



華億金控集團有限公司
SINOFORTUNE FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08123)

**FIRST
QUARTERLY
REPORT**

2019

Characteristics of GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

This report, for which the directors (the “Directors”) of Sinofortune Financial Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Highlights

The Group recorded a revenue of approximately HK\$10,023,000 for the three months ended 31 March 2019.

Loss for the three months ended 31 March 2019 was approximately HK\$10,723,000.

Loss attributable to owners of the Company for the three months ended 31 March 2019 amounted to approximately HK\$10,555,000.

Basic loss per share was 0.16 HK cents and diluted loss per share was 0.16 HK cents.

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2019.



First Quarterly Results (Unaudited)

The board of Directors of the Company (the “Board”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2019 together with the comparative unaudited figures for the corresponding period in 2018.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Three months ended 31 March	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	10,023	124,098
Other income and gain	4	509	8,639
Changes in inventories of finished good		(9,335)	(119,630)
Other direct costs		(22)	(61)
Employee benefits expenses		(5,480)	(5,098)
Depreciation of property, plant and equipment		(1,464)	(954)
Amortisation of intangible assets		(40)	–
Finance costs		(267)	(47)
Other operating expenses		(4,647)	(7,762)
Loss before income tax		(10,723)	(815)
Income tax expense	5	–	–
Loss for the period		(10,723)	(815)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		704	6,165

	Note	Three months ended	
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive income for the period, net of tax		704	6,165
Total comprehensive (loss)/income for the period		(10,019)	5,350
Loss for the period attributable to:			
Owners of the Company		(10,555)	(537)
Non-controlling interests		(168)	(278)
		(10,723)	(815)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(9,916)	5,627
Non-controlling interests		(103)	(277)
		(10,019)	5,350
Loss per share attributable to owners of the Company for the period:			
Basic loss per share (HK cents)			
From loss for the period	6	(0.160)	(0.010)
Diluted loss per share (HK cents)			
From loss for the period	6	(0.160)	(0.010)

Condensed Consolidated Statements of Changes in Equity

For the three months ended 31 March 2019

	Attributable to owners of the Company											
	Share capital	Share premium	Other reserve	Special reserve	Statutory reserve	Translation reserve	Share-based		Accumulated losses	Non-controlling		Total equity
							compensation	reserve		Total	interests	
							HK\$'000	HK\$'000		HK\$'000	HK\$'000	
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
Balance as at 1 January 2018	64,989	1,614,799	(16,000)	4,779	3,912	(9,181)	30,554	(1,371,889)	321,963	14,903	336,866	
Loss for the period	-	-	-	-	-	-	-	(537)	(537)	(278)	(815)	
Other comprehensive income for the period	-	-	-	-	-	6,165	-	-	6,165	-	6,165	
Balance as at 31 March 2018	64,989	1,614,799	(16,000)	4,779	3,912	(3,016)	30,554	(1,372,426)	327,591	14,625	342,216	
Balance as at 1 January 2019 (Reported)	77,489	1,673,299	-	4,779	3,912	(22,296)	30,554	(1,403,119)	364,618	13,557	378,175	
Impact on initial application of HKFRS 16	-	-	-	-	-	-	-	(94)	(94)	-	(94)	
Restated opening balance under HKFRS 16	77,489	1,673,299	-	4,779	3,912	(22,296)	30,554	(1,403,213)	364,524	13,557	378,081	
Loss for the period	-	-	-	-	-	-	-	(10,555)	(10,555)	(168)	(10,723)	
Other comprehensive income for the period	-	-	-	-	-	639	-	-	639	65	704	
Balance as at 31 March 2019	77,489	1,673,299	-	4,779	3,912	(21,657)	30,554	(1,413,768)	354,608	13,454	368,062	

Notes:

1. General Information

Sinofortune Financial Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) is principally engaged in (i) provision of the precious metals spot trading and brokerage services in the PRC, (ii) provision of securities and futures contracts trading services in Hong Kong, (iii) trading and principal investments in the PRC and Hong Kong, (iv) trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform in the PRC, and (v) sales of motor vehicles and provision of agency services in the PRC.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company’s shares are listed on the GEM of the Stock Exchange.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars, while the functional currencies of certain subsidiaries are Renminbi (“RMB”). The Company has selected Hong Kong dollar as its presentation currency as management considered it is more beneficial to the users of the unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements have been approved and authorized for issue by the Board of Directors on 6 May 2019.

2. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for the recognition of certain financial assets and financial liabilities at fair value through profit or loss.

The principal accounting policies applied in the preparation of these unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2018, except for the changes in accounting policies.

3. Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Commission income from securities and futures brokerage services	111	256
– Trading of electronic products, electronic student cards and school safety products	868	39
– Provision of electronic student card platform	183	1,077
– Sales of motor vehicles where the Group acts as principal	8,081	122,157
– Agency fee income from trading of motor vehicles and accessories sourcing	642	442
	9,885	123,971
Revenue from other sources		
– Interest income from clients	138	127
Revenue	10,023	124,098
Disaggregated by timing of revenue recognition within the scope of HKFRS 15		
– Over time	183	1,077
– At a point in time	9,702	122,894
	9,885	123,971

4. Other Income and Gain

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
CCASS fee income	3	7
Handling fee income	6	–
Interest income on bank deposits	82	39
Sundry income	344	211
	435	257
Other gain		
Financial assets at fair value through profit or loss		
– Unrealized fair value gains on securities trading	74	8,382
	74	8,382
	509	8,639

5. Income Tax Expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period. No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group incurred a tax losses for the period (2018: Nil).

PRC Enterprise Income tax has been provided at the rate of 25% (2018: 25%) on the assessable profits of the PRC subsidiaries arising in or derived from PRC for the period. No provision for PRC Enterprise Income tax has been made in the unaudited condensed consolidated financial statements as the Group incurred tax losses for the period (2018: Nil).

6. Loss Per Share

The calculation of the basic and diluted loss per share attributable to owners of the Company are based on the following data:

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	(10,555)	(537)
Number of shares		
Issued ordinary shares at 1 January and 31 March	6,718,821,034	6,498,958,120
Weighted average number of ordinary shares in issue for calculating basic and diluted loss per share	6,718,821,034	6,498,958,120
Loss per share	(0.0016)	(0.0001)
Diluted loss per share	(0.0016)	(0.0001)

The computation of diluted loss per share for the period ended 31 March 2019 and 2018, did not assume the exercise of the Company's share options outstanding during the period ended 31 March 2019 and 2018 since their exercise would result in a decrease in loss per share.

7. Share Capital and Premium

	Number of issued shares (In thousands)	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2019 and 31 March 2019	7,748,958	77,489	1,673,299	1,750,788

The total authorized number of ordinary shares is 10,000,000,000 shares (2018: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2018: HK\$0.01 per share). All issued shares are fully paid.

8. Dividend

The Directors do not recommend the payment of a dividend for the period ended 31 March 2019 (2018: Nil).



Business Review

The Group recorded revenue of approximately HK\$10.02 million in the first three months of the year 2019, which is a decrease of approximately HK\$114.08 million compared with the corresponding period in 2018. This was mainly due to a decrease of revenue in the segment of sales of motor vehicles and the provision of agency services in the PRC. Such segment recorded approximately HK\$8.72 million for the period ended 31 March 2019, compared with approximately HK\$122.60 million for the previous period, representing a decrease of approximately HK\$113.88 million.

For proprietary stock trading, the Group recorded an unrealized gain of approximately HK\$0.07 million and no realized profit or loss for the period under review.

For the period ended 31 March 2019, the Group recorded the revenue of sales of motor vehicles where the Group acts as principal approximately HK\$8.08 million and an agency fee income from trading of motor vehicles and accessories sourcing approximately HK\$0.64 million. Approximately HK\$122.16 million and approximately HK\$0.44 million were recorded respectively for the period ended 31 March 2018.

Financial Review

The Group recorded an unaudited revenue of approximately HK\$10.02 million for the three months ended 31 March 2019 as compared to approximately HK\$124.10 million for the corresponding period in 2018, there was a decrease of approximately HK\$114.08 million. The decrease in revenue was mainly due to the decrease in the sales of motor vehicles and provision of agency services business which operated in the PRC.

The segment of sales of motor vehicles and provision of agency services recorded revenue of approximately HK\$8.72 million for the three months ended 31 March 2019 and it recorded approximately HK\$122.60 million of revenue for the last corresponding period. The US-China trade war began in 2018 that has seriously affected the Chinese economy. Subject to the Spring Festival and US-China trade war, the turnover of imported parallel motor vehicles of the Group slowed down in the first quarter of 2019.

The segment of trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform recorded revenue of approximately HK\$1.05 million for the three months ended 31 March 2019 and it recorded approximately HK\$1.12 million of revenue for the last corresponding period.

The Group recorded an unaudited loss for the three months ended 31 March 2019 of approximately HK\$10.72 million compared with an unaudited loss of approximately HK\$0.82 million for the last corresponding period. The unaudited loss for the period encompassed the unaudited unrealized fair value gain on securities trading for approximately HK\$0.07 million and it recorded approximately HK\$8.38 million of unrealized fair value gains on securities trading for the last corresponding period. The basis loss per share attributable to owners for the Company for the reporting period with approximately HK\$0.16 cents compared to approximately HK\$0.01 cents for the same period last year.

The Group's total current asset as at 31 March 2019 amounted to approximately HK\$356.58 million and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 13.6 times. Among them, the financial assets fair value through profit or loss were approximately HK\$17.12 million. The financial assets invested the equity securities listed in the Hong Kong. The Group's bank balances and cash amounted to approximately HK\$116.90 million as at 31 March 2019 of which approximately HK\$7.74 million were held on behalf of clients in trust and segregated accounts. The total borrowings amounted to approximately HK\$4.15 million which was secured by the charges over certain of the Group's land and buildings and corporate guarantee executed by the Company. The gearing ratio of the Group as at 31 March 2019 (calculated by the total liabilities of approximately HK\$37.85 million over equity attributable of the owners of the Company of approximately HK\$354.61 million) is 10.67%.

The equity attributable to owner of the Company amounted to approximately HK\$354.61 million as at 31 March 2019, representing a decrease of approximately HK\$10.01 million, or 2.74% from that of 31 December 2018.

Outlook

In the first quarter of year 2019, almost 87% revenue of the Group came from the segment of sales of motor vehicles and the provision of agency services in the PRC. The US-China trade war began in 2018 that has seriously affected the Chinese economy. Premier Li Keqiang also pointed out that “China’s development faces many complicated and severe domestic and foreign situations, and the economy has new downward pressure.” In 2019, although the US-China trade war is still uncertain, China intends to reduce the VAT rate on sales of goods from 16% to 13%. This policy may help to improve the revenue of the imported motor vehicles business of the Group. The Group is still optimistic about the prospects of the imported motor vehicles business and will closely monitor the market changes such as the imported motor vehicles to enhance the performance of the business segment of the Group.

The Group is optimistic and confident in the prospects of the China and Hong Kong stock markets and will continue to develop other businesses and seek opportunities to expand its revenue sources to enhance the Group’s revenue.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

Name of Directors	Capacity	Number of shares	Approximate percentage of shareholding
Wang Jiawei	Beneficial owner	2,102,255,935	27.13%
Lai Yuk Mui	Beneficial owner	2,780,127	0.04%
Liu Runtong	Beneficial owner	2,646,000	0.03%

(b) Long positions in underlying shares of the Company

Share option scheme of the Company

The share option scheme adopted by the Company on 17 December 2001 (the "Old Share Option Scheme") has expired on 16 December 2011. The Company adopted a new share option scheme on its annual general meeting held on 21 June 2012 (the "New Share Option Scheme") which complies with Chapter 23 of GEM Listing Rules.

The following table discloses the details of the share options held by the Directors and chief executive to subscribe for shares of the Company during the period ended 31 March 2019:

Name of Director	Date of grant	Number of share options				Outstanding as at 31 March 2019	Option period	Exercise price (HK\$)
		Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
Lai Yuk Mui	13/04/2010	3,186,158	-	-	-	3,186,158	13/04/2010 – 12/04/2020	0.419
Liu Runtong	13/04/2010	31,861,575	-	-	-	31,861,575	13/04/2010 – 12/04/2020	0.419
Zhang Benzhen	13/04/2010	2,124,105	-	-	-	2,124,105	13/04/2010 – 12/04/2020	0.419
James Beeland Rogers Jr.	22/09/2014	20,000,000	-	-	-	20,000,000	22/09/2014 – 21/09/2024	0.518
James Beeland Rogers Jr.	16/10/2015	20,000,000	-	-	-	20,000,000	16/10/2015 – 15/10/2025	0.238
James Beeland Rogers Jr.	09/11/2016	20,000,000	-	-	-	20,000,000	09/11/2016 – 08/11/2026	0.150

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executive to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors, nor the chief executive, nor any of their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

(c) Short positions in underlying shares of the Company

No short positions of Directors and chief executives in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

(a) Long positions in shares of the Company

As at 31 March 2019, the Directors and the chief executive of the Company are not aware of any person (not being a Director or a chief executive of the Company) who had an interest or short position in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO.

(b) Long positions in underlying shares of the Company

As at 31 March 2019, the Company had not been notified of any person (other than the Directors whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Details of the Share Options Granted by the Company

Share Option Scheme of the Company

The Company operates the Share Option Scheme under which the persons working for the interest of the Group are entitled to an opportunity to obtain equity interest in the Company. The Old Share Option Scheme has expired on 16 December 2011 and The Company adopted a New Share Option Scheme which complies with Chapter 23 of GEM Listing Rules.

The outstanding options granted under the Old Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects. The provisions of the Old Share Option Scheme shall remain in full force and effect notwithstanding the expiry of the Old Share Option Scheme.

The New Share Option Scheme will remain valid for a period of 10 years commencing on 21 June 2012 and in such event, no further options will be offered but the provisions of the New Share Option Scheme shall in all other respects remain in full force and effect.

The number of shares in respect of which options may be granted under the share option scheme and any other share option schemes are not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders.

On 13 April 2010, 22 September 2014, 16 October 2015 and 9 November 2016, options to subscribe for 84,000,000 shares, 30,000,000 shares, 20,000,000 shares and 20,000,000 shares of the Company respectively were granted to the Directors and certain employees of the Company. As at 31 March 2019, details of the outstanding options were as follows:

Date of grant	Number of share options					Option period	Exercise price (HK\$)
	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 31 March 2019		
13/04/2010	82,840,095 (Note 1)	-	-	-	82,840,095 (Note 1)	13/04/2010 – 12/04/2020	0.419
22/09/2014	20,000,000	-	-	-	20,000,000	22/09/2014 – 21/09/2024	0.518
16/10/2015	20,000,000	-	-	-	20,000,000	16/10/2015 – 15/10/2025	0.238
09/11/2016	20,000,000	-	-	-	20,000,000	09/11/2016 – 08/11/2026	0.150

Note:

- (1) Pursuant to the Old Share Option Scheme, 84,000,000 shares of share options were granted by the Company on 13 April 2010 and were adjusted on 15 June 2010.

Directors' Interest in Competing Business

As at 31 March 2019, the Directors were not aware of any business or interest of each Director, controlling shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Purchase, Sale or Redemption of Listed Securities

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

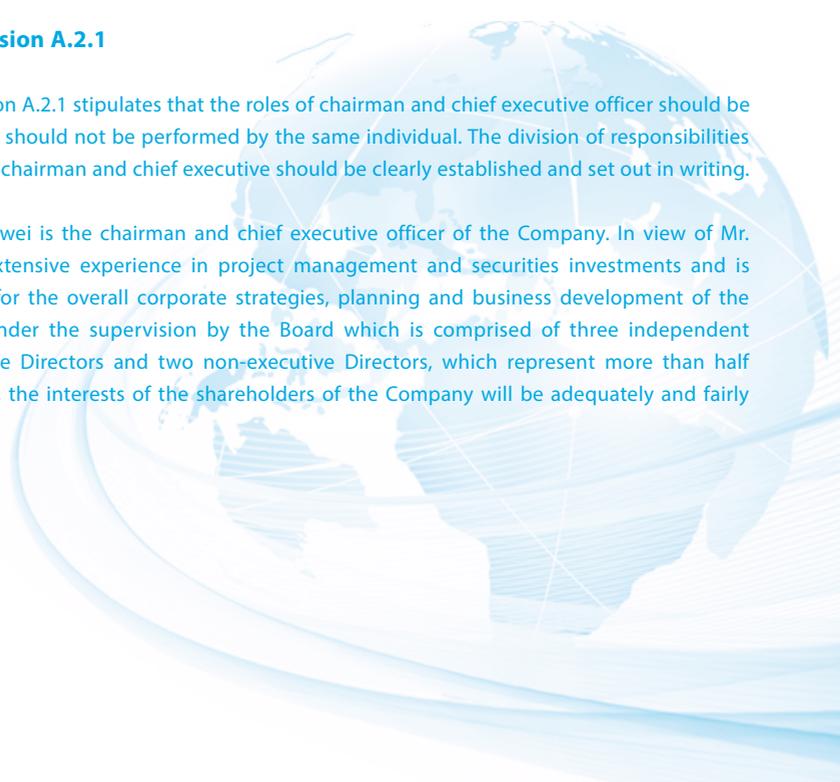
Compliance with Code on Corporate Governance Practice

The Company has applied the principles and has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the period under review, save and except for the following deviation.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Wang Jiawei is the chairman and chief executive officer of the Company. In view of Mr. Wang has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Company. Under the supervision by the Board which is comprised of three independent non-executive Directors and two non-executive Directors, which represent more than half of the Board, the interests of the shareholders of the Company will be adequately and fairly represented.



Directors' Securities Transaction

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company confirmed that they have complied with the required standard dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period under review.

Audit Committee

In compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an Audit Committee with written terms of reference which deal clearly with its authority and duties. The principal duties of the Audit Committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Group.

The Audit Committee comprises 3 independent non-executive Directors, namely Professor Zhang Benzhen, Mr. Li Jianxing and Professor Chen Shu Wen.

The Audit Committee has reviewed the financial statements of the Group for the three months ended 31 March 2019 pursuant to the relevant provisions contained in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By order of the Board
Sinofortune Financial Holdings Limited
Wang Jiawei
Chairman

Hong Kong, 6 May 2019

As of the date of this report, the executive Directors are Mr. Wang Jiawei and Ms. Lai Yuk Mui, the non-executive Directors are Mr. Liu Runtong and Mr. James Beeland Rogers Jr. and the independent non-executive Directors are Professor Zhang Benzhen, Mr. Li Jianxing and Professor Chen Shu Wen.