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**弘達金融控股有限公司**

**HongDa Financial Holding Limited**

*(formerly known as “E-Rental Car Company Limited”)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1822)**

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>1,593,617,850</b>	257,105,209
Gross profit	<b>69,655,395</b>	15,286,685
Profit/(loss) for the period	<b>44,521,190</b>	(9,303,860)
Total comprehensive income for the period	<b>43,947,181</b>	1,327,897

The board of directors (the “**Board**”) of HongDa Financial Holding Limited (the “**Company**”, together with its subsidiaries (the “**Group**”), hereby presents the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016 together with the comparative unaudited figures for the six months ended 30 June 2015, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2016*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<i>HK\$</i>	<i>HK\$</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	<i>4</i>	<b>1,593,617,850</b>	257,105,209
Cost of sales		<b><u>(1,523,962,455)</u></b>	<u>(241,818,524)</u>
Gross profit		<b>69,655,395</b>	15,286,685
Other income and gains		<b>15,486,591</b>	10,587,961
Research and development costs		—	(1,506,612)
Selling and distribution costs		<b>(1,171,580)</b>	(4,936,860)
General and administrative expenses		<b>(17,432,475)</b>	(21,245,644)
Other expenses, net		<b>(5,203,485)</b>	(526,925)
Finance costs	<i>5</i>	<b>(6,137,393)</b>	(1,233,488)
Share of loss of a joint venture		<b><u>(1,400,143)</u></b>	<u>(5,463,806)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	<i>6</i>	<b>53,796,910</b>	(9,038,689)
Income tax expense	<i>7</i>	<b><u>(9,275,720)</u></b>	<u>(265,171)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b><u><u>44,521,190</u></u></b>	<b><u><u>(9,303,860)</u></u></b>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** *(continued)*

*For the six months ended 30 June 2016*

	Notes	Six months ended 30 June	
		2016 HK\$ (Unaudited)	2015 HK\$ (Unaudited)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>44,521,190</b>	<b>(9,303,860)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Items that may be subsequently reclassified to profit or loss:			
Available-for-sale investment			
Change in fair value		(506,600)	14,950,000
Income tax effect		50,660	(1,495,000)
		<u>(455,940)</u>	<u>13,455,000</u>
Exchange differences arising on translation of foreign operations		(118,069)	(26,214)
Release of exchange reserve upon disposal of subsidiaries		—	(2,797,029)
		<u>(574,009)</u>	<u>10,631,757</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>(574,009)</b>	<b>10,631,757</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>43,947,181</b>	<b>1,327,897</b>
Profit/(loss) attributable to owners of the parent		<u>44,521,190</u>	<u>(9,303,860)</u>
Total comprehensive income attributable to owners of the parent		<u>43,947,181</u>	<u>1,327,897</u>
<b>PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Basic			
– For profit/(loss) for the period	9	<u>HK0.69 cents</u>	<u>HK(0.20) cents</u>
Diluted			
– For profit/(loss) for the period	9	<u>HK0.53 cents</u>	<u>HK(0.20) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016	31 December 2015
	<i>Notes</i>	<i>HK\$</i> <b>(Unaudited)</b>	<i>HK\$</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>34,713,510</b>	37,870,159
Goodwill		<b>21,010,338</b>	26,210,338
Intangible assets		<b>68,670,000</b>	68,670,000
Interest in a joint venture		<b>9,603,987</b>	10,163,742
Long term deposits		<b>1,393,440</b>	3,095,346
Available-for-sale investment	<i>10</i>	<b>39,480,800</b>	39,987,400
Total non-current assets		<b>174,872,075</b>	185,996,985
<b>CURRENT ASSETS</b>			
Inventories		<b>950,672</b>	1,293,115
Trade receivables	<i>11</i>	<b>1,066,451,625</b>	250,161,834
Loan receivables		—	111,835,710
Prepayments, deposits and other receivables	<i>12, 13</i>	<b>32,844,316</b>	460,929,350
Tax recoverable		<b>106,308</b>	206,638
Pledged bank deposit		—	18,794,078
Cash and cash equivalents		<b>146,584,146</b>	5,050,455
Total current assets		<b>1,246,937,067</b>	848,271,180
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>14</i>	<b>33,432,514</b>	34,305,597
Other payables and accruals		<b>15,673,260</b>	15,583,694
Interest-bearing bank and other borrowings		<b>171,023,291</b>	26,109,159
Tax payable		<b>13,669,940</b>	4,403,273
Total current liabilities		<b>233,799,005</b>	80,401,723
<b>NET CURRENT ASSETS</b>		<b>1,013,138,062</b>	767,869,457
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,188,010,137</b>	953,866,442

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**As at 30 June 2016*

		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Notes</i>	<b>HK\$</b>	<b>HK\$</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing other borrowings		<b>6,077,944</b>	5,404,574
Deferred tax liabilities		<b>17,452,699</b>	17,594,788
Derivative financial instruments	<i>15</i>	<b>52,820,000</b>	—
Convertible bonds	<i>15</i>	<b>136,845,233</b>	—
		<hr/>	<hr/>
Total non-current liabilities		<b>213,195,876</b>	22,999,362
		<hr/>	<hr/>
Net assets		<b>974,814,261</b>	930,867,080
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	<i>16</i>	<b>64,813,750</b>	64,813,750
Reserves		<b>910,000,511</b>	866,053,330
		<hr/>	<hr/>
Total equity		<b>974,814,261</b>	930,867,080
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 1. Corporate Information

The Company is a limited liability company incorporated in the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal place of business of the Company is located at Suites 3101-3105, 31/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

During the six months ended 30 June 2016, the Group has primarily been involved in the provision of car rental services; the trading of electronic components/materials; the research, design, development and sale of digital signal processing (“**DSP**”) based consumer devices/platforms, including embedded firmware; the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms and financing services.

## 2. Basis of Preparation and Changes in Accounting Policies

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, (“**HKFRSs**”, which also include HKASs and Interpretations) which are effective for the Group's annual periods beginning on or after 1 January 2016:

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>
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>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on the condensed consolidated interim financial information.

### 3. 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) Electronic components/materials segment — primarily engages in the trading of electronic components/materials;
- (c) Consumer electronic devices/platforms and related solutions/services segment – primarily engages in the research, design, development and sale of DSP-based consumer electronic devices/platforms, including embedded firmware, and the provision of solutions/services to customers for their DSP-based consumer electronic devices/platforms; and
- (d) 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 corporate and other unallocated expenses, unallocated finance costs and share of loss of a joint venture are excluded from such measurement.

Segment assets exclude tax recoverable, cash and cash equivalents, 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, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.





### 3. Operating Segment Information *(continued)*

#### **Geographical information**

The following table presents derived revenue from local and overseas customers for the six months ended 30 June 2016 and 2015 and certain non-current assets information as at 30 June 2016 and 31 December 2015, by geographical areas.

	United States of America <i>HK\$</i>	Mainland China <i>HK\$</i>	Hong Kong <i>HK\$</i>	Singapore <i>HK\$</i>	Others <i>HK\$</i>	Total <i>HK\$</i>
<b>Six months ended 30 June 2016</b>						
Revenue from external customers (Unaudited)	4,211,581	11,577,015	1,577,829,254	—	—	1,593,617,850
<b>Six months ended 30 June 2015</b>						
Revenue from external customers (Unaudited)	2,774,772	161,854,197	600,661	91,678,323	197,256	257,105,209
<b>As at 30 June 2016</b>						
Non-current assets (Unaudited)	—	163,101,440	11,770,635	—	—	174,872,075
Non-current assets (excluding financial instruments) (Unaudited)	—	122,227,200	11,770,635	—	—	133,997,835
<b>As at 31 December 2015</b>						
Non-current assets (Audited)	—	171,253,803	14,743,182	—	—	185,996,985
Non-current assets (excluding financial instruments) (Audited)	—	129,761,773	13,152,466	—	—	142,914,239

The Group's revenue information by geographical areas 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 by geographical areas is based on the locations of the assets.

#### **Information about major customers**

Revenue of HK\$1,497.1 million for the six months ended 30 June 2016 was derived from the electronic components/materials segment with a customer, which amounted to 10 per cent or more of the Group's total revenue for the current period. Revenues of HK\$184.7 million and HK\$55.4 million for the six months ended 30 June 2015 were derived from the electronic components/materials segment with two customers, which individually amounted to 10 per cent or more of the Group's total revenue for the prior period.

#### 4. Revenue

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 period.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Sales of goods	1,573,610,400	242,208,772
Rendering of services	—	2,341,782
Car rental income	11,577,015	12,554,655
Loan interest income	8,430,435	—
	<u>1,593,617,850</u>	<u>257,105,209</u>

#### 5. Finance Costs

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	2,296,127	1,212,624
Interest on convertible bonds	3,824,164	—
Bank charges	17,102	20,864
	<u>6,137,393</u>	<u>1,233,488</u>

## 6. Profit/(loss) Before Tax

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

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of inventories sold and services rendered	1,523,962,455	241,818,524
Depreciation	5,968,559	5,417,691
Research and development costs:		
— Deferred expenditure amortised	—	1,098,296
— Current year expenditure	—	1,506,612
Fair value gain on derivative financial instruments in relation to convertible bonds	(12,613,000)	—
Gain on disposal of subsidiaries	—	(2,982,161)
Gain on disposal of items of property, plant and equipment, net	(154,978)	(103,672)
Write-off of items of property, plant and equipment	3,485	228,764
Impairment of goodwill	5,200,000	—
Impairment of other receivables	—	298,161
	<u>1,523,962,455</u>	<u>241,818,524</u>

## 7. Income Tax Expense

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.

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the period	9,266,667	214,989
Current — Elsewhere		
Charge for the period	22,285	24,348
Underprovision in prior years	78,197	25,834
Deferred	(91,429)	—
	<u>9,275,720</u>	<u>265,171</u>

## 8. Dividend

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

## 9. Profit/(loss) per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic profit/(loss) per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$44,521,190 (30 June 2015: loss of HK\$9,303,860) and the weighted average number of ordinary shares in issue of 6,481,375,000 (30 June 2015: 4,698,288,686) during the period. The basic loss per share amounts for the six months ended 30 June 2015 had been adjusted to reflect the bonus element in placing of shares of the Company during the six months ended 30 June 2015.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2016 is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect 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 period, as used in the basic earnings 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.

	Six months ended 30 June 2016 HK\$ (Unaudited)
Profit attributable to ordinary equity holders of the Company	<u>44,521,190</u>
Interest expense on convertible bonds	3,824,164
Less: Fair value gain on derivative component of the convertible bonds	<u>(12,613,000)</u>
Profit used to determine diluted earnings per share	<u><u>35,732,354</u></u>
	Number of shares 30 June 2016
<u>Shares</u>	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,481,375,000
Effect of dilution — weighted average number of ordinary shares:	
Warrants	92,394,870
Share options	42,773,183
Convertible bonds	<u>141,287,284</u>
	<u><u>6,757,830,337</u></u>

No adjustment was made to the basic loss per share amount presented for the six months ended 30 June 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 amount presented for the six months ended 30 June 2015.

## 10. Available-for-sale Investment

	<b>30 June 2016 HK\$ (Unaudited)</b>	31 December 2015 HK\$ (Audited)
<b>Non-current asset</b>		
Unlisted equity investment, at fair value	<b><u>39,480,800</u></b>	<u>39,987,400</u>

During the period, the gross fair value loss in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$506,600 (30 June 2015: gain of HK\$14,950,000).

## 11. Trade Receivables

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 30 to 160 days or 90 days after month-end statement, or could be longer under certain circumstances.

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:

	<b>30 June 2016 HK\$ (Unaudited)</b>	31 December 2015 HK\$ (Audited)
Within 30 days	<b>682,177,532</b>	378,142
31 to 60 days	<b>303,633,727</b>	732,627
61 to 90 days	<b>485,622</b>	341,779
Over 90 days ( <i>Note</i> )	<b><u>80,154,744</u></b>	<u>248,709,286</u>
	<b><u>1,066,451,625</u></b>	<u>250,161,834</u>

*Note:* Subsequent to the end of the reporting period, amounts of approximately HK\$71.4 million of the trade receivables outstanding as of 30 June 2016 were settled.

## 12. Prepayments, Deposits and Other Receivables

The balance included a guarantee deposit of HK\$5,225,400 (31 December 2015: Nil), which is in relation to a bank loan of Renminbi 20 million borrowed by the Group during the current period. The deposit bears interest at 10.2% per annum.

As at 30 June 2016 and 31 December 2015, other receivables are non-interest-bearing, except for an individual balance of HK\$18,895,075 which bears interest at 1.6% per month.

The balance also included an amount due from a controlling shareholder of HK\$2,491,054 (31 December 2015: HK\$2,491,054) which is unsecured, interest-free and has no fixed term of repayment.

As at 31 December 2015, included in other receivables amounting to HK\$437,995,361 were advances to various independent suppliers and procurement agents associated with the provision of car rental services business of the Group. These other receivables were fully settled during the current period.

## 13. Amounts due from Directors

Amounts due from directors, disclosed pursuant to section 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	30 June	Maximum amount outstanding	1 January	Security held
	2016 HK\$ (Unaudited)	during the period HK\$	2016 HK\$ (Audited)	
Ms. Deng Shufen	905,368	905,368	905,368	None
Ms. Liu Jiangyuan	301,789	301,789	301,789	None
Mr. Gui Bin ( <i>Note</i> )	—	301,789	301,789	None
	<u>1,207,157</u>		<u>1,508,946</u>	

The amounts due from directors are unsecured, interest-free and are repayable on demand.

*Note:*

Mr. Gui Bin retired as a director on 3 June 2016. The outstanding balance as at 30 June 2016 was classified as other receivable and is repayable on demand.

## 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:

	<b>30 June 2016 HK\$ (Unaudited)</b>	31 December 2015 HK\$ (Audited)
Within 30 days	427,765	823,883
31 to 60 days	26,266	105,796
Over 60 days	<u>32,978,483</u>	<u>33,375,918</u>
	<u><u>33,432,514</u></u>	<u><u>34,305,597</u></u>

The trade payables are non-interest-bearing and credit terms generally granted by trade creditors are 30 to 90 days or 90 days after 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:*

	<b>Number of ordinary shares</b>	<b>Issued capital HK\$</b>	<b>Share premium account HK\$</b>	<b>Total HK\$</b>
At 1 January 2016 (Audited) and 30 June 2016 (Unaudited)	<u>6,481,375,000</u>	<u>64,813,750</u>	<u>874,704,786</u>	<u>939,518,536</u>

On 15 June 2015, pursuant to a placing agreement dated 26 March 2015 entered into between the Company and a placing agent, the Company completed to place 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**”) (the “**Connected Placing**”). Sino Merchant is the controlling shareholder which held approximately 67.4% of equity interests of the Company immediately after completion of the placing agreement. Details of share placement were contained in the announcements of the Company dated 26 March 2015 and 15 June 2015 and the circular of the Company dated 28 April 2015. The fair value of share options issued at 15 June 2015 was HK\$224,000,000 and such amount was charged against the Company’s share premium account in the equity.

During the year ended 31 December 2015, 400,000,000 option shares were exercised by Sino Merchant at an exercise price of HK\$0.26 per option share. The exercise amount including the related share option reserve in excess of the par value of the ordinary shares amounting to HK\$212,000,000 was credited to the share premium account.

### *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.

Prior to the Connected Placing, as a result of the completion of several open offers and placings of the Company, the subscription price of the outstanding warrants was 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Car rental business

During the period under review, the Company's management believes that car rental is still at its infant stage in China and the penetration rate of car rental is low comparing to other developed countries. As a result, the Company continued to venture into the car rental business which is considered to be always in demand and have growth potential. Amidst the existing fleet size of 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 and is principally engaged in car rental services business, reaching its full utilization. Beijing Tu An is enhancing its execution capabilities and making greater efforts in sourcing new customers. For the six months ended 30 June 2016, revenue from the Group's car rental segment recorded approximately HK\$11.6 million and the Group recorded gross profit and gross profit margin from this segment of approximately HK\$2.4 million and 21% respectively.

#### Electronic components/materials business

Since the electronic components/materials business has been a stable income source and can boost business performance, the Group allocated more resources for the expansion in this segment. For the six months ended 30 June 2016, revenue from the Group's trading of electronic components/materials segment significantly increased from approximately HK\$240.1 million as recorded in the six months ended 30 June 2015, to approximately HK\$1,573.2 million. The Group recorded gross profit and gross profit margin from this segment of approximately HK\$58.7 million and 3.7% respectively.

#### Consumer electronic devices/platforms and related solutions/services business

To optimize the value of the Group and its assets, the Company had disposed of the entire interests in two subsidiaries engaged in the research, design, development and sale of digital signal processing — based consumer electronic devices/platforms on 29 April 2015. For the six months ended 30 June 2016, revenue from this segment, decreased by 89% to approximately HK\$0.5 million, from approximately HK\$4.5 million as recorded in the six months ended 30 June 2015.

#### Financing services business

The Company had, through a wholly-owned subsidiary, successfully obtained a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in October 2015 to conduct money lending business in Hong Kong through the provision of loans. The Company

\* For identification purpose only

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 in an early stage, revenue generated from this segment only contributed approximately HK\$8.4 million for the six months ended 30 June 2016.

## **FUTURE OUTLOOK**

As access to financing services is crucial to business and economic growth, the provision of financing services has high potential growth and can be sustainable. The Group seeks to grasp on potential business opportunities by strategically tapping into the financial services industry. The Group looks forward to further expanding its income streams and smoothing the road for future development through the provision of a wider array of comprehensive services.

In addition to the continued involvement in the money lending business, the Group is proactively identifying opportunities for acquisition of financial business, including various financial institutions and asset management companies in the PRC, 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 ways of issuing convertible bonds and other different financing channels to seek for new business opportunities, and we believe this will provide a higher value for the shareholders of the Company.

## **FINANCIAL REVIEW**

### **Results of the Group**

#### *Turnover*

During the six months ended 30 June 2016, the Group recorded a revenue of approximately HK\$1,593.6 million, which represented an increase of 520% as compared to the revenue of approximately HK\$257.1 million as recorded for the six months ended 30 June 2015. As mentioned in the section headed "**BUSINESS REVIEW**", the increase was mainly resulted from (i) the increase in sales of electronic components/materials from approximately HK\$240.1 million for the six months ended 30 June 2015 to approximately HK\$1,573.2 million for the six months ended 30 June 2016, due to the shift of business focus to the trading of electronic components/materials and (ii) the increase in financing services business which contributed revenue of approximately HK\$8.4 million.

#### *Cost of sales*

Cost of sales of the Group increased by approximately 530% from approximately HK\$241.8 million for the six months ended 30 June 2015 to approximately HK\$1,524.0 million for the six months ended 30 June 2016. The increase was mainly attributable to the increase in sales of electronic components/materials during the period under review.

### ***Gross profit and margin***

The Group recorded a gross profit of approximately HK\$69.7 million for the six months ended 30 June 2016, representing an increase of approximately 356% as compared to the gross profit recorded in the prior period under review. The gross profit margin decreased slightly by approximately 1.5% from 5.9% in 2015 to 4.4% in the period under review. The decrease was resulted from the decrease in revenue from the consumer electronic devices/platforms and related solution/services segment which had higher profit margin.

### ***Other income and gains***

Other income and gains of the Group increased by approximately 46%, from approximately HK\$10.6 million for the six months ended 30 June 2015 to approximately HK\$15.5 million for the six months ended 30 June 2016. The increase was mainly resulted from fair value gain on derivative financial instruments in relation to convertible bonds during the period under review.

### ***Research and development costs***

Research and development costs was recorded as nil balance for the six months ended 30 June 2016. The decrease was mainly due to the disposal of certain subsidiaries under the consumer electronic devices/platforms segment and related solution/services segment during the prior period under review.

### ***Selling and distribution costs***

Selling and distribution costs of the Group decreased by 76% from approximately HK\$4.9 million during the six months ended 30 June 2015 to approximately HK\$1.2 million for the six months ended 30 June 2016. The decrease was mainly due to the disposal of certain subsidiaries under the consumer electronic devices/platforms and related solution/services segment during the prior period under review.

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

General and administrative expenses of the Group decreased by 18% from approximately HK\$21.2 million for the six months ended 30 June 2015 to approximately HK\$17.4 million for the six months ended 30 June 2016. The decrease was mainly due to the disposal of certain subsidiaries under the consumer electronic devices/platforms and related solution/services segment during the prior period under review.

### ***Other expenses***

Other expenses of the Group increased from approximately HK\$0.5 million for the six months ended 30 June 2015 to approximately HK\$5.2 million for the six months ended 30 June 2016. The increase was mainly due to the impairment loss of goodwill during the period under review.

### ***Finance costs***

Finance costs increased from approximately HK\$1.2 million for the six months ended 30 June 2015 to approximately HK\$6.1 million for the six months ended 30 June 2016 due to (i) the drawdown of certain new interest-bearing bank and other borrowings utilized to finance the purchases of motor vehicles for the car rental business and potential projects; and (ii) effective interest on convertible bonds during the period under review.

### ***Income tax***

Income tax expense increased from approximately HK\$0.3 million was incurred for the six months ended 30 June 2015 to approximately HK\$9.3 million for the six months ended 30 June 2016, which was mainly due to the profit generated from the trading of electronic components/materials during the period under review.

### **Liquidity and financial resources**

As at 30 June 2016, cash and cash equivalents of the Group amounted to approximately HK\$146.6 million (31 December 2015: HK\$5.1 million), of which approximately HK\$21.0 million (31 December 2015: HK\$0.5 million) is denominated in Renminbi.

As at 30 June 2016, the Group had interest-bearing bank and other borrowings amounted to approximately HK\$177.1 million (31 December 2015: HK\$31.5 million).

In view of the Group's current cash and cash equivalents balance and funds generated internally from the Group's operations, the Board is confident that the Group has sufficient resources to meet its debt repayment and finance needs for its operations for the foreseeable future.

### **Gearing ratio**

	<b>30 June 2016 HK\$ (Unaudited)</b>	31 December 2015 HK\$ (Audited)
Total interest-bearing bank and other borrowings	<b>177,101,235</b>	31,513,733
Equity	<b><u>974,814,261</u></b>	<u>930,867,080</u>
Gearing ratio	<b><u>18.2%</u></b>	<u>3.4%</u>

The increase in the gearing ratio was mainly due to the drawdown of interest-bearing bank and other borrowings.

As at 30 June 2016, the maturity profile of the interest-bearing bank and other borrowings of the Group falling due within one year and the second year amounted to approximately HK\$171.0 million (31 December 2015: HK\$26.1 million), and HK\$6.1 million (31 December 2015: HK\$5.4 million), respectively, of which bank borrowing of approximately HK\$23.2 million (31 December 2015: HK\$18.2 million) is denominated in Renminbi.

### **Capital structure**

The capital of the Company comprises only ordinary shares. As at 30 June 2016 and 31 December 2015, the total number of the ordinary shares of the Company was 6,481,375,000 shares (with an aggregate nominal value of HK\$64,813,750).

### **Charges on the Group's assets**

As at 30 June 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 30 June 2016, certain of the other borrowings were secured by certain of the Group's motor vehicles of approximately HK\$21.4 million (31 December 2015: HK\$21.4 million).

### **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 United States dollar and 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 30 June 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.

### **Contingent liabilities**

As at the end of the reporting period, the Group did not have any significant contingent liabilities.

### **Commitments**

#### **(i) *Operating lease arrangements***

##### **(a) *As lessor***

The Group leases its motor vehicles under operating lease arrangements, with leases negotiated for a term ranging from one to four years while certain leases can be early terminated by serving five days to three months' notice or paying 10% to 30% of total remaining unpaid lease payments.

As at 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its customers falling due as follows:

	<b>30 June 2016 HK\$ (Unaudited)</b>	31 December 2015 HK\$ (Audited)
Within one year	<u><b>10,935,959</b></u>	<u>6,209,191</u>

*(b) As lessee*

The Group leases its office premises and certain of its motor vehicles under operating lease arrangements with leases negotiated for terms ranging from one to ten years which certain leases can be early terminated by serving fifteen days to six months notice or paying 15% to 50% of total unpaid lease payments.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2016 HK\$ (Unaudited)</b>	31 December 2015 HK\$ (Audited)
Within one year	<b>7,532,965</b>	2,460,900
In the second to fifth years, inclusive	<u>379,328</u>	<u>—</u>
	<u><b>7,912,293</b></u>	<u>2,460,900</u>

*(ii) Capital commitments*

In addition to the operating lease commitments detailed in (i) above, the Group's share of the joint venture's own capital commitments is as follows:

	<b>30 June 2016 HK\$ (Unaudited)</b>	31 December 2015 HK\$ (Audited)
Contracted, but not provided for	<u>—</u>	<u>13,250</u>

## **DIVIDENDS**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2016 (2015: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2016, the Group employed a total of 31 employees. Total staff costs, including directors emoluments, amounted to approximately HK\$8.0 million for the six months ended 30 June 2016. The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The Group provided discretionary bonuses, medical insurance, provident fund contribution, education subsidy and training to its employees.

## **EVENTS AFTER THE REPORTING PERIOD**

### *Disposal of subsidiaries*

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\$1.00 (the "**Disposal**").

The Group at the time of the Disposal expected to record a gain on disposal of the Disposed Subsidiaries of approximately HK\$15.8 million, representing the estimated difference between the total consideration for the Disposals and the aggregate net liabilities value of the Disposed Subsidiaries at the date of the Disposal.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code for dealing in securities of the Company by Directors. All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard as set out in the Model Code during the six months ended 30 June 2016.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016.

## **CORPORATE GOVERNANCE**

The Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period under review, except code provisions A.6.7 of the Code as the Directors Mr. Dai Yumin, Mr. Gui Bin, Mr. Fang Jun and Mr. Zhao Xianming were unable to attend the annual general meeting of the Company held on 3 June 2016 due to their other business engagement.

## **AUDIT COMMITTEE REVIEW**

The interim results for the period under review are unaudited but have been reviewed by the auditors of the Company. The audit committee of the Company, comprised all three independent non-executive Directors, namely, Mr. Fang Jun, Mr. Wong Yiu Kit, Ernest and Mr. Zhao Xianming where Mr. Zhao Xianming is the Chairman of the audit committee. The audit committee has reviewed with the management the accounting principles adopted by the Group and the unaudited financial statements of the Group for the six months ended 30 June 2016.

## **APPRECIATION**

The Board would like to take this opportunity to express its gratitude to our customers and shareholders for their continuing support as well as our staff for their dedication and hard work.

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

Hong Kong, 25 August 2016

*As at the date of this announcement, the Board comprises of the following Directors:*

### ***Executive Directors:***

Ms. Deng Shufen (*Chairman*)  
Ms. Wu Qiong (*Vice-Chairman*)  
Ms. Liu Jiangyuan

### ***Non-executive Director:***

Mr. Ho Kin Cheong, Kelvin

### ***Independent non-executive Directors:***

Mr. Fang Jun  
Mr. Wong Yiu Kit, Ernest  
Mr. Zhao Xianming