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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 2018**

FINANCIAL HIGHLIGHTS

- The Group recorded a turnover of approximately HK\$1,097.6 million for the year ended 31 December 2018 (2017: HK\$3,000.0 million).
- The Group's net loss attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately HK\$227.0 million (2017: HK\$4.4 million).
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: 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 2018 together with the comparative audited figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2018*

		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	6	1,097,593	2,999,973
Cost of sales		<u>(1,031,644)</u>	<u>(2,883,059)</u>
Gross profit		65,949	116,914
Other income and gains, net	6	334,068	58,472
Allowance for ECLs on trade receivables, loan and other receivables		(198,039)	–
Impairment of amount due from a joint venture		(15,003)	–
Selling and distribution expenses		(7,641)	(2,835)
General and administrative expenses		(123,478)	(62,509)
Other expenses		(8,798)	(14,135)
Finance costs	7	(156,100)	(74,418)
Share of results of:			
Joint ventures		4,183	(6,165)
An associate		(107,938)	(16,865)
LOSS BEFORE TAX	8	(212,797)	(1,541)
Income tax expense	9	(27,651)	(6,697)
LOSS FOR THE YEAR		<u>(240,448)</u>	<u>(8,238)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		(226,976)	(4,445)
Non-controlling interests		(13,472)	(3,793)
		<u>(240,448)</u>	<u>(8,238)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	10	<u>HK(3.37) cent</u>	<u>HK(0.07) cent</u>
Diluted		<u>HK(3.37) cent</u>	<u>HK(0.17) cent</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
LOSS FOR THE YEAR	(240,448)	(8,238)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Available-for-sale investments:		
Change in fair value	–	22,768
Exchange differences:		
Exchange differences arising on translation of foreign operations	1,752	1,983
Share of other comprehensive (loss)/income of an associate	(1,814)	1,361
Other comprehensive (loss)/income for the year	(62)	26,112
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(240,510)	17,874
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Ordinary equity holders of the Company	(226,982)	21,667
Non-controlling interests	(13,528)	(3,793)
	(240,510)	17,874

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		21,784	24,539
Investment property		250,549	218,818
Goodwill		–	–
Intangible assets		38,970	41,968
Interests in joint ventures		1,642	8,416
Interest in an associate		2,985	112,737
Deferred tax assets		33,802	–
Long term prepayment and deposits		12,071	105,726
Loan receivable	<i>13</i>	–	15,629
Debt component of an acquired convertible bond		–	38,846
Available-for-sale investments	<i>11</i>	–	203,813
Financial assets at fair value through profit or loss	<i>11</i>	543,700	–
Derivative financial instrument		–	68
		<hr/>	<hr/>
Total non-current assets		905,503	770,560
CURRENT ASSETS			
Inventories		6,722	7,109
Trade receivables	<i>12</i>	746,139	1,018,088
Loan receivable	<i>13</i>	–	–
Prepayments, deposits and other receivables		351,216	14,092
Tax recoverable		103	1,313
Restricted cash		11,973	11,974
Cash and cash equivalents		17,912	29,409
		<hr/>	<hr/>
Total current assets		1,134,065	1,081,985

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables	<i>14</i>	2,401	126
Other payables and accruals		143,935	148,009
Amounts due to joint ventures		2,462	–
Interest-bearing bank and other borrowings		360,077	276,153
Tax payable		–	4,114
Derivative financial instrument	<i>15</i>	220	6,649
Convertible bonds	<i>15</i>	93,675	93,921
Provision for obligation on a joint venture		3,087	–
Provision for reinstatement costs		600	–
		<hr/>	<hr/>
Total current liabilities		606,457	528,972
		<hr/>	<hr/>
NET CURRENT ASSETS		527,608	553,013
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,433,111	1,323,573
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables		4,281	497
Interest-bearing other borrowings		355,451	100,000
Derivative financial instruments	<i>15</i>	6,400	64,164
Convertible bonds	<i>15</i>	251,770	222,933
Deferred tax liabilities		68,398	10,408
Provision for reinstatement costs		–	1,100
		<hr/>	<hr/>
Total non-current liabilities		686,300	399,102
		<hr/>	<hr/>
NET ASSETS		746,811	924,471
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	68,108	66,342
Reserves		709,032	876,069
		<hr/>	<hr/>
		777,140	942,411
Non-controlling interests		(30,329)	(17,940)
		<hr/> <hr/>	<hr/> <hr/>
Total equity		746,811	924,471
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

HongDa Financial Holding Limited (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 ultimate controlling parties are Ms. Deng Shufen and Ms. Liu Jiangyuan, who aggregately hold 51.38% of issued share capital of the Company in the name of Sino Merchant Car Rental Limited. 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 (i) provision of car rental and other services; (ii) materials trading; and (iii) financing services and investments.

2. BASIS OF PREPARATION

These consolidated 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 (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for investment property and certain types of financial assets as described in Note 11 which have been measured at fair value. These consolidated financial statements are presented in HK\$, which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

3. APPLICATION OF NEW AND REVISED HKFRSs

The HKICPA has issued a number of new and revised HKFRSs which were relevant to the Group and had become effective for the first time during the year. In preparing the consolidated financial statements, the Group has applied all these new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the accounting period beginning on 1 January 2018.

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contract with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contract with Customers</i>
HK (IFRIC) — Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract</i>
Amendments to HKAS 28	<i>As part of the Annual Improvements to HKFRSs 2014–2016 Cycle</i>
Amendments to HKAS 40	<i>Transfer of Investment Property</i>

Except as disclosed in the summary of the impact of changes in accounting policies in Note 4, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

At the date when these consolidated financial statements are authorised for issue, the following new and amended HKFRSs that may be relevant to the Group have been issued but are not yet effective, and have not been applied early by the Group.

		Effective for annual reporting periods beginning on or after
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1 January 2019*
HKAS 28 and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
HKFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

* The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2018. The effective date has now been deferred. Early application of the amendments continues to be permitted.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue From Contracts with Customers* on the consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are not applied or are different to those applied in prior periods. The Group has concluded not to restate the comparative figures based on the specific transitional provision in HKFRS 9 and HKFRS 15.

(a) HKFRS 9 – Financial Instruments

The Group has adopted HKFRS 9 on 1 January 2018 which has replaced HKFRS 39 *Financial Instruments: Recognition and Measurement*. HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following changes in accounting policies.

The Group has not restated comparative information for the year ended 31 December 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for the year ended 31 December 2018 would follow the requirements under HKAS 39 and is not comparable to the information presented for the current year. Differences arising from the adoption of HKFRS 9 have been recognised directly in accumulated losses, and relevant balance sheet items as of 1 January 2018.

(i) Classification and measurement of financial assets

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not classified at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income (“FVOCI”). The classification is based on two criteria: The Group’s business model for managing the assets; and whether the instruments contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the “SPPI criterion”).

The new classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade, loan and other receivables.
- Equity investments at FVOCI – with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity investments, which and neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies and which the Group has irrevocably elected to classify upon initial recognition or upon the initial application of HKFRS 9. The Group does not have any financial assets classified in this category.
- Financial assets at fair value through profit or loss – include an acquired convertible bond, unlisted equity investments and an unlisted fund investment which the Group has not irrevocably elected, at initial recognition or upon the initial application of HKFRS 9, to classify as FVOCI. Under HKAS 39, the Group's unlisted equity investments were classified as available-for-sale financial assets measured at fair value and the acquired convertible bond comprised the debt component and a derivative financial instrument.
- Debt instruments at FVOCI – with gains or losses recycled to profit or loss on derecognition. The Group does not have any financial assets classified in this category.

The assessment of the Group's business model was made as of the date of initial application of HKFRS 9, i.e. 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised as at that date. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the consolidated statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities in non-financial host contracts has not been changed from that required by HKAS 39.

(ii) *Impairment*

The adoption of HKFRS 9 has changed the Group's accounting policy for impairments by replacing HKAS 39's incurred loss approach with a forward-looking ECLs approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at the asset's original effective interest rate.

The following table is a reconciliation that shows how the closing loss allowance as at 31 December 2017 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 January 2018 determined in accordance with HKFRS 9:

	<i>HK\$'000</i>
Loss allowance recognised as at 31 December 2017 under HKAS 39	–
Additional loss allowance as a result of the application of the “ECL model” under HKFRS 9	
— Trade receivables	6,823
	<hr/>
Loss allowance recognised as at 1 January 2018 under HKFRS 9	6,823
	<hr/> <hr/>

The following tables analyse the impact of transition to HKFRS 9 on the consolidated statement of financial position of the Group.

**1 January
2018**
HK\$'000

An acquired convertible bond

Closing balance of debt component under HKAS 39 as at 31 December 2017	38,846
Closing balance of derivative financial instrument under HKAS 39 as at 31 December 2017	68
Remeasurement of an acquired convertible bond under HKFRS 9	393
Reclassification as financial assets at fair value through profit or loss under HKFRS 9	(39,307)
	<hr/>
Opening balance under HKFRS 9 as at 1 January 2018	–
	<hr/> <hr/>

Available-for-sale investments measured at fair value

Closing balance under HKAS 39 as at 31 December 2017	203,813
Reclassification as financial assets at fair value through profit or loss under HKFRS 9	(203,813)
	<hr/>
Opening balance under HKFRS 9 as at 1 January 2018	–
	<hr/> <hr/>

Financial assets at fair value through profit or loss

Closing balance under HKAS 39 as at 31 December 2017	–
Reclassification under HKFRS 9	243,120
	<hr/>
Opening balance under HKFRS 9 as at 1 January 2018	243,120
	<hr/> <hr/>

**1 January
2018**
HK\$'000

Available-for-sale investments revaluation reserve

Closing balance under HKAS 39 as at 31 December 2017	22,768
Transfer to accumulated losses	(22,768)
Opening balance under HKFRS 9 as at 1 January 2018	–

Accumulated losses

Closing balance under HKAS 39 as at 31 December 2017	(149,629)
Transfer from available-for-sale investments revaluation reserve	22,768
Remeasurement of an acquired convertible bond under HKFRS 9	393
Allowance for ECLs on trade receivables	(6,823)
Deferred tax effect of allowance for ECLs on trade receivables	1,126
Opening balance under HKFRS 9 as at 1 January 2018	(132,165)

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9.

	Balance at 31 December 2017 as originally presented <i>HK\$'000</i>	Remeasurement due to HKFRS 9 <i>HK\$'000</i>	Reclassification due to HKFRS 9 <i>HK\$'000</i>	Balance at 1 January 2018 <i>HK\$'000</i>
Consolidated Statement of Financial Position				
Non-current assets				
Debt component of an acquired convertible bond	38,846	393	(39,239)	–
Derivative financial instrument	68	–	(68)	–
Available-for-sale financial assets	203,813	–	(203,813)	–
Financial assets at fair value through profit or loss	–	–	243,120	243,120
Current assets — Trade receivables	1,018,088	(6,823)	–	1,011,265

(b) HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group is in the business of sales of products and provision of services in which the Group's contracts with customers generally include one performance obligation. The Group has concluded that revenue from sale of products and provision of services should be recognised at the point in time when control of the promised goods or services is transferred to the customer. Therefore, the adoption of HKFRS 15 did not have an impact on revenue recognition.

Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

Following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (as at 1 January 2018):

	Carrying amount as at 31 December 2017 under HKAS 18 (as originally presented) HK\$'000	Reclassification HK\$'000	Carrying amount as at 1 January 2018 under HKFRS 15 HK\$'000
Other payables and accruals	148,506	(1,986)	146,520
Contract liabilities*	–	1,986	1,986

* Contract liabilities recognised in relation to financial services and investments and other segments were previously treated as receipts in advance from customers presented under other payables and accruals.

The amount of revenue for the year that would have been recognised had the Group applied the accounting policies in accordance with the requirements of HKAS 18 would be the same as that recognised under HKFRS 15.

5. 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 losses of joint ventures are excluded from such measurement.

Segment assets exclude certain financial assets at fair value through profit or loss, 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 interests in joint ventures.

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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Segment revenue:										
Sales of goods	-	-	1,064,893	2,972,351	-	-	-	-	1,064,893	2,972,351
Car rental income	24,538	27,353	-	-	-	-	-	-	24,538	27,353
Loan interest income	-	-	-	-	-	-	43	-	43	-
Service income	-	-	-	-	-	-	8,119	269	8,119	269
Revenue	<u>24,538</u>	<u>27,353</u>	<u>1,064,893</u>	<u>2,972,351</u>	<u>-</u>	<u>-</u>	<u>8,162</u>	<u>269</u>	<u>1,097,593</u>	<u>2,999,973</u>
Segment results	(1,248)	(10,375)	(104,394)	109,285	69,187	(16,923)	(24,128)	(10,485)	(60,583)	71,502
Reconciliation:										
Unallocated interest income									3,190	1,664
Unallocated other income and gains									90,793	53,373
Unallocated depreciation									(3,146)	(2,169)
Corporate and other unallocated expenses									(93,390)	(47,914)
Unallocated finance costs									(153,844)	(71,832)
Share of loss of joint ventures									4,183	(6,165)
Loss before tax									<u>(212,797)</u>	<u>(1,541)</u>
Segment assets	64,484	70,791	786,641	1,022,283	637,294	318,708	325,283	221,516	1,813,702	1,633,298
Reconciliation:										
Corporate and other unallocated assets									225,866	219,247
Total assets									<u>2,039,568</u>	<u>1,852,545</u>
Segment liabilities	31,268	39,854	-	-	-	500	88,222	131,170	119,490	171,524
Reconciliation:										
Corporate and other unallocated liabilities									1,173,267	756,550
Total liabilities									<u>1,292,757</u>	<u>928,074</u>
Other segment information:										
Finance costs	2,223	2,586	-	-	-	-	33	-	2,256	2,586
Depreciation	5,728	7,612	-	-	-	-	75	8	5,803	7,620
Impairment of property, plant and equipment	1,119	3,121	-	-	-	-	-	-	1,119	3,121
Impairment of intangible assets	924	8,973	-	-	-	-	-	-	924	8,973
Capital expenditure*	8,484	7,782	-	-	-	-	-	107	8,484	7,889

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

Geographical information

The following tables present derived revenue from external customers for the years ended 31 December 2018 and 2017, and certain non-current assets information as at 31 December 2018 and 2017, by geographical area.

	The United States		Mainland China		Hong Kong		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>-</u>	<u>-</u>	<u>27,834</u>	<u>27,613</u>	<u>1,069,759</u>	<u>2,972,360</u>	<u>-</u>	<u>-</u>	<u>1,097,593</u>	<u>2,999,973</u>
Non-current assets	<u>300,017</u>	<u>219,572</u>	<u>295,875</u>	<u>263,877</u>	<u>309,611</u>	<u>271,482</u>	<u>-</u>	<u>15,629</u>	<u>905,503</u>	<u>770,560</u>
No-current assets (excluding financial instruments)	<u>263,218</u>	<u>219,572</u>	<u>60,837</u>	<u>60,064</u>	<u>37,748</u>	<u>126,941</u>	<u>-</u>	<u>-</u>	<u>361,803</u>	<u>406,577</u>

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 approximately HK\$441.7 million (2017: HK\$1,328.9 million), HK\$343.2 million (2017: HK\$1,043.7 million) and HK\$184.9 million (2017: HK\$599.7 million) were derived from materials trading segment with three (2017: three) customers, which individually amounted to 10 per cent or more of the Group's total revenue for the years ended 31 December 2018 and 2017.

6. 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, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Sales of goods recognised at a point of time	1,064,893	2,972,351
Car rental income	24,538	27,353
Loan interest income	43	–
Service income recognised at a point of time	8,119	269
	<u>1,097,593</u>	<u>2,999,973</u>
Other income		
Bank interest income	45	60
Other interest income	26,124	1,604
Dividend income from unlisted equity investment	9,708	–
Rental and management fee income	553	–
Others	835	244
	<u>37,265</u>	<u>1,908</u>
Gains, net		
Gain on disposal of items of property, plant and equipment, net	2,109	3,191
Fair value gain on investment property	26,330	–
Fair value gain on financial assets at fair value through profit or loss	177,571	–
Fair value gain on derivative financial instruments in relation to convertible bonds	90,793	53,373
	<u>296,803</u>	<u>56,564</u>
	<u>334,068</u>	<u>58,472</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank and other borrowings	64,285	28,754
Interest on convertible bonds	91,554	45,524
Bank charges	261	140
	<u>156,100</u>	<u>74,418</u>

8. LOSS BEFORE TAX

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

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Cost of inventories sold and services rendered		1,031,644	2,883,059
Depreciation [^]		8,949	9,789
Minimum lease payments under operating leases [^]		25,902	21,612
Auditor's remuneration			
— audit services		1,900	2,080
— non-audit services		200	428
Employee benefit expenses (including directors' remuneration):			
Wages, salaries allowances, bonuses and benefits in kind		47,264	22,904
Pension scheme contributions (defined contribution schemes) ^{##}		6,157	1,314
		53,421	24,218
Foreign exchange differences, net		36	557
Research expenses		9,486	–
Fair value gain on derivative financial instruments in relation to convertible bonds	<i>15</i>	(90,793)	(53,373)
Fair value loss on derivative financial instrument in relation to an acquired convertible bond*	<i>15</i>	–	1,445
Loss on modification of a convertible bond	<i>15</i>	5,700	–
Fair value gain on financial assets at fair value through profit or loss	<i>11</i>	(177,571)	–
Fair value gain on investment property		(26,330)	–
Allowances for ECLs on trade receivables	<i>12</i>	181,396	–
Allowances for ECLs on loan receivable	<i>13</i>	15,629	–
Allowances for ECLs on other receivables		1,014	–
Impairment of property, plant and equipment		1,119	3,121
Impairment of intangible assets*		924	8,973
Impairment of amount due from a joint venture*		15,003	–
Write-off of inventories*		16	–
Write-off of property, plant and equipment*		500	596
Loss on disposal of subsidiaries*		1,001	–
Gain on disposal of items of property, plant and equipment, net		(2,109)	(3,191)

[^] The depreciation in respect of certain of the Group's motor vehicles of approximately HK\$5,623,000 (2017: HK\$7,455,000) and the minimum lease payments under operating leases in respect of certain of the Group's motor vehicles of approximately HK\$10,751,000 (2017: HK\$9,848,000) are included in "Cost of sales" of the face of the consolidated statement of profit or loss.

* During the year ended 31 December 2018, the allowances of ECLs on trade and other receivables and loan receivable, impairment of property, plant and equipment, intangible assets, and impairment of amount due from a joint venture, loss on disposal of subsidiaries and write-off of inventories (2017: the fair value loss on derivative financial instrument in relation to an acquired convertible bond, impairment of property, plant and equipment, intangible assets and an available-for-sale investment, write-off of property, plant and equipment) were included in "Other expenses" on the face of the consolidated statement of profit or loss.

^{##} As at 31 December 2018 and 2017, the Group had no material forfeited contributions available to reduce its contributions to its pension schemes in future years.

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	–	8,849
(Over)/underprovision in prior years	(27)	237
Current — Elsewhere		
Charge for the year	–	179
Withholding tax	970	–
Overprovision in prior years	(79)	–
Deferred tax	26,787	(2,568)
	<hr/>	<hr/>
Total tax charge for the year	27,651	6,697
	<hr/> <hr/>	<hr/> <hr/>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax under these jurisdictions during the year (2017: Nil).

Under the Enterprise Income Tax Law (the “EIT Law”) of the People’s Republic of China (the “PRC”) and the Implementation Regulation of the EIT Law, the subsidiary in the PRC is subject to the tax rate of 25% (2017: 25%) on the estimated assessable profits during the year.

Under the PRC tax law, dividends received by foreign investors from its investment in foreign-invested enterprises in respect of its profits earned since 1 January 2008 are subject to withholding tax at a rate of 10%.

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

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK\$226,976,000 (2017: HK\$4,445,000) and the weighted average number of ordinary shares of 6,741,569,796 (2017: 6,615,306,357) in issue during the year.

During the year, no adjustment had been made to the basic loss per share amounts presented 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.

During the year ended 31 December 2017, the calculation of the diluted loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, 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 ended 31 December 2017, 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.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss		
Loss for the year attributable to ordinary equity holders of the Company used in the basis loss per share calculation:	<u>(226,976)</u>	<u>(4,445)</u>
Add: Interest on convertible bonds	91,554	45,524
Less: Fair value gain on derivative component of the convertible bonds	<u>(90,793)</u>	<u>(53,373)</u>
Adjusted loss for the year attributable to ordinary equity holders of the Company	<u>(226,215)</u>	<u>(12,294)</u>
	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	6,741,569,796	6,615,306,357
Effect of dilution weighted average number of ordinary shares:		
Convertible bonds	<u>-</u>	<u>763,992,171</u>
Weighted average number of ordinary shares in issue during the year used in the diluted loss per share calculation	<u>6,741,569,796</u>	<u>7,379,298,528</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS/ AN ACQUIRED CONVERTIBLE BOND/DERIVATIVE FINANCIAL INSTRUMENT

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current financial assets at fair value through profit or loss		
An acquired convertible bond (<i>Note (i)</i>)	39,659	–
An unlisted fund investment (<i>Note (ii)</i>)	20,569	–
Unlisted equity investments (<i>Note (iii)</i>)	483,472	–
	<hr/> 543,700 <hr/>	<hr/> – <hr/>
Available-for-sale investments		
Unlisted equity investments, at fair value (<i>Note (iv)</i>)	–	203,813
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(i) An acquired convertible bond

On 13 April 2017, the Company subscribed for a convertible bond (“Acquired Convertible Bond”) with a principal amount of HK\$40,000,000 which was issued by Bartha International Limited (the “Bond Issuer”), an independent third party incorporated in Hong Kong. The maturity date of the Acquired Convertible Bond is 6 April 2020.

The Acquired Convertible Bond is convertible into shares of the Bond Issuer at the option of the Company at any time commencing from the date of issue and up to and including the 10th day prior to the date of maturity. Exact number of shares to be issued upon conversion will depend on the total number of shares of the Bond Issuer at the time of conversion and the amount of the Acquired Convertible Bond to be converted into shares. The Acquired Convertible Bond carries interest at a rate of 2.0% per annum, which is payable annually.

As at 31 December 2017, the Acquired Convertible Bond contains a debt component which was recognised as loans and receivables and was measured at fair value on initial recognition and subsequently measured at amortised cost. The conversion option embedded in the Acquired Convertible Bond was recognised as derivative financial instrument and was measured at fair value on initial recognition and remeasured at each subsequent reporting date. On the date of subscription, the fair values of the debt component and the derivative financial instrument were approximately HK\$38,486,000 and HK\$1,513,000, respectively. As at 1 January 2018, the Acquired Convertible Bond as a whole is treated as financial assets at fair value through profit and loss. The effective interest rate of the debt component of the Acquired Convertible Bond is 3.3% per annum.

The movement of the debt derivative component of the Acquired Convertible Bond for the year is set out below:

	Debt component HK\$'000	Derivative component HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
At 1 January 2017	–	–	–	–
Subscription of Acquired Convertible Bond	38,487	1,513	–	40,000
Interest income	948	–	–	948
Interest received	(589)	–	–	(589)
Fair value loss on derivative component of Acquired Convertible Bond	–	(1,445)	–	(1,445)
	<u>38,846</u>	<u>68</u>	<u>–</u>	<u>38,914</u>
At 31 December 2017				
Initial application of HKFRS 9 (<i>Note 4(a)</i>) Transfer from Acquired Convertible Bond to financial assets at fair value through profit or loss	(38,846)	(68)	38,914	–
Impact of adopting HKFRS 9	–	–	393	393
	<u>–</u>	<u>–</u>	<u>39,307</u>	<u>39,307</u>
At 1 January 2018				
Fair value gain on financial assets at fair value through profit or loss	–	–	352	352
	<u>–</u>	<u>–</u>	<u>39,659</u>	<u>39,659</u>
At 31 December 2018				

(ii) An unlisted fund investment

On 26 May 2018, the Group subscribed for an unlisted fund investment at a cost of HK\$100,000,000, representing 100,000 fund units of the total 300,000 fund units.

For investment inside the unlisted fund, in the absence of quoted market prices in active markets, the fair value of this investment under Level 2 is estimated by making reference to quoted prices from pricing services based on the net asset value of the unlisted fund investment.

As at 31 December 2018, the fair value measurement of the unlisted fund investment was categorised within Level 2 of the fair value hierarchy. Fair value was recorded at approximately HK\$20,569,000 as at 31 December 2018 and a fair value loss of approximately HK\$79,431,000 was recognised in consolidated profit or loss.

(iii) Unlisted equity investments

	2018	2017
	HK\$'000	HK\$'000
Unlisted equity investments (Note (d))		
Zhongxin (Heilongjiang) Internet Microfinance Co., Ltd.* (Note (a))	175,344	–
Zuoshishi Technology Service (Beijing) Company Limited* (Note (b))	270,987	–
Spring Power Holdings Limited (Note (c))	36,799	–
Higgs Wood Culture (Beijing) Co., Ltd.*	342	–
	<hr/> 483,472 <hr/>	<hr/> – <hr/>

* The English name of these entities referred to in this note represented management's best efforts in translating the Chinese name of these entities as no English name has been registered or available.

- (a) As at 31 December 2018, the Group has 2% of the issued share capital of an unlisted company incorporated in the PRC principally engaged in internet microfinance business. The investment was classified as available-for-sale investment as at 31 December 2017, and reclassified as financial assets at fair value through profit or loss under HKFRS 9 as at 1 January 2018.

In the current year, the management engaged an independent qualified professional valuer to determine the fair value of this investment with reference to publicly available information of comparable companies applying a marketability discount. The valuer adopted the market approach to determine the valuation parameters derived from market prices and financial data of listed companies in a similar business and with a similar business model as that of the company being valued. The valuer applied a discount rate of 20% for the lack of liquidity of business operation being valued due to the fact that it was not a listed company. Fair value was recorded at approximately HK\$175,344,000 as at 31 December 2018 and a fair value gain of approximately HK\$43,465,000 was recognised in consolidated profit or loss.

- (b) As at 31 December 2018, the Group has 11% of the issued share capital of an unlisted company incorporated in the PRC principally engaged in the innovation service for start-up technology companies and related investment activities. The investment was classified as available-for-sale investment as at 31 December 2017, and reclassified as financial assets at fair value through profit or loss under HKFRS 9 as at 1 January 2018.

In the current year, the management engaged an independent qualified professional valuer to determine the fair value of this investment with price of recent investment given the existence of recent transaction and investment for the equity interest in a subsidiary of the Company which holds 11% equity interest in this unlisted company. Fair value was recorded at approximately HK\$270,987,000 as at 31 December 2018 and a fair value gain of approximately HK\$199,782,000 was recognised in consolidated profit or loss.

- (c) As at 31 December 2018, the Group has 2.9% of the issued share capital of an unlisted company incorporated in the BVI. The investee is an investment holding company, with a major subsidiary, Hanson Robotics Limited, engaged in development and manufacture of humanlike robots. The investment was classified as available-for-sale investment as at 31 December 2017, and reclassified as financial assets at fair value through profit or loss under HKFRS 9 as at 1 January 2018.

In the current year, the management engaged an independent qualified professional valuer to determine the fair value of this investment with price of recent investment given the existence of recent transaction and investment for the equity interest in this unlisted company. Fair value was recorded at approximately HK\$36,799,000 as at 31 December 2018 and a fair value gain of approximately HK\$13,403,000 was recognised in consolidated profit or loss.

- (d) The fair values of these unlisted equity investments are measured using valuation technique with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy.

(iv) Available-for-sale investments as at 31 December 2017

During the year ended 31 December 2017, the gross fair value gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK\$22,768,000.

12. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	934,358	1,018,088
Less: Allowance for ECLs	(188,219)	–
	<u>746,139</u>	<u>1,018,088</u>

The Group's trading terms with its customers are mainly on credit with credit period generally from 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. Overdue trade receivables are interest-bearing.

The Group generally does not hold any collateral or other credit enhancements over its trade receivable balances. As at 31 December 2018, certain of the Group's other borrowings were secured by the pledge of the Group's trade receivables of approximately HK\$665,606,000 (2017: HK\$602,229,000).

The Group applies HKFRS 9 to measure the allowance for ECLs. The Group assesses whether the risk of trade receivables have increased significantly since their initial recognition, and applies an impairment model to calculate their allowance for ECLs, the management assesses allowance for ECLs using the risk parameter modelling approach that incorporates key measurement parameters, including probability of default, loss given default and exposure at default with the consideration of forward-looking information.

During the year ended 31 December 2018, based on management's assessment, the Group recorded allowance for ECLs of approximately HK\$181,396,000 (2017: Nil) in consolidated profit or loss.

Movements in allowance for ECLs on trade receivables are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
As at 1 January	6,823	–
Allowance for ECLs made during the year	181,396	–
As at 31 December	<u>188,219</u>	<u>–</u>

Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise ECLs on trade receivables. Details are set out in Note 4(a)(ii).

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	597	199,496
31 to 60 days	747	215,672
61 to 90 days	721	214,308
Over 90 days	932,293	388,612
Less: Allowance for ECLs	(188,219)	–
Total	<u>746,139</u>	<u>1,018,088</u>

The ageing analysis of the trade receivables, net of allowance for ECLs, that are not individually nor collectively considered to be impaired is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Neither past due nor impaired	462	918,442
Less than 31 days past due	525	97,105
31 to 60 days past due	139,862	1,074
61 to 90 days past due	53,165	701
Over 90 days past due	740,344	766
Less: Allowance for ECLs	(188,219)	–
Total (<i>note</i>)	<u>746,139</u>	<u>1,018,088</u>

Note: Subsequent to the end of the reporting period, approximately HK\$519,243,000 of the trade receivables outstanding as at 31 December 2018 were settled.

Trade receivables that were neither past due nor impaired relate to debtors for whom there was no recent history of default.

13. LOAN RECEIVABLE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loan receivable	15,629	15,629
Less: Allowance for ECLs	(15,629)	–
Less: Portion classified as non-current assets	–	(15,629)
Current portion	<u>–</u>	<u>–</u>

Loan receivable is secured, bears interest at 15% per annum and is repayable with a maturity period of 18 months from the date of agreement and was due on 21 March 2019.

As at 31 December 2018 and 2017, the loan receivable was secured by (i) the pledge of an aircraft leased to an independent borrower by a company wholly owned by the borrower's sole director; and (ii) 49% issued share capital of the borrower.

As at 31 December 2018, the allowance for ECLs is related to an individually impaired loan receivable of the independent borrower of approximately HK\$15,629,000 (2017: Nil) that default its repayment due on 21 March 2019. As a consequence, allowance for ECLs of approximately HK\$15,629,000 (2017: Nil) has been recognised in respect of such loan receivable.

Movements in allowance for ECLs on loan receivable is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
As at 1 January	–	–
Allowance for ECLs made during the year	<u>15,629</u>	–
As at 31 December	<u><u>15,629</u></u>	<u>–</u>

14. TRADE PAYABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	518	36
31 to 60 days	1,014	30
Over 60 days	<u>869</u>	<u>60</u>
	<u><u>2,401</u></u>	<u>126</u>

The trade payables are non-interest-bearing and normally settled on 30 to 90 days after the month-end of occurrence.

15. CONVERTIBLE BONDS

On 17 May 2016, the Company issued 2018 convertible bond (the “2018 Convertible Bond”) and 2019 convertible bond (the “2019 Convertible Bond”) 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.

The 2018 Convertible Bond and 2019 Convertible Bond are convertible at the option of 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 2018 Convertible Bond and 2019 Convertible Bond are convertible into approximately 571,429,000 ordinary shares of the Company in aggregate. The 2018 Convertible Bond and the 2019 Convertible Bond, if not converted, will be redeemed at their outstanding principal amount together with any interest thereon, plus an additional amount of a compound return of 12% per annum over the outstanding principal amount at maturity. The 2018 Convertible Bond and the 2019 Convertible Bond carry interest at a rate of 5% per annum, payable semi-annually on 30 June and 31 December of a calendar year. The effective interest rates of the liability components of the 2018 Convertible Bond and 2019 Convertible Bond are 22.8% and 23.5%, respectively.

On 10 May 2018, the Company and the bondholder of 2018 Convertible Bond entered into a deed of amendment, pursuant to which the maturity date of 2018 Convertible Bond was extended from 16 May 2018 to 16 May 2020 and the interest rate was increased from 5% per annum to 6% per annum. Interest payment dates were not changed. To effect the extension, the bondholder requested the Company to settle the additional amount as described above and an amount of HK\$15,440,000 was paid thereof. The effective interest rate of the liability component of the extended Convertible Bond is 25.5%.

Both 2018 Convertible Bond and 2019 Convertible Bond have the following early redemption options. 2018 Convertible Bond and 2019 Convertible Bond holders have the right to require the Company to redeem the whole of the 2018 Convertible Bond and 2019 Convertible Bond respectively held by them prior to the maturity date at a redemption price equal to the respective principal amount of 2018 Convertible Bond and 2019 Convertible Bond together with accrued and unpaid interest and the additional amount upon the occurrence of certain events that are out of the Company's control.

In addition, for both 2018 Convertible Bond and 2019 Convertible Bond, the Company may, at any time prior to the maturity date, redeem in whole the 2018 Convertible Bond and 2019 Convertible Bond for the time being outstanding at their principal amount together with accrued and unpaid interest and the additional amount to the date fixed by the Company for redemption provided that at the date of redemption, at least 90% in principal amount of the 2018 Convertible Bond and 2019 Convertible Bond has already been converted, redeemed or purchased and cancelled.

As such, the conversion option and the early redemption options are considered as a single derivative for fair value measurement purpose.

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

The 2020 Convertible Bond is convertible at the option of the bondholder at any time from and including the first anniversary from its date of issue 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 2020 Convertible Bond is convertible into approximately 571,429,000 ordinary shares of the Company. The 2020 Convertible Bond, if not converted, will be redeemed at its outstanding principal amount together with the any interest accrued thereon. The 2020 Convertible Bond 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 2020 Convertible Bond is 24.2%.

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:

	Liability components <i>HK\$'000</i>	Derivative components <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	147,654	63,586	211,240
Issue of 2020 Convertible Bond	139,069	60,600	199,669
Interest expenses	44,910	–	44,910
Interest paid	(14,779)	–	(14,779)
Fair value gain on derivative component of convertible bonds	–	(53,373)	(53,373)
At 31 December 2017 and 1 January 2018	316,854	70,813	387,667
Loss on modification of 2018 Convertible Bond	(20,900)	26,600	5,700
Interest expenses	91,554	–	91,554
Interest paid	(42,063)	–	(42,063)
Fair value gain on derivative component of convertible bonds	–	(90,793)	(90,793)
At 31 December 2018	<u>345,445</u>	<u>6,620</u>	<u>352,065</u>
Represented by:			
Current portion	93,675	220	93,895
Non-current portion	251,770	6,400	258,170
At 31 December 2018	<u>345,445</u>	<u>6,620</u>	<u>352,065</u>

16. SHARE CAPITAL

Shares:

	2018 HK\$'000	2017 <i>HK\$'000</i>
Authorised		
20,000,000,000 (2017: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
6,810,750,454 (2017: 6,634,170,454) ordinary shares of HK\$0.01 each	<u>68,108</u>	<u>66,342</u>

A summary of the movements in the Company's issued share capital is as follows:

	Number of ordinary shares '000	Issued capital HK\$000	Share premium account HK\$000	Total HK\$000
At 1 January 2017	6,501,415	65,014	877,633	942,647
Exercise of warrants (<i>Note (a)</i>)	132,755	1,328	19,399	20,727
Transfer of share option reserve upon expiry of share options (<i>Note (b)</i>)	<u>–</u>	<u>–</u>	<u>112,000</u>	<u>112,000</u>
At 31 December 2017 and 1 January 2018	6,634,170	66,342	1,009,032	1,075,374
Issue of ordinary shares (<i>Note (c)</i>)	<u>176,580</u>	<u>1,766</u>	<u>50,681</u>	<u>52,447</u>
At 31 December 2018	<u>6,810,750</u>	<u>68,108</u>	<u>1,059,713</u>	<u>1,127,821</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 approximately HK\$14,603,000 had been exercised at a price of HK\$0.11 per warrant share by a warrant subscriber. An amount of approximately HK\$6,124,000 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 ended 31 December 2017, 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.

- (c) On 4 May 2018, the Company entered into a conditional placing agreement with an independent placing agent whereby the Company conditionally agreed to place, through the placing agent, up to 176,580,000 placing shares to not less than six independent placees at a price of HK\$0.3 per placing share (the “Placing”). On 23 May 2018, an aggregate of 176,580,000 new shares were placed at HK\$0.3 per placing share. The proceeds were credited to the share capital account at par at HK\$0.01 per share amounted to approximately HK\$1,766,000. The remaining of the proceeds from the placing of new shares of approximately HK\$50,681,000, net of transaction costs, were credited to the Company’s share premium account. The Placing was completed on 23 May 2018.

Warrants:

During the year ended 31 December 2012, the Group issued unlisted warrants to an independent third party (the “Warrant Subscriber”) as part of the conditions for the provision of a loan facility of HK\$50,000,000 by the Warrant Subscriber to the Group for a period of 5 years. The warrants entitle the Warrant Subscriber to subscribe up to approximately HK\$16,808,000 in aggregate, in cash for ordinary shares of the Company at an original subscription price of HK\$0.27 per share, subject to adjustments, at any time during the period from 31 October 2012 to 30 October 2017.

During the prior years, as a result of the completion of several open offers and placings of the Company, the subscription price of the outstanding warrants had been adjusted to HK\$0.11 per share pursuant to the terms of the instrument relating to the warrants.

On 17 November 2016, 20,040,000 warrants were exercised at a price of HK\$0.11 per warrant share by the Warrants Subscriber. On 3 January 2017, 23 February 2017 and 31 March 2017, the remaining 132,755,454 warrants were exercised in full at a price of HK\$0.11 per warrant share by the Warrant Subscriber.

BUSINESS REVIEW

Car Rental Business

During the year, the Group continued its operation of the car rental services business in China through its indirect wholly-owned subsidiary, Beijing Tu An Car Rental Services Limited* 北京途安汽車租賃有限責任公司. The Group's car rental business segment persisted to target on high-end and middle-end corporate customers. Benefited by the development of burgeoning online market, short-term leasing kept on growing as one of the mainstream transportation choices for individual consumers, while traditional long-term leasing remained vigorous. Therefore, the Group has secured its stability and profitability in this competitive market. For the year ended 31 December 2018, the car rental segment recorded a revenue of approximately HK\$24.5 million (2017: HK\$27.4 million) and gross profit of approximately HK\$1.5 million (2017: HK\$4.2 million), representing a gross profit margin of approximately 6.2% (2017: 15.3%).

Materials Trading Business

The material trading business has maintained as a stable source of income for the Group. For the year ended 31 December 2018, the Group's materials trading business recorded a revenue of approximately HK\$1,064.9 million (2017: HK\$2,972.4 million) and a gross profit of approximately HK\$55.1 million (2017: HK\$110.5 million), representing a gross profit margin of approximately 5.2% (2017: 3.7%). The decrease in revenue from materials trading business in 2018 was mainly due to the negative sentiment of the China-United States trade war, which affected global economy and reduced the demand for commodities. In 2019, manufacturing will be seen as a vital sector, and the Chinese government has proposed to introduce a variety of favorable policies to foster manufacturing industry. On that account, the demand of material trading business will increase and a promising future is worth looking forward to in this business segment.

Financing Services and Investment Business

The Group has a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) through a wholly-owned subsidiary, to conduct money lending business in Hong Kong through the provision of loans. The Group is accelerating the development of its financing services for the purpose of building a diversified financial services platform with sustainable development, to deliver a more comprehensive and exceptional financial service to its investors.

During the year, the Group focused on the development of core business such as financial investment and asset management, Meanwhile, the Group proactively explored new business opportunities to invest in AI, robotics and healthcare.

In May 2018, the Group entered into a capital increase agreement with Higgs Dynamic (Zhuhai) Company Limited* (希格斯動力科技(珠海)有限公司) ("Higgs Dynamics"), pursuant to which the Group has conditionally agreed to contribute RMB51.0 million (equivalent to approximately HK\$63.3 million) in cash for 60% of the enlarged registered capital of Higgs Dynamics. Higgs Dynamics is primarily engaged in the research and development, production and sales of service robots.

* *English translations are for reference only*

In January 2019, the Group had successfully registered with the Securities and Futures Commission (SFC) of Hong Kong as a licensed corporation to carry on Type 1 (dealing in securities) regulated activities through a wholly-owned subsidiary, HongDa Securities Limited.

FUTURE OUTLOOK

According to the Central Economic Work Conference, the principal mission of China's economy in 2019 strive to future develop on high quality manufacturing, boost the development of domestic market, accelerate economic and institutional reforms, as well as to push forward all-round of opening-up. A series of proactive fiscal policy and prudent monetary policy is predicted to be carried out to revitalize the market. These favorable factors will further strengthen the continuous uptrend of China's economy. Therefore, the Group's management is confident to uphold the implementation of a diversified development strategy simultaneously place great effort in expanding its financial and asset management businesses.

The evolution of technology will bring us great prospect and tremendous potential. The Group will make full use of its experience to seize the opportunities by placing emphasis on innovative areas.

Looking forward, the Group will actively seek new investment opportunities in order to expand its business portfolio, and to be committed in building a holistic financial services platform. By leveraging on our ever-growing financial management ecosystem, we believe that the Group will create fruitful return for our shareholders in the long run.

FINANCIAL REVIEW

Results of the Group

Revenue

During the year ended 31 December 2018, the Group recorded a revenue of approximately HK\$1,097.6 million, which represented a decrease of 63.4% as compared to the revenue of approximately HK\$3,000.0 million as recorded for the year ended 31 December 2017. As mentioned in the section headed "BUSINESS REVIEW", the decrease was mainly resulted from the decrease in materials trading from approximately HK\$2,972.4 million for the year ended 31 December 2017 to approximately HK\$1,064.9 million for the year ended 31 December 2018.

Cost of sales

Cost of sales of the Group decreased by approximately 64.2% from approximately HK\$2,883.1 million for the year ended 31 December 2017 to approximately HK\$1,031.6 million for the year ended 31 December 2018. The decrease was mainly attributable to the decrease in sales volume of materials trading during the year.

Gross profit and margin

The Group recorded a gross profit of approximately HK\$65.9 million for the year ended 31 December 2018, representing a decrease of approximately 43.6% as compared to the gross profit recorded in the prior year. The gross profit margin increased by approximately 53.8% from approximately 3.9% in 2017 to approximately 6.0% in the year. The increase was mainly resulted from the increase in average selling price of materials.

Other income and gains, net

Other income and gains, net of the Group increased from approximately HK\$58.5 million for the year ended 31 December 2017 to approximately HK\$334.1 million for the year ended 31 December 2018. The increase was mainly resulted from fair value gain on derivative financial instruments in relation to convertible bonds of approximately HK\$90.8 million (2017: HK\$53.4 million); fair value gain on financial assets at fair value through profit or loss of approximately HK\$177.6 million (2017: Nil); fair value gain on investment property of approximately HK\$26.3 million (2017: Nil); amount received from customers for late settlement of trade receivables of approximately HK\$23.0 million (2017: Nil) and dividend income from an unlisted equity investment of approximately HK\$9.7 million (2017: Nil) during the year.

Selling and distribution expenses

Selling and distribution expenses increased from approximately HK\$2.8 million for the year ended 31 December 2017 to approximately HK\$7.6 million for the year ended 31 December 2018. The increase was mainly due to extra cost incurred in financing services and investments segment as a result of business expansion during the year.

General and administrative expenses

General and administrative expenses increased by approximately 97.6% from approximately HK\$62.5 million for the year ended 31 December 2017 to approximately HK\$123.5 million for the year ended 31 December 2018, was mainly due to the extra cost incurred as a result of business expansion during the year. The average employee headcount increased by 96 and resulted to the increase in staff cost by approximately HK\$29.2 million. Extra administrative expenses of approximately HK\$23.8 million also incurred in relation to an investment property in the United States, which was acquired in the second half of 2017.

Finance costs

Finance costs increased from approximately HK\$74.4 million for the year ended 31 December 2017 to approximately HK\$156.1 million for the year ended 31 December 2018, mainly due to (i) drawdown of certain new interest-bearing other borrowings; and (ii) issue of new convertible bond during the second half of 2017 to finance investments and acquisitions.

Income tax expense

Income tax expense increased from approximately HK\$6.7 million for the year ended 31 December 2017 to approximately HK\$27.7 million for the year ended 31 December 2018, which was mainly due to the increase in deferred tax expenses of approximately HK\$26.8 million as a result of the net effect of fair value gain on financial assets at fair value through profit or loss, fair value gain on investment property and allowances for ECLs on trade receivables, loan and other receivables.

Liquidity and Financial Position

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current assets	1,134,065	1,081,985
Current liabilities	606,457	528,972
Current ratio	1.87	2.05

At 31 December 2018, cash and cash equivalents of the Group amounted to approximately HK\$17.9 million (2017: HK\$29.4 million).

As at 31 December 2018, the Group had interest-bearing bank and other borrowings amounted approximately HK\$715.5 million (2017: HK\$376.2 million) and the Group also has liability component of convertible bonds of approximately HK\$345.4 million (2017: HK\$316.9 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, the Board is confident that the Group has sufficient financial resources to meet its debt repayment and finance needs for its operations for the foreseeable future.

Gearing Ratio

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Total interest-bearing bank and other borrowings and liability component of convertible bonds	1,060,973	693,007
Total assets	2,039,568	1,852,545
Gearing ratio	52.0%	37.4%

The increase in the gearing ratio was mainly due to the drawdown of certain new interest-bearing other borrowings during the year.

At 31 December 2018, 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\$360.1 million (2017: HK\$276.2 million), and HK\$355.5 million (2017: HK\$100.0 million), respectively, of which bank and other borrowings of approximately HK\$49.1 million (2017: HK\$76.8 million) is denominated in Renminbi and approximately HK\$354.2 million (31 December 2017: HK\$119.3 million) is denominated in US dollar.

At 31 December 2018, 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\$93.6 million (2017: HK\$93.9 million) and HK\$251.8 million (2017: HK\$222.9 million), respectively.

Capital Structure

The capital of the Company comprises only ordinary shares of HK\$0.01 each (the "Shares"). At 31 December 2018, the total number of issued shares was 6,810,750,454 (with an aggregate nominal value of HK\$68,107,505). The total number of issued shares had been changed during the year as follows:

	<i>No. of Shares</i> <i>'000</i>
At 1 January 2018	6,634,170
Add: issue of ordinary shares (<i>Note</i>)	<u>176,580</u>
At 31 December 2018	<u><u>6,810,750</u></u>

Note:

On 4 May 2018, the Company entered into a conditional placing agreement with an independent placing agent whereby the Company conditionally agreed to place, through the placing agent, up to 176,580,000 placing shares to not less than six independent places at a price of HK\$0.3 per placing share (the "Placing"). On 23 May 2018, an aggregate of 176,580,000 new shares were placed at HK\$0.3 per placing share. The proceeds were credited to the share capital account at par at HK\$0.01 per share amounted to approximately HK\$1,766,000. The remaining of the proceeds from the placing of new shares of approximately HK\$50,681,000, net of transaction costs, were credited to the Company's share premium account. The Placing was completed on 23 May 2018.

Please refer to the announcements of the Company dated 4 May 2018 and 23 May 2018, on the issue of the ordinary shares.

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 at 31 December 2018 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 2018, certain of the Group's other borrowings were secured by the Group's trade receivables of approximately HK\$665.6 million (2017: HK\$602.2 million) and investment property of approximately HK\$250.5 million (2017: HK\$218.8 million). As at 31 December 2017, the Group's other borrowings were secured by Group's motor vehicles of approximately HK\$2.4 million.

Contingent Liabilities

At 31 December 2018, 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 (2017: HK\$205.0 million), of which HK\$17.7 million (2017: HK\$23.1 million) has been utilised.

Capital Commitments

As at 31 December 2018, the Group had outstanding capital commitments amounted to approximately HK\$136.2 million (31 December 2017: HK\$26.4 million).

EMPLOYEES AND EMOLUMENT POLICY

At 31 December 2018, the Group employed a total of 147 (2017: 51) employees. Total staff costs including Directors' emoluments, amounted to approximately HK\$53.4 million for the year (2017: approximately HK\$24.2 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 2018.

At 31 December 2018, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained during the year under review the amount of public float as required under the Listing Rules.

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 (2017: 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, except code provisions A.6.7 of the code as the Directors Mr. Li Xiaolu, Ms. Wang Li and Mr. Zhao Xianming were unable to attend the annual general meeting of the Company held on 30 May 2018 due to their other business engagement.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the “Audit Committee”) comprises all the three independent non-executive Directors, namely Mr. Zhao Xianming (chairman), Dr. Guan Huanfei 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 2018 have been reviewed by the Audit Committee.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group’s independent auditor, Moore Stephens CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2018. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Moore Stephens CPA Limited in this announcement.

PUBLICATION OF 2018 FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.hongdabin.com) and the Stock Exchange (www.hkex.com.hk). The 2018 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
Tung Shun
Chairman and Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the board of directors of the Company comprises Ms. Tung Shun (Chairman) and Ms. Chen Xiaohang (CEO) as executive directors; Mr. Li Xiaolu (Vice-Chairman) and Ms. Wang Li as non-executive directors; and Dr. Guan Huanfei, Mr. Wong Yiu Kit, Ernest and Mr. Zhao Xianming as independent non-executive directors.