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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)**

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>1,214,855,710</b>	1,593,617,850
Gross profit	<b>41,156,918</b>	69,655,395
Profit for the period	<b>28,801,746</b>	44,521,190
Total comprehensive income for the period	<b>35,325,824</b>	43,947,181

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 2017 together with the comparative unaudited figures for the six months ended 30 June 2016, as follows:

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

*For the six months ended 30 June 2017*

		Six months ended 30 June	
	Notes	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
<b>REVENUE</b>	4	1,214,855,710	1,593,617,850
Cost of sales		(1,173,698,792)	(1,523,962,455)
Gross profit		41,156,918	69,655,395
Other income and gains		47,900,987	15,486,591
Selling and distribution costs		(1,378,657)	(1,171,580)
General and administrative expenses		(25,367,877)	(17,432,475)
Other expenses, net		(596,240)	(5,203,485)
Finance costs	5	(29,110,596)	(6,137,393)
Share of loss of a joint venture		(2,396,037)	(1,400,143)
<b>PROFIT BEFORE TAX</b>	6	30,208,498	53,796,910
Income tax expense	7	(1,406,752)	(9,275,720)
<b>PROFIT FOR THE PERIOD</b>		28,801,746	44,521,190
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Items that may be subsequently reclassified to profit or loss:			
Available-for-sale investment			
Change in fair value		3,475,139	(506,600)
Income tax effect		—	50,660
		3,475,139	(455,940)
Exchange differences arising on translation of foreign operations		3,048,939	(118,069)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		6,524,078	(574,009)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		35,325,824	43,947,181
Profit attributable to owners of the parent		28,801,746	44,521,190
Total comprehensive income attributable to owners of the parent		35,325,824	43,947,181
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	9	(Unaudited)	(Unaudited)
— For profit for the period		HK0.44 cents	HK0.69 cents
Diluted			
— For profit/(loss) for the period		HK(0.01) cents	HK0.53 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		<b>30 June</b>	31 December
		<b>2017</b>	2016
	<i>Notes</i>	<b>HK\$</b>	<b>HK\$</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>27,695,845</b>	23,866,795
Goodwill		—	—
Intangible assets		<b>49,078,369</b>	47,315,686
Interest in a joint venture		<b>10,184,947</b>	7,880,984
Long term prepayment and deposits		<b>6,137,795</b>	6,804,775
Debt component of acquired convertible bond		<b>38,487,000</b>	—
Available-for-sale investments	<i>10</i>	<b>115,475,248</b>	112,000,000
Derivative financial instrument		<b>1,513,000</b>	—
		<hr/>	<hr/>
Total non-current assets		<b>248,572,204</b>	197,868,240
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>5,193,659</b>	5,193,443
Trade receivables	<i>11</i>	<b>989,539,846</b>	1,099,418,264
Prepayments, deposits and other receivables	<i>12</i>	<b>83,841,333</b>	13,046,900
Tax recoverable		<b>184,464</b>	141,476
Cash and cash equivalents		<b>31,226,454</b>	39,482,564
		<hr/>	<hr/>
Total current assets		<b>1,109,985,756</b>	1,157,282,647
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>737,028</b>	386,022
Other payables and accruals		<b>15,165,910</b>	18,895,162
Interest-bearing bank and other borrowings		<b>182,991,998</b>	180,528,860
Tax payable		<b>12,397,417</b>	17,728,062
Derivative financial instrument	<i>14</i>	<b>4,194,000</b>	—
Convertible bond	<i>14</i>	<b>86,571,941</b>	—
		<hr/>	<hr/>
Total current liabilities		<b>302,058,294</b>	217,538,106
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**As at 30 June 2017*

	<b>30 June</b>	31 December
	<b>2017</b>	2016
<i>Notes</i>	<b><i>HK\$</i></b>	<b><i>HK\$</i></b>
	<b>(Unaudited)</b>	(Audited)
<b>NET CURRENT ASSETS</b>	<b><u>807,927,462</u></b>	<u>939,744,541</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>1,056,499,666</u></b>	<u>1,137,612,781</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing other borrowings	2,075,119	6,300,524
Deferred tax liabilities	12,446,435	13,931,809
Derivative financial instruments	<i>14</i> 12,770,000	63,586,000
Convertible bonds	<i>14</i> 73,138,358	147,653,618
Total non-current liabilities	<b><u>100,429,912</u></b>	<u>231,471,951</u>
Net assets	<b><u>956,069,754</u></b>	<u>906,140,830</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	<i>15</i> 66,341,705	65,014,150
Reserves	889,728,049	841,126,680
Total equity	<b><u>956,069,754</u></b>	<u>906,140,830</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

## 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 Suite 3618, Level 36, Two Pacific Place, 88 Queensway, Hong Kong.

During the six months ended 30 June 2017, the Group has primarily been involved in the provision of car rental services; materials trading 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 2017 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 2016, except for the adoption of the following 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 2017:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to a number of HKFRSs</i>

The adoption of the above 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) Materials trading segment – primarily engages in the trading of materials;
- (c) Consumer electronic devices/platforms and related solutions/services segment – primarily engaged in the research, design, development and sale of digital signal processing (“**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 the debt component of acquired convertible bond, derivative financial instrument, 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 interest-bearing other borrowings, 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 2017 and 2016 and certain non-current assets information as at 30 June 2017 and 31 December 2016, by geographical areas.

	United States of America <i>HK\$</i>	Mainland China <i>HK\$</i>	Hong Kong <i>HK\$</i>	Total <i>HK\$</i>
<b>Six months ended 30 June 2017</b>				
Revenue from external customers (Unaudited)	—	13,228,684	1,201,627,026	1,214,855,710
<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>As at 30 June 2017</b>				
Non-current assets (Unaudited)	—	187,678,639	60,893,565	248,572,204
Non-current assets (excluding financial instruments) (Unaudited)	—	71,223,705	15,985,456	87,209,161
<b>As at 31 December 2016</b>				
Non-current assets (Audited)	—	183,766,134	14,102,106	197,868,240
Non-current assets (excluding financial instruments) (Audited)	—	69,821,359	9,242,106	79,063,465

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**

Revenues of HK\$618.2 million and HK\$525.3 million for the six months ended 30 June 2017 were derived from the materials trading segment with two customers, which individually amounted to 10 per cent or more of the Group's total revenue for the current period. Revenue of HK\$1,497.1 million for the six months ended 30 June 2016 was derived from the materials trading segment with a customer, which 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	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Sales of goods	1,201,627,026	1,573,610,400
Car rental income	13,228,684	11,577,015
Loan interest income	—	8,430,435
	<u>1,214,855,710</u>	<u>1,593,617,850</u>

#### 5. Finance Costs

	Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Interest on bank and other borrowings	12,007,591	2,296,127
Interest on convertible bonds	17,056,681	3,824,164
Bank charges	46,324	17,102
	<u>29,110,596</u>	<u>6,137,393</u>

#### 6. Profit Before Tax

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

	Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Cost of inventories sold and services rendered	1,173,698,792	1,523,962,455
Depreciation	4,609,315	5,968,559
Fair value gain on derivative financial instruments in relation to convertible bonds	(46,622,000)	(12,613,000)
Gain on disposal of items of property, plant and equipment, net	(799,148)	(154,978)
Write-off of items of property, plant and equipment	596,240	3,485
Impairment of goodwill	—	5,200,000
	<u>—</u>	<u>—</u>

## 7. Income Tax Expense

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.

	Six months ended 30 June	
	2017 HK\$ (Unaudited)	2016 HK\$ (Unaudited)
Current — Hong Kong		
Charge for the period	1,471,622	9,266,667
Current — Elsewhere		
Charge for the period	—	22,285
Underprovision/(overprovision) in prior years	(622)	78,197
Deferred	<u>(64,248)</u>	<u>(91,429)</u>
Total tax charge for the period	<u><u>1,406,752</u></u>	<u><u>9,275,720</u></u>

## 8. Dividend

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$28,801,746 (30 June 2016: HK\$44,521,190) and the weighted average number of ordinary shares in issue of 6,596,129,595 (30 June 2016: 6,481,375,000) during the period.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2017 is based on the profit for the period 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 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.

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

	Six months ended 30 June 2017 HK\$ (Unaudited)	Six months ended 30 June 2016 HK\$ (Unaudited)
Profit attributable to ordinary equity holders of the Company	<u>28,801,746</u>	<u>44,521,190</u>
Add: Interest expense on convertible bonds	17,056,681	3,824,164
Less: Fair value gain on derivative component of the convertible bonds	<u>(46,622,000)</u>	<u>(12,613,000)</u>
Profit/(loss) used to determine diluted earnings/(loss) per share	<u><u>(763,573)</u></u>	<u><u>35,732,354</u></u>
	Number of shares Six months ended 30 June 2017	Number of shares Six months ended 30 June 2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,596,129,595	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>571,428,570</u>	<u>141,287,284</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per above calculation	<u><u>7,167,558,165</u></u>	<u><u>6,757,830,337</u></u>

10. Available-for-sale Investments

	30 June 2017 HK\$ (Unaudited)	31 December 2016 HK\$ (Audited)
<b>Non-current assets</b>		
Unlisted equity investments, at fair value	<u><u>115,475,248</u></u>	<u><u>112,000,000</u></u>

During the six months ended 30 June 2017, the gross fair value gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$3,475,139 (six months ended 30 June 2016: fair value loss of HK\$506,600).

## 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 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 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Within 30 days	<b>188,314,646</b>	210,269,401
31 to 60 days	<b>72,065,567</b>	575,117,263
61 to 90 days	<b>202,132,710</b>	312,799,342
Over 90 days	<b>527,026,923</b>	1,232,258
Total ( <i>Note</i> )	<b><u>989,539,846</u></b>	<b><u>1,099,418,264</u></b>

*Note:* Subsequent to the end of the reporting period, amounts of approximately HK\$726.5 million of the trade receivables outstanding as of 30 June 2017 were settled.

## 12. Prepayments, Deposits and Other Receivables

The balance included a guarantee deposit of HK\$2,881,750 (31 December 2016: HK\$5,000,850), which is in relation to a bank loan borrowed by the Group which bears interest at 10.2% per annum.

Except for the above, all other receivables are non-interest-bearing as at the end of the reporting period.

The balance also included a shareholders' loan receivable of HK\$74,480,000 (31 December 2016: Nil), which is used for financing the proposed acquisition of shares in Ping An Securities Group (Holdings) Limited by the Group's unlisted available-for-sale investment. The shareholders' loan is unsecured, non-interest bearing and has no fixed term of repayment.

## 13. 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 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Within 30 days	<b>400,028</b>	275,508
31 to 60 days	<b>88,594</b>	60,662
Over 60 days	<b>248,406</b>	49,852
	<b><u>737,028</u></b>	<b><u>386,022</u></b>

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.

## 14. 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 the 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.

The movements of the liability and derivative components of the Convertible Bonds for the period 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 2017 (Audited)	147,653,618	63,586,000	211,239,618
Interest expenses	17,056,681	—	17,056,681
Interest paid	(5,000,000)	—	(5,000,000)
Fair value gain on derivative component of Convertible Bonds	—	(46,622,000)	(46,622,000)
At 30 June 2017 (Unaudited)	<u>159,710,299</u>	<u>16,964,000</u>	<u>176,674,299</u>
Represented by:			
Current portion (Unaudited)	86,571,941	4,194,000	90,765,941
Non-current portion (Unaudited)	<u>73,138,358</u>	<u>12,770,000</u>	<u>85,908,358</u>
	<u>159,710,299</u>	<u>16,964,000</u>	<u>176,674,299</u>

## 15. Share Capital

### *Shares:*

	Number of ordinary shares	Issued capital HK\$	Share premium account HK\$	Total HK\$
At 1 January 2017 (Audited)	6,501,415,000	65,014,150	877,633,203	942,647,353
Exercise of warrants	132,755,454	1,327,555	19,399,371	20,726,926
Lapse of share options	—	—	112,000,000	112,000,000
At 30 June 2017 (Unaudited)	<u>6,634,170,454</u>	<u>66,341,705</u>	<u>1,009,032,574</u>	<u>1,075,374,279</u>

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 (the “**Connected Placing**”). 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 period, the remaining outstanding 400,000,000 option shares were lapsed upon expiry and the share option reserve amount of HK\$112,000,000 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.

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Car rental business

The Company's management believes that car rental is still at an early stage in China. During the period under review, the Company hence continued to venture into the car rental business which is considered to be always in demand and has growth potential. With its existing fleet size, 北京途安汽車租賃有限責任公司(Beijing Tu An Car Rental Services Limited\*) (“**Beijing Tu An**”), an indirect wholly-owned subsidiary of the Company in the PRC which is principally engaged in car rental services business, has reached its full utilization. Beijing Tu An is enhancing its execution capabilities and making great efforts in sourcing new customers. For the six months ended 30 June 2017, the Group's car rental segment recorded revenue of approximately HK\$13.2 million and gross profit of approximately HK\$2.0 million, representing a gross profit margin of approximately 15%.

#### Materials trading business

Despite of the decrease in materials trading volume during the period under review, the materials trading business remained as the main income source of the Group. For the six months ended 30 June 2017, revenue from the Group's materials trading segment decreased by 24% from approximately HK\$1,573.2 million as recorded in the six months ended 30 June 2016, to approximately HK\$1,201.6 million. The Group recorded gross profit and gross profit margin from this segment of approximately HK\$38.2 million and 3.2% respectively.

#### Financing services business

The Group, 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 Group will strive to provide flexible, convenient, accessible, and tailor-made services to our customers. As the provision of financing services was still at an early stage, there were nil revenue generated from this segment during the period under review, while the revenue generated from this segment only contributed approximately HK\$8.4 million for the six months ended 30 June 2016.

The Group invested in a joint venture company in Harbin City of Heilongjiang Province, the PRC in 2016 by RMB100,000,000 (equivalent to approximately HK\$112,000,000). As at the end of the reporting period, the Group was being interested in 2% of the joint venture company. The principal objectives of the joint venture company are the development of the businesses of internet microfinance, microfinance, discounted note, asset transfer, agency, subprime lending, and investments in the PRC. As at the end of the reporting period, such available-for-sale investment recorded an increase in its fair value by approximately HK\$3.5 million.

\* For identification purpose only

## **FUTURE OUTLOOK**

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

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

## **FINANCIAL REVIEW**

### **Results of the Group**

#### *Revenue*

During the six months ended 30 June 2017, the Group recorded a revenue of approximately HK\$1,214.9 million, which represented a decrease of 24% as compared to the revenue of approximately HK\$1,593.6 million as recorded for the six months ended 30 June 2016. As mentioned in the section headed "**BUSINESS REVIEW**", the decrease was mainly resulted from (i) the decrease in materials trading from approximately HK\$1,573.2 million for the six months ended 30 June 2016 to approximately HK\$1,201.6 million for the six months ended 30 June 2017, due to the decrease in trading volume of materials 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 23% from approximately HK\$1,524.0 million for the six months ended 30 June 2016 to approximately HK\$1,173.7 million for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in materials trading business during the period under review.



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

The Group recorded a gross profit of approximately HK\$41.2 million for the six months ended 30 June 2017, representing a decrease of approximately 41% as compared to the gross profit recorded in the prior period under review. The gross profit margin decreased slightly by approximately 1.0% from 4.4% in 2016 to 3.4% in the period under review. The decrease was resulted from the decrease in revenue from the financing services segment which had higher profit margin.

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

Other income and gains of the Group increased by approximately 209%, from approximately HK\$15.5 million for the six months ended 30 June 2016 to approximately HK\$47.9 million for the six months ended 30 June 2017. The increase was mainly resulted from fair value gain on derivative financial instruments in relation to convertible bonds during the period under review.

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

Selling and distribution costs of the Group increased by 17% from approximately HK\$1.2 million during the six months ended 30 June 2016 to approximately HK\$1.4 million for the six months ended 30 June 2017. The increase was mainly due to the increase in selling and distribution costs of car rental business segment during the period under review.

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

General and administrative expenses of the Group increased by 46% from approximately HK\$17.4 million for the six months ended 30 June 2016 to approximately HK\$25.4 million for the six months ended 30 June 2017. The increase was mainly due to the increase in operating lease payment and salaries and wages during the period under review.

### ***Other expenses***

Other expenses of the Group decreased from approximately HK\$5.2 million for the six months ended 30 June 2016 to approximately HK\$0.6 million for the six months ended 30 June 2017. The decrease was mainly due to the impairment loss of goodwill during the prior period under review.

### ***Finance costs***

Finance costs increased from approximately HK\$6.1 million for the six months ended 30 June 2016 to approximately HK\$29.1 million for the six months ended 30 June 2017. The increase was mainly due to (i) the drawdown of certain new interest-bearing bank and other borrowings to finance the purchases of motor vehicles for the car rental business and potential projects; and (ii) full period effect of effective interest on convertible bonds issued in May 2016.

## *Income tax*

Income tax expense decreased from approximately HK\$9.3 million for the six months ended 30 June 2016 to approximately HK\$1.4 million for the six months ended 30 June 2017, which was mainly due to the decrease in profit generated from the materials trading business during the period under review.

## **Liquidity and financial resources**

As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately HK\$31.2 million (31 December 2016: HK\$39.5 million).

As at 30 June 2017, the Group had interest-bearing bank and other borrowings amounted to approximately HK\$185.1 million (31 December 2016: HK\$186.8 million) and the Group also had liability component of convertible bonds of approximately HK\$159.7 million (31 December 2016: HK\$147.7 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 2017 HK\$ (Unaudited)</b>	31 December 2016 HK\$ (Audited)
Total interest-bearing bank and other borrowings and liability component of convertible bonds	<b>344,777,416</b>	334,483,002
Equity	<b>956,069,754</b>	906,140,830
Gearing ratio	<b>36.1%</b>	36.9%

The slight decrease in the gearing ratio was mainly due to the repayment of interest-bearing bank and other borrowings during the period under review.

As at 30 June 2017, 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\$183.0 million (31 December 2016: HK\$180.5 million), and HK\$2.1 million (31 December 2016: HK\$6.3 million), respectively, of which bank borrowing of approximately HK\$20.7 million (31 December 2016: HK\$22.2 million) is denominated in Renminbi.

As at 30 June 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\$86.6 million (31 December 2016: nil) and HK\$73.1 million (31 December 2016: HK\$147.7 million), respectively.

## Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2017, the total number of the ordinary shares of the Company 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 period under review as follows:

	<i>No. of Shares</i>
1 January 2017	6,501,415,000
<i>Add:</i> Exercise of Warrants ( <i>Note</i> )	<u>132,755,454</u>
30 June 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, partially 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). As at 30 June 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.

## Charges on the Group’s assets

As at 30 June 2017, certain of the other borrowings were secured by certain of the Group’s motor vehicles of approximately HK\$5.7 million (31 December 2016: HK\$8.1 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 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.

## **Contingent liabilities**

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

## **Capital Commitments**

As at the end of the reporting period, the Group did not have any significant capital commitment (31 December 2016: Nil).

## **DIVIDENDS**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2017 (2016: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2017, the Group employed a total of 35 employees. Total staff costs, including directors emoluments, amounted to approximately HK\$10.0 million for the six months ended 30 June 2017. 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**

- (i) On 29 June 2017, a wholly-owned subsidiary of the Company has entered into an investment agreement with Zuoshishi Technology Service (Beijing) Company Limited to invest in cash for its approximately 11% enlarged registered share capital. The investment was completed on 1 August 2017. Please refer to the announcement of the Company dated 29 June 2017.
- (ii) On 6 July 2017, the Company has applied to subscribe for the fund interest in Honghua Investment Fund Limited (the "**Fund**") at the subscription amount of HK\$200,000,000. The Fund is managed by the Fund manager with the objective of achieving stable capital appreciation for its shareholders. Please refer to the announcement of the Company dated 6 July 2017.
- (iii) On 22 August 2017, the Company entered into the subscription agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe in cash for the convertible bonds in an aggregate principal amount of HK\$200,000,000. Based on the initial conversion price of HK\$0.35 per conversion share, 571,428,571 conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds in full, which represent (i) approximately 8.61 % of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.93% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares. Please refer to the announcement of the Company dated 22 August 2017.

## **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 2017.

## **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 2017.

## **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 Ms. Deng Shufen, Mr. Fang Jun, Mr. Jiang Tengfei and Mr. Zhao Xianming were unable to attend the annual general meeting of the Company held on 26 May 2017 due to their other business engagement.

## **AUDIT COMMITTEE REVIEW**

The interim results for the current 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 2017.

## **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 2017

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

***Executive Directors:***

Ms. Deng Shufen (*Chairman*)

Ms. Liu Jiangyuan

Ms. Chen Xiaoheng (*Chief Executive Officer*)

Mr. Gong Qingli

***Non-executive Director:***

Mr. Jiang Tengfei (*Vice-Chairman*)

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

Mr. Fang Jun

Mr. Wong Yiu Kit, Ernest

Mr. Zhao Xianming