease of revenue, the business segment was able to maintain the level of gross profit margin as a result of effective cost control measures.

\* *For identification purpose only*

## **Financing services business**

The Group has 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 Group will launch its financing services business in 2018, with an aim to gaining an advantageous position in the industry by providing customers with customerised, flexible and convenient financing services.

## **Investment business**

The Group is currently putting its effort in launching its financial services business, and actively engaging itself in the transformation into a financial holding company. The Group focuses on the development of the financial and asset management business, and is particularly optimistic about the growth of global technology and artificial intelligence (“AI”), as well as the education markets. As such, the Group is actively exploring opportunities for acquisitions of and investments in quality assets and asset management companies in these sectors.

Through a direct wholly-owned subsidiary, the Group participated in the formation of a consortium in January 2017 to acquire the shares of Ping An Securities Group (Holdings) Limited (carrying on business in Hong Kong as “PAN Securities Group Limited”, and is listed on the Main Board of the Hong Kong Stock Exchange with the stock code 231). It is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance. This investment aligns with the Group’s positioning as a financial services provider and consolidates the Group’s foundation for financial and asset management business development.

In June 2017, the Group entered into an investment agreement with Zuoshishi Technology Service (Beijing) Company Limited (做實事科技服務(北京)有限公司) (“**Zuoshishi**”), pursuant to which the Group acquired approximately 11% of the enlarged registered share capital of Zuoshishi. Headquartered in the PRC, Zuoshishi provides services to assist startups in business expansion, marketing and promotion, customer targeting and education, in order to grow their businesses. It also invests in technological startups. The subsidiary of Zuoshishi was ranked among the top 3 of the “Best New Investment Institutions in China’s Advanced Manufacturing and Hi-tech Industry” and top 50 of the “Best Early Startups Investment Institution” in the 2016 CV Awards. Through the investment in Zuoshishi, the Group is able to tap into the fund management and venture capital of the technology industry, and to seize the investment opportunity in the technological startups which have excellent prospects. Zuoshishi and its subsidiaries focus on four technical directions, namely AI, Internet of Things, natural human-robot interaction and enterprise computing. The investment was completed in August 2017.

In October 2017, the Group entered into a purchase agreement with NCF Capital Limited to acquire 51% of the equity rights of the company which owned the former site of Dowling College in New York, USA. In recent years, the education-related industries flourish and there have been frequent investment, merger and acquisition activities in the global education industries. The Group plans to invest in education-related corporations and assets with growth potentials, then realize its potentials and values by linking up these assets with the capital market. With the aforementioned acquisition, the Group plans to tap into the business of asset management in the education industry.

## **FUTURE OUTLOOK**

The year 2018 will see the recovery of the global economy and the continuous uptrend of China's economy. The situation in which the emerging markets are leading the global economy will be further strengthened. Given the robust and stable financial market, the Group will continue to strive to develop the business of financial services and establish a pan asset management platform. Emphasis will be placed on the development of innovative asset management business, with active involvement in areas such as technology, education and daily consumption.

Technology, as the most important productivity force, its value in this era is also fully manifested in the financial market. Over the past year, the performance of all the tech stocks indexes in major markets have led the rest of the other industries by a wide margin. In respect of investments in technology, the Group will continue to make full use of its experience to grasp the opportunities in the industry. In January 2018, the Group invested in a leading company in the area of AI, Hanson Robotics Limited. The material for robotic skin and the technology for facial expression system it developed is leading the industry standard. "Sophia", the robot developed by Hanson Robotics, is the world's first robot to get citizenship. The Group will continue to search for technology companies with potential returns around the globe.

In addition, the Group is also prepared to make inroads into the industries of encrypted digital currency and blockchain technology. The prospect of the applications for blockchain technology is extremely extensive, and may change the transmission method of values. Today, while the industry has begun to recognise the importance of blockchain technology, the Group will also strive to stay at the forefront.

Regarding the investment in education, the data from the Ministry of Education shows that the total size of the education market in China in 2017 exceeded RMB9 trillion. With the launch of the two-child policy three years ago, the education industry is expected to continue its upward trend. New opportunities have emerged in various segments in the education market, including preschool, early childhood education, kindergarten through twelfth grade, overseas education, etc. With further increase in per capita disposable income and the long-term demand for advanced knowledge and higher education, the university education market will also flourish. With the acquisition of the former site of Dowling College in New York completed, the Group is heading to develop its asset management business in the education industry, setting the stage to bring together the quality

brands of international education and the enormous demand for education from China. The Group will continue with its strategic deployment in the area of education, aiming to establish an all-encompassing education network targeting to the high-end market demand, so that its business will have more competitive advantages.

Looking ahead, the Group will continue to complete its business transformation and implement a diversified development strategy while vigorously expanding its financial and asset management businesses. The Group will also continue to invest in innovative technology and AI, as well as in industries which are closely related to people's daily life with great potentials, such as education and daily consumption, with an aim to build a pan asset management platform. The Group will also look for business opportunities from different fields and make unremitting effort to bring rewarding returns to the investors.

## **FINANCIAL REVIEW**

### **Results of the Group**

#### *Revenue*

During the year ended 31 December 2017, the Group recorded a revenue of approximately HK\$3,000.0 million, which represented a decrease of 8% as compared to the revenue of approximately HK\$3,246.9 million as recorded for the year ended 31 December 2016. As mentioned in the section headed “**BUSINESS REVIEW**”, the decrease was mainly resulted from (i) the decrease in materials trading from approximately HK\$3,213.6 million for the year ended 31 December 2016 to approximately HK\$2,972.3 million for the year ended 31 December 2017 and (ii) the decrease in financing services business revenue of approximately HK\$8.4 million.

#### *Cost of sales*

Cost of sales of the Group decreased by approximately 7% from approximately HK\$3,114.9 million for the year ended 31 December 2016 to approximately HK\$2,883.1 million for the year ended 31 December 2017. The decrease was mainly attributable to the decrease in sales of materials trading during the year.

#### *Gross profit and margin*

The Group recorded a gross profit of approximately HK\$116.9 million for the year ended 31 December 2017, representing a decrease of approximately 11% as compared to the gross profit recorded in the prior year. The gross profit margin decreased by approximately 0.2% from 4.1% in 2016 to 3.9% in the year. The decrease was resulted from decrease in revenue from financing services segment, which had higher profit margin.

### ***Other income and gains, net***

Other income and gains, net of the Group increased from approximately HK\$6.2 million for the year ended 31 December 2016 to approximately HK\$58.5 million for the year ended 31 December 2017. The increase was mainly resulted from fair value gain on derivative financial instruments in relation to convertible bonds of HK\$53.4 million during the year.

### ***Selling and distribution expenses***

Selling and distribution expenses increased by approximately 12% from approximately HK\$2.5 million for the year ended 31 December 2016 to approximately HK\$2.8 million for the year ended 31 December 2017. The increase was mainly due to increase in selling and distribution costs of car rental business segment as a result of increase in staff cost by approximately HK\$0.4 million during the year.

### ***General and administrative expenses***

General and administrative expenses increased by approximately 80% from approximately HK\$34.8 million for the year ended 31 December 2016 to approximately HK\$62.5 million for the year ended 31 December 2017, was mainly due to the extra cost incurred as a result of business expansion during the year.

### ***Other expenses***

Other expenses, net, decreased from approximately HK\$83.5 million for the year ended 31 December 2016 to approximately HK\$14.1 million for the year ended 31 December 2017. The significant decrease was mainly due to the decrease in impairment losses of goodwill, intangible assets, available-for-sale investment and property, plant and equipment of HK\$71.4 million recognised for the year ended 31 December 2017.

### ***Finance costs***

Finance costs increased from approximately HK\$33.7 million for the year ended 31 December 2016 to approximately HK\$74.4 million for the year ended 31 December 2017, mainly due to (i) the drawdown of certain new interest-bearing bank and other borrowings; and (ii) issue of new convertible bonds during the year to finance investments and acquisitions in the year.

### ***Income tax expense***

Income tax expense decreased from approximately HK\$12.0 million for the year ended 31 December 2016 to approximately HK\$6.7 million for the year ended 31 December 2017, which was mainly due to the decrease in profit generated from the materials trading during the year.

## Liquidity and financial resources

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Current assets	1,081,985,444	1,157,282,647
Current liabilities	528,971,768	217,538,106
Current ratio	<u>2.05</u>	<u>5.32</u>

At 31 December 2017, cash and cash equivalents of the Group amounted to approximately HK\$29.4 million (2016: HK\$39.5 million).

In view of the Group's current level of cash and cash equivalents, funds generated internally from our operations and from the bank and other borrowings raised and the issuance of new convertible bonds 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

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Total interest-bearing bank and other borrowings and liability component of convertible bonds	693,006,860	334,483,002
Total assets	1,852,544,913	1,355,150,887
Gearing ratio	<u>37.4%</u>	<u>24.7%</u>

At 31 December 2017, the maturity profile of the interest-bearing bank and other borrowings of the Group falling due within one year and the second year to third year, amounted to approximately HK\$276.2 million (31 December 2016: HK\$180.5 million), and HK\$100.0 million (31 December 2016: HK\$6.3 million), respectively, of which bank and other borrowings of approximately HK\$70.0 million (31 December 2016: HK\$22.2 million) is denominated in Renminbi.

At 31 December 2017, the maturity profile of the liability component of the Group's issued convertible bonds falling due within one year and from the second year to third year amounted to approximately HK\$93.9 million (31 December 2016: Nil) and HK\$222.9 million (31 December 2016: HK\$147.7 million), respectively.

## Capital structure

The capital of the Company comprises only ordinary shares of HK\$0.01 each (the “**Shares**”). At 31 December 2017, the total number of issued shares was 6,634,170,454 (with an aggregate nominal value of HK\$66,341,705). The total number of issued shares had been changed during the year as follows:

	<i>No. of Shares</i>
At 1 January 2017	6,501,415,000
Add: Exercise of warrants ( <i>Note</i> )	<u>132,755,454</u>
At 31 December 2017	<u><u>6,634,170,454</u></u>

### *Note:*

On 15 December 2016, 10 February 2017 and 24 March 2017, Capital Fame Technology Limited (“**Capital Fame**”), the subscriber, exercised the warrants granted pursuant to the warrant subscription agreement dated 18 October 2012 between the Company and Capital Fame, to subscribe for 132,755,454 shares (with aggregate nominal value of HK\$14,603,100). At 31 December 2017, Capital Fame had exercised all remaining warrants to subscribe for 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 certain expenses incurred and 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 at 31 December 2017 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

At 31 December 2017, certain of the Group’s other borrowings were secured by the Group’s motor vehicles of approximately HK\$2.4 million (2016: HK\$8.1 million) and trade receivables of approximately HK\$602.2 million (2016: Nil). At 31 December 2017, the Group’s investment property of HK\$218.8 million (2016: Nil) was pledged for a loan note facility which the Group drewdown subsequent to the end of the reporting period.

## Contingent liabilities

At 31 December 2017, the Group provided a corporate guarantee in favour of an independent third party in respect of a loan facility granted to an associate of the Group up to an aggregate amount of approximately HK\$205.0 million (2016: Nil), of which HK\$23.1 million has been utilised.

## **EMPLOYEES AND EMOLUMENT POLICY**

At 31 December 2017, the Group employed a total of 51 (2016: 32) employees. Total staff costs for continuing operations, including Directors' emoluments, amounted to approximately HK\$24.2 million for the year (2016: approximately HK\$16.1 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.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES**

Save as disclosed in this Announcement, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2017.

At 31 December 2017, the Group had no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

## **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.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of any dividend for the year (2016: Nil).

## **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 EVENT AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, on 22 January 2018, the Group entered into a sales and purchase agreement with Spring Power, an independent third party, whereby the Group shall subscribe 498 series B preference share of Spring Power at a consideration of US\$3.0 million (approximately HK\$23.4 million).



## **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 financial statements and this annual results announcement of the Group for the year ended 31 December 2017 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 2017.

## **PUBLICATION OF 2017 FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of the Company ([www.hongdafin.com](http://www.hongdafin.com)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The 2017 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**  
**Chen Xiaohang**  
*Executive Director & CEO*

Hong Kong, 26 March 2018

*As at the date of this announcement, the board of directors of the Company comprises Ms. Chen Xiaohang (CEO) and Mr. Gong Qingli as executive directors; Ms. Tung Shun (Chairman), Mr. Jiang Tengfei (Vice-Chairman) and Ms. Wang Li as non-executive directors; and Mr. Fang Jun, Mr. Wong Yiu Kit, Ernest and Mr. Zhao Xianming as independent non-executive directors.*