

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2019**

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	643,085	1,081,933
Gross profit	33,174	61,909
(Loss)/profit for the period	(185,926)	24,242
Total comprehensive (loss)/income for the period	(184,618)	24,199

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 2019 together with the comparative unaudited figures for the six months ended 30 June 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
	<i>Notes</i>	2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	5	643,085	1,081,933
Cost of sales		<u>(609,911)</u>	<u>(1,020,024)</u>
Gross profit		33,174	61,909
Other income and gains, net		24,260	108,343
Allowances for expected credit losses (“ECLs”) on trade and other receivables, net		(92,119)	–
Selling and distribution expenses		(4,761)	(1,836)
General and administrative expenses		(53,809)	(46,136)
Other expenses		(943)	(6,255)
Finance costs	6	(77,206)	(78,310)
Share of results of:			
Joint ventures		3,599	(1,922)
An associate		<u>(4,480)</u>	<u>(11,073)</u>
(LOSS)/PROFIT BEFORE TAX	7	(172,285)	24,720
Income tax expense	8	<u>(13,641)</u>	<u>(478)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(185,926)</u>	<u>24,242</u>
Attributable to:			
Ordinary equity holders of the Company		(173,663)	23,536
Non-controlling interests		<u>(12,263)</u>	<u>706</u>
		<u>(185,926)</u>	<u>24,242</u>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY			
FOR THE PERIOD	10		
Basic		<u>HK(2.55) cent</u>	<u>HK0.35 cent</u>
Diluted		<u>HK(2.55) cent</u>	<u>HK0.35 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	<u>(185,926)</u>	<u>24,242</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences:		
Exchange differences arising on translation of foreign operations	1,308	104
Share of other comprehensive loss of an associate	<u>–</u>	<u>(147)</u>
	<u>1,308</u>	<u>(43)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><u>(184,618)</u></u>	<u><u>24,199</u></u>
Attributable to:		
Ordinary equity holders of the Company	(172,398)	23,493
Non-controlling interests	<u>(12,220)</u>	<u>706</u>
	<u><u>(184,618)</u></u>	<u><u>24,199</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		17,207	21,784
Investment property		246,078	250,549
Right-of-use assets		5,852	–
Intangible assets		38,970	38,970
Interest in joint ventures		1,098	1,642
Interests in an associate		–	2,985
Deferred tax assets		18,848	33,802
Long-term prepayment and deposits		10,092	12,071
Financial assets at fair value through profit or loss	11	526,363	543,700
Total non-current assets		864,508	905,503
CURRENT ASSETS			
Inventories		6,537	6,722
Trade receivables	12	677,049	746,139
Loan receivable		–	–
Prepayments, deposits and other receivables		173,158	351,216
Tax recoverable		647	103
Restricted cash		11,973	11,973
Cash and cash equivalents		27,491	17,912
Total current assets		896,855	1,134,065
CURRENT LIABILITIES			
Trade payables	13	600	2,401
Other payables and accruals		95,139	143,935
Amounts due to joint ventures		1,778	2,462
Interest-bearing bank and other borrowings		276,946	360,077
Derivative financial instrument	14	400	220
Convertible bonds	14	282,919	93,675
Lease liabilities		1,513	–
Provision for obligation on a joint venture		–	3,087
Provision for reinstatement costs		–	600
Total current liabilities		659,295	606,457
NET CURRENT ASSETS		237,560	527,608
TOTAL ASSETS LESS CURRENT LIABILITIES		1,102,068	1,433,111

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2019

		30 June 2019	31 December 2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Other payables		4,274	4,281
Interest-bearing other borrowings		348,868	355,451
Derivative financial instruments	<i>14</i>	280	6,400
Convertible bonds	<i>14</i>	115,159	251,770
Lease liabilities		4,261	–
Deferred tax liabilities		67,085	68,398
		<hr/>	<hr/>
Total non-current liabilities		539,927	686,300
		<hr/>	<hr/>
NET ASSETS		562,141	746,811
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	<i>15</i>	68,108	68,108
Reserves		536,582	709,032
		<hr/>	<hr/>
		604,690	777,140
Non-controlling interests		(42,549)	(30,329)
		<hr/>	<hr/>
Total equity		562,141	746,811
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019, 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

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 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 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2018, except for the adoption of new and revised Hong Kong Financial Reporting Standards, (“**HKFRSs**”, which also include HKASs and Interpretations) which are effective for the Group's annual periods beginning on or after 1 January 2019 as discussed below.

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective.

The HKICPA has issued a number of new and revised HKFRSs which were relevant to the Group and had become effective during the period. In preparing the condensed consolidated interim financial information, the Group has applied all these new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's condensed consolidated interim financial information for the accounting period beginning on 1 January 2019. In the opinion of directors of the Company, the application of the new and revised to HKFRSs in the current period has had no material impact on the Group's consolidated financial performance and positions for the current and prior period/year and/or on the disclosures set out in these condensed consolidated interim financial information, except for the adoption of HKFRS 16 *Leases*.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 Leases

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease expenses were recognised in the consolidated statement of comprehensive income over the lease period on a straight line basis.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 January 2019. The weighted average Group’s incremental borrowing rates applied to the lease liabilities on 1 January 2019 were ranging from approximately 10.2% to 14.0%.

Right-of-use assets are measured at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the Group’s incremental borrowing rate at the date of initial application.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Consolidated statement of financial position

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	34,356
Discounted using the lessees’ incremental borrowing rates at the date of initial application	(1,397)
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(26,740)
Add: Others	1,399
Lease liabilities recognised as at 1 January 2019	7,618
Of which are:	
Current lease liabilities	3,351
Non-current lease liabilities	4,267
	<u>7,618</u>

The associated right-of-use assets for properties and motor vehicles were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16 Leases (continued)

As at 1 January 2019, the recognised right-of-use assets relate to the following types of assets:

	<i>HK\$'000</i> (Unaudited)
Properties	3,264
Motor vehicles	4,354
	<u>7,618</u>

Under the transition methods chosen, the Group has recognised cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Comparative information is not restated. Line items that were not affected by the changes have not been included in the following table. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The change in accounting policy affected the following items in the consolidated statement of financial position as at 1 January 2019:

	At 31 December 2018 <i>HK\$'000</i> (Audited)	Impact of initial application of HKFRS 16 <i>HK\$'000</i>	At 1 January 2019 <i>HK\$'000</i> (Unaudited)
Right of-use assets	–	7,618	7,618
Total non-current assets	905,503	7,618	913,121
Lease liabilities	–	(3,351)	(3,351)
Total current liabilities	(606,457)	(3,351)	(609,808)
Net current assets	527,608	(3,351)	524,257
Total assets less current liabilities	1,433,111	(3,351)	1,429,760
Lease liabilities	–	(4,267)	(4,267)
Total non-current liabilities	(686,300)	(4,267)	(690,567)

The initial application of HKFRS 16 does not have impact on reserves.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 16 Leases *(continued)*

Summary of new accounting policy

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policy upon adoption of HKFRS 16 from 1 January 2019:

The Group leases properties and motor vehicles for its operations. Rental contracts are typically made for fixed period of 3 to 38 months. Lease terms are negotiated on an individual basis and do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset under property, plant and equipment and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recorded in property, plant and equipment, and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation is recorded in the consolidated statements of comprehensive income.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. The lease liabilities are recognised separately in current and non-current liabilities in the consolidated statement of financial position.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, lease payment made at or before the commencement date and any initial direct cost.

4. OPERATING SEGMENT INFORMATION

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

- (a) Car rental segment — primarily engages in the provision of car rental services;
- (b) Materials trading segment — primarily engages in the trading of materials;
- (c) Financing services and investments segment — primarily engages in money lending business through the provision of loans and financial investment holding; and
- (d) Other 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 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 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, 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, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (continued)

	Car rental		Materials trading		Financing services and investments		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue										
Sales of goods	-	-	631,836	1,064,783	-	-	-	-	631,836	1,064,783
Car rental income	10,367	12,331	-	-	-	-	-	-	10,367	12,331
Service income	-	-	-	-	-	-	882	4,819	882	4,819
	<u>10,367</u>	<u>12,331</u>	<u>631,836</u>	<u>1,064,783</u>	<u>-</u>	<u>-</u>	<u>882</u>	<u>4,819</u>	<u>643,085</u>	<u>1,081,933</u>
Segment results	40	(111)	54,538	54,621	(10,014)	44,138	(14,154)	6,331	30,410	104,979
<u>Reconciliation:</u>										
Unallocated interest income									2	1,574
Unallocated other income and gains									7,559	28,713
Unallocated depreciation									(1,821)	(1,299)
Corporate and other unallocated expenses									(140,931)	(30,234)
Unallocated finance costs									(71,103)	(77,091)
Share of gains/(losses) of joint ventures, net									3,599	(1,922)
(Loss)/profit before tax									<u>(172,285)</u>	<u>24,720</u>
Other segment information										
Finance costs	1,395	1,210	-	-	-	-	3	8	1,398	1,218
Depreciation	3,681	2,085	-	-	-	-	1,111	11	4,792	2,096
Amortisation	878	-	-	-	-	-	-	-	878	-
Capital expenditure*	1,444	5,337	-	-	-	-	-	5,572	1,444	10,909
	<u>70,803</u>	<u>64,484</u>	<u>802,645</u>	<u>786,641</u>	<u>268,092</u>	<u>637,294</u>	<u>8,607</u>	<u>325,283</u>	<u>1,150,147</u>	<u>1,813,702</u>
Segment assets										
<u>Reconciliation:</u>										
Corporate and other unallocated assets									611,216	225,866
Total assets									<u>1,761,363</u>	<u>2,039,568</u>
Segment liabilities	38,288	31,268	5,080	-	1,278	-	119,897	88,222	164,543	119,490
<u>Reconciliation:</u>										
Corporate and other unallocated liabilities									1,034,679	1,173,267
Total liabilities									<u>1,199,222</u>	<u>1,292,757</u>

* Capital expenditure consists of additions to property, plant and equipments

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The following table presents derived revenue from external customers for the six months ended 30 June 2019 and 2018 and certain non-current assets information as at 30 June 2019 and 31 December 2018, by geographical areas.

	The United States HK\$'000	The PRC HK\$'000	Hong Kong HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2019 (Unaudited)					
Revenue from external customers	<u>-</u>	<u>12,795</u>	<u>630,290</u>	<u>-</u>	<u>643,085</u>
Six months ended 30 June 2018 (Unaudited)					
Revenue from external customers	<u>-</u>	<u>14,674</u>	<u>1,067,259</u>	<u>-</u>	<u>1,081,933</u>
As at 30 June 2019 (Unaudited)					
Non-current assets	256,923	489,590	97,426	20,569	864,508
Non-current assets (excluding financial instruments)	<u>256,923</u>	<u>60,378</u>	<u>20,844</u>	<u>-</u>	<u>338,145</u>
As at 31 December 2018 (Audited)					
Non-current assets	300,017	295,875	309,611	-	905,503
Non-current assets (excluding financial instruments)	<u>263,218</u>	<u>60,837</u>	<u>37,748</u>	<u>-</u>	<u>361,803</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 HK\$278.9 million (2018: HK\$441.7 million), HK\$190.4 million (2018: HK\$343.2 million), HK\$66.2 million and HK\$94.4 million for the six months ended 30 June 2019 were derived from the materials trading segment with four (2018: two) customers, which individually amounted to 10 per cent or more of the Group's total revenue for the six months ended 30 June 2019 and 2018.

5. 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 during the period.

An analysis of revenue from contract with customers is as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of goods recognised at a point in time	631,836	1,064,783
Car rental income	10,367	12,331
Service income recognised at a point in time	882	4,819
	<u>643,085</u>	<u>1,081,933</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	18,186	27,746
Interest on convertible bonds	58,653	50,526
Interest on lease liabilities	328	–
Bank charges	39	38
	<u>77,206</u>	<u>78,310</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold and services rendered	609,911	1,020,024
Depreciation	5,878	3,396
Fair value gain on derivative financial instruments in relation to convertible bonds	(6,960)	(28,713)
Fair value loss/(gain) on investment property	4,471	(18,836)
Fair value loss/(gain) on finance assets at fair value through profit or loss	17,337	(47,349)
Allowances for ECLs on trade and other receivables	182,751	–
Write back of allowances for ECLs on trade and other receivables	(90,632)	–
Loss on modification of a convertible bond	–	5,700
Other lease expenses*	8,430	7,057
Gain on disposal of items of property, plant and equipment, net	(800)	(873)
Write-off of items of property, plant and equipment	43	–
Gain on disposal of a subsidiary	(5,566)	–
	<u>(5,566)</u>	<u>–</u>

* These expenses relate to short-term leases. They are directly charged as expenses and are not included in the measurement of lease liabilities under HKFRS 16.

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current — Elsewhere		
Charge for the period	–	485
Deferred tax	<u>13,641</u>	<u>(7)</u>
Total tax charge for the period	<u><u>13,641</u></u>	<u><u>478</u></u>

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

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

The calculation of the basic (loss)/earnings per share is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK\$173,663,000 (profit for the six months ended 30 June 2018: HK\$23,536,000) and the weighted average number of ordinary shares of 6,810,750,454 (30 June 2018: 6,672,218,078) in issue during the period.

No adjustment has been made to basic (loss)/earnings per share presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the impact of potential dilutive ordinary shares outstanding had an anti-dilutive on the basic (loss)/earnings per share presented.

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY FOR THE PERIOD *(continued)*

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to ordinary equity holders of the Company	<u>(173,663)</u>	23,536
<i>Add:</i> Interest expense on convertible bonds	58,653	50,526
<i>Add:</i> Loss on modification on a convertible bond	–	5,700
<i>Less:</i> Fair value gain on derivative component of the convertible bonds	<u>(6,960)</u>	<u>(28,713)</u>
Adjusted (loss)/profit for the period attributable to ordinary equity holders of the Company	<u>(121,970)</u>	<u>51,049</u>
	Number of shares	
	Six months ended 30 June	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	6,810,750,454	6,672,218,078
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	<u>–</u>	<u>1,142,857,141</u>
Weighted average number of ordinary shares in issue during the period used in the diluted (loss)/earnings per above calculation	<u>6,810,750,454</u>	<u>7,815,075,219</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current financial assets at fair value through profit or loss		
An acquired convertible bond	39,706	39,659
An unlisted fund investment	20,569	20,569
Unlisted equity investments	466,088	483,472
	<u>526,363</u>	<u>543,700</u>

12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit with credit period generally from 90 to 180 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.

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	4,592	597
31 to 60 days	773	747
61 to 90 days	129,577	721
Over 90 days	732,445	932,293
Less: Allowance for ECLs	(190,338)	(188,219)
Total	<u>677,049</u>	<u>746,139</u>

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:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	448	518
31 to 60 days	15	1,014
Over 60 days	137	869
	<u>600</u>	<u>2,401</u>

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

14. 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%.

On 15 May 2019, the Company and the bondholder of 2019 Convertible Bond entered into a deed of amendment, pursuant to which (i) the maturity date of 2019 Convertible Bond was extended from 16 May 2019 to 16 May 2021; (ii) the interest rate was increased from 5% per annum to 6% per annum; and (iii) the interest rate applicable for calculating the original additional amount will be changed from 12% per annum to 10% per annum. Interest payment dates were not changed. The effective interest rate of the liability component of the extended Convertible Bond is 10.7%.

14. CONVERTIBLE BONDS *(continued)*

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.

14. CONVERTIBLE BONDS (continued)

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

	Liability component <i>HK\$'000</i>	Derivative component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018 (Audited)	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	–	(90,793)	(90,793)
	<hr/>	<hr/>	<hr/>
At 31 December 2018 and 1 January 2019 (Audited)	345,445	6,620	352,065
(Gain)/loss on modification of 2019 Convertible Bond	(1,020)	1,020	–
Interest expenses	58,653	–	58,653
Interest paid	(5,000)	–	(5,000)
Fair value gain on derivative component of convertible bonds	–	(6,960)	(6,960)
	<hr/>	<hr/>	<hr/>
At 30 June 2019 (Unaudited)	<u>398,078</u>	<u>680</u>	<u>398,758</u>
Represented by:			
Current portion (Unaudited)	282,919	400	283,319
Non-current portion (Unaudited)	<u>115,159</u>	<u>280</u>	<u>115,439</u>
	<hr/>	<hr/>	<hr/>
	<u>398,078</u>	<u>680</u>	<u>398,758</u>

15. SHARE CAPITAL

Shares:

	Number of ordinary shares	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019 (Audited) and at 30 June 2019 (Unaudited)	<u>6,810,750,454</u>	<u>68,108</u>	<u>1,059,713</u>	<u>1,127,821</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Car Rental Business

During the review period, the Group continued its operation of car rental business in China through its indirect wholly-owned subsidiary, 北京途安汽車租賃有限責任公司 (Beijing Tu An Car Rental Services Limited*) (“**Beijing Tu An**”), in which its existing fleet size has reached saturation usage. Beijing Tu An is striving to enhance its capacity and attract more new customers. For the six months ended 30 June 2019, the car rental business segment of the Group recorded a revenue of approximately HK\$10.4 million (six months ended 30 June 2018: HK\$12.3 million). The management of the Group believes that car rental market in China is still at the early stage of development. Alongside the rapid development of Internet and the increasing awareness of diversified online leasing mode, traditional long-term leasing market remains agile, while short-term leasing has developed to become one of the most important transport options of individual consumers. The demand in car rental market is huge, and the industry has considerable potential for growth.

Materials Trading Business

The materials trading business remains the Group’s primary source of income although the materials trading volume decreased during the review period. For the six months ended 30 June 2019, the Group’s revenue of the materials trading business decreased by approximately 40.7% from approximately HK\$1,064.8 million for the six months ended 30 June 2018 to approximately HK\$631.8 million. Gross profit and gross profit margin were approximately HK\$30.0 million and 4.8% respectively (six months ended 30 June 2018: gross profit was approximately HK\$55.1 million and gross profit margin was approximately 5.2%). The decrease in revenue from materials trading business was mainly due to the negative sentiment of the China-United States trade war, which affected global economy and reduced the demand of commodities.

Financing Services and Investment Businesses

The Group has a money lender licence under the Money Lenders Ordinance (Chapter 163, Laws of Hong Kong) through its 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 more comprehensive and exceptional financial services to its investors.

During the period, the Group focused on the development of core business such as financial investment and asset management. Meanwhile the Group productively explored new business opportunities to invest in artificial intelligence, robotics and healthcare.

* For identification purpose only

In January 2019, the Group's wholly-owned subsidiary, HongDa Securities Limited, 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.

FUTURE OUTLOOK

The Group's management believes that financial services are essential to corporate development and socio-economic growth and that the provision of financial services is a business with generous potential and sustainable development prospects. The Group is making great efforts to enter the financial service industry with investment and asset management as the core business, and to focus on the development of innovative technology and professional asset management business, including exploring investment opportunities in artificial intelligence, robotics and blockchain applications, and to actively grasp this promising business opportunity. Being led by its diversified strategies, the Group will continue to expand its business type, enlarge its high-quality customer base, and enhance its innovation ability and market competitiveness, so as to further broaden its income sources and pave the way for future development.

In addition, the Group has been introducing institutional investors and strategic partners to support our business development, and to pave the way for new business opportunities through the issuance of convertible bonds and other different financing channels. We believe that the Group will create higher value for our shareholders in the long run.

FINANCIAL REVIEW

Results of the group

Revenue

During the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$643.1 million, which represented a decrease of approximately 40.6% as compared to the revenue of approximately HK\$1,081.9 million as recorded for the six months ended 30 June 2018. The decrease was mainly resulted from the decrease in materials trading volume from approximately HK\$1,064.8 million for the six months ended 30 June 2018 to approximately HK\$629.9 million for the six months ended 30 June 2019.

Cost of sales

Cost of sales of the Group decreased by approximately 40.2% from approximately HK\$1,020.0 million for the six months ended 30 June 2018 to approximately HK\$609.9 million for the six months ended 30 June 2019. The decrease was mainly attributable to the decrease in sales volume of materials trading during the period under review.

* For identification purpose only

Gross profit and margin

The Group recorded a gross profit of approximately HK\$33.2 million for the six months ended 30 June 2019, representing a decrease of approximately 46.4% as compared to the gross profit recorded in the prior period under review. The gross profit margin decreased by approximately 0.5% from 5.7% for the six months ended 30 June 2018 to 5.2% in the period under review. The decrease was mainly resulted from the decrease in the average selling price of materials.

Other income and gains

Other income and gains of the Group decreased by approximately 77.6%, from approximately HK\$108.3 million for the six months ended 30 June 2018 to approximately HK\$24.3 million for the six months ended 30 June 2019. The decrease was primarily due to the net effect of the (i) decrease in fair value gain on financial assets at fair value through profit or loss of approximately HK\$64.7 million; (ii) decrease in fair value gain on investment property of approximately HK\$23.3 million; (iii) decrease in fair value gain on derivative financial instruments in relation to convertible bonds of approximately HK\$21.8 million; (iv) amount received from customers for late settlement of trade receivables of approximately HK\$26.4 million; and (v) gain on disposal of a subsidiary of approximately HK\$5.6 million during the period under review.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately HK\$1.8 million during the six months ended 30 June 2018 to approximately HK\$4.8 million for the six months ended 30 June 2019. The increase was mainly due to the extra cost incurred in financing services and investments segment as a result of business expansion during the period under review.

General and administrative expenses

General and administrative expenses of the Group increased by approximately 16.7% from approximately HK\$46.1 million for the six months ended 30 June 2018 to approximately HK\$53.8 million for the six months ended 30 June 2019. The increase was mainly due to the extra administrative expenses of approximately HK\$5.0 million were incurred in relation to the business operation of Higgs Dynamic (Zhuhai) Company Limited* 希格斯動力科技(珠海)有限公司, which is primarily engaged in research and development, production and sales of service robots and commenced business in the second half of 2018.

Finance costs

Finance costs decreased from approximately HK\$78.3 million for the six months ended 30 June 2018 to approximately HK\$77.2 million for the six months ended 30 June 2019. The decrease was mainly due to the repayment of certain new interest-bearing other borrowings during the period under review.

* For identification purpose only

Income tax expense

Income tax expense increased from approximately HK\$0.5 million for the six months ended 30 June 2018 to approximately HK\$13.6 million for the six months ended 30 June 2019, which was mainly due to the increase in deferred tax expenses of approximately HK\$13.6 million as a result of the net effect of fair value loss on investment property and derecognition of deferred tax assets in relation to write back of allowance for ECLs on trade receivables during the period under review.

Liquidity and financial resources

As at 30 June 2019, cash and cash equivalents of the Group amounted to approximately HK\$27.5 million (31 December 2018: HK\$17.9 million).

As at 30 June 2019, the Group had interest-bearing bank and other borrowings amounted to approximately HK\$625.8 million (31 December 2018: HK\$715.5 million) and the Group also had liability component of convertible bonds of approximately HK\$398.1 million (31 December 2018: HK\$345.4 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

	30 June 2019	31 December 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Total interest-bearing bank and other borrowings and liability components of convertible bonds	1,023,892	1,060,973
Total assets	1,761,363	2,039,568
Gearing ratio	58.1%	52.0%

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

As at 30 June 2019, the maturity profile of the interest-bearing bank and other borrowings of the Group falling due within one year and from the second year to third year, amounted to approximately HK\$276.9 million (31 December 2018: HK\$360.1 million) and HK\$348.9 million (31 December 2018: HK\$355.4 million), respectively, of which bank and other borrowings of approximately HK\$353.7 million (31 December 2018: HK\$354.2 million) and approximately HK\$66.8 million (31 December 2018: HK\$49.1 million) were denominated in US dollar and Renminbi respectively.

As at 30 June 2019, the maturity profile of the liability components of the Group's issued convertible bonds falling due within one year and from the second year amounted to approximately HK\$282.9 million (31 December 2018: HK\$93.7 million) and HK\$115.2 million (31 December 2018: HK\$251.8 million), respectively.

Capital structure

The capital of the Company comprises only ordinary shares. As at 30 June 2019, the total number of the ordinary shares of the Company was 6,810,750,454 (with an aggregate nominal value of HK\$68,108,000). There is no change in the total number of issued shares during the period under review.

Charges on the group's assets

At 30 June 2019, certain of the Group's other borrowings were secured by the Group's trade receivables of approximately HK\$600.6 million (31 December 2018: HK\$665.6 million) and investment property of approximately HK\$246.1 million (31 December 2018: HK\$250.5 million).

Foreign currency exposure

The foreign currency exposure of the Group primarily arises from revenue or income generated, cost and expenses incurred, and certain interest-bearing 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 currencies, 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 2019 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

At 30 June 2019, 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 (31 December 2018: HK\$205.0 million), of which HK\$17.7 million (31 December 2018: HK\$17.7 million) has been utilised.

Capital Commitments

As at the end of the reporting period, the Group had outstanding capital commitments amounted to approximately HK\$129.0 million (31 December 2018: HK\$136.2 million).

DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group employed a total of 102 employees. Total staff costs, including directors emoluments, amounted to approximately HK\$17.5 million for the six months ended 30 June 2019. 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.

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 throughout the six months ended 30 June 2019.

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 2019.

CORPORATE GOVERNANCE

The Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the period under review, except the deviation regarding code provision A.6.7 of the Code, as the Directors Mr. Li Xiaolu, Ms. Wang Li, Dr. Guan Huanfei and Mr. Zhao Xianming were unable to attend the annual general meeting of the Company held on 31 May 2019 due to their other business engagement.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee of the Company, comprises all three independent non-executive Directors, namely, Mr. Wong Yiu Kit, Ernest, Mr. Zhao Xianming and Dr. Guan Huanfei, and 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 interim financial statements of the Group for the six months ended 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hongdafin.com). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be dispatched to the Company's Shareholders and published on the above websites in due course.

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
Tung Shun
Chairman and Executive Director

Hong Kong, 30 August 2019

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

Executive Directors:

Ms. Tung Shun (*Chairman*)

Ms. Chen Xiaohang (*Chief Executive Officer*)

Non-executive Director:

Ms. Wang Li

Independent non-executive Directors:

Mr. Wong Yiu Kit, Ernest

Mr. Zhao Xianming

Dr. Guan Huanfei