



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)

2017

Interim Report



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

The 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”) 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, 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\$3,813,000 for the six months ended 30 June 2017.

Loss for the six months ended 30 June 2017 was approximately HK\$35,941,000.

Loss attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately HK\$35,901,000.

Basic loss per share was 0.55 HK cents and diluted loss per share was 0.55 HK cents.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2017.



Interim 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 six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding period in 2016.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	1,815	2,496	3,813	6,038
Other income and loss, net	5	(14,800)	11,169	(17,741)	2,333
Employee benefits expenses		(4,913)	(6,037)	(10,338)	(13,126)
Depreciation of property, plant and equipment		(1,331)	(1,503)	(2,680)	(2,944)
Amortization of intangible assets		–	(4,400)	–	(8,828)
Finance costs		(60)	(73)	(122)	(152)
Other operating expenses		(3,539)	(5,918)	(6,543)	(13,380)
Share of loss of associates		(1,421)	(4,570)	(2,330)	(6,990)
Loss before income tax		(24,249)	(8,836)	(35,941)	(37,049)
Income tax expense	6	–	–	–	–
Loss for the period		(24,249)	(8,836)	(35,941)	(37,049)
Other comprehensive income/(loss):					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences		2,077	(5,829)	2,157	(3,679)
Other comprehensive income/(loss) for the period, net of tax		2,077	(5,829)	2,157	(3,679)
Total comprehensive loss for the period		(22,172)	(14,665)	(33,784)	(40,728)

	Note	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Loss for the period attributable to:					
Owners of the Company		(24,196)	(8,412)	(35,901)	(36,165)
Non-controlling interests		(53)	(424)	(40)	(884)
		(24,249)	(8,836)	(35,941)	(37,049)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(22,118)	(14,258)	(33,743)	(39,858)
Non-controlling interests		(54)	(407)	(41)	(870)
		(22,172)	(14,665)	(33,784)	(40,728)
Loss per share attributable to owners of the Company for the period:					
Basic loss per share (HK cents)					
From loss for the period	7	(0.372)	(0.129)	(0.552)	(0.556)
Diluted loss per share (HK cents)					
From loss for the period	7	(0.372)	(0.129)	(0.552)	(0.556)

Condensed Consolidated Statements of Financial Position

		At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current asset			
Property, plant and equipments		34,622	35,787
Statutory deposits and other assets		1,078	1,060
Interests in associates		33,749	34,945
Contingent consideration receivable		29,562	29,441
Deposit paid		305	941
		99,316	102,174
Current assets			
Inventories		2,937	2,590
Trade receivables	8	8,934	14,550
Loans and receivables		34,604	33,530
Financial assets at fair value through profit or loss	9	44,766	63,968
Prepayments, deposits and other receivables		29,628	28,243
Amount due from former Directors		332	332
Bank balances and cash – trust accounts		10,867	14,075
Bank balances and cash – general accounts		230,441	240,921
		362,509	398,209
Total assets		461,825	500,383
Current liabilities			
Trade payables	10	10,807	14,818
Other payables and accruals		1,636	2,169
Borrowings	11	7,563	8,555
		20,006	25,542
Net current assets		342,503	372,667
Total assets less current liabilities		441,819	474,841

	Note	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Non-current liabilities			
Deferred income tax liabilities		5,804	5,804
		5,804	5,804
Net assets			
		436,015	469,037
Capital and reserves			
Share capital	12	64,989	64,989
Share premium	12	1,614,799	1,614,799
Special reserve		4,779	4,779
Statutory reserve		3,912	3,912
Translation reserve		(16,310)	(18,467)
Share-based compensation reserve		31,146	30,384
Accumulated losses		(1,273,475)	(1,237,574)
Equity attributable to owners of the Company		429,840	462,822
Non-controlling interests		6,175	6,215
Total equity		436,015	469,037



Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Statutory reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total		
	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)		
Balance as at 1 January 2016	64,989	1,614,799	4,779	3,912	(4,497)	34,149	(994,422)	723,709	7,007	730,716
Loss for the period	-	-	-	-	-	-	(36,165)	(36,165)	(870)	(37,035)
Other comprehensive loss for the period	-	-	-	-	(3,693)	-	-	(3,693)	-	(3,693)
Equity-settled share option arrangements	-	-	-	-	-	941	-	941	-	941
Balance as at 30 June 2016	64,989	1,614,799	4,779	3,912	(8,190)	35,090	(1,030,587)	684,792	6,137	690,929
	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Statutory reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)
	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)
Balance as at 1 January 2017	64,989	1,614,799	4,779	3,912	(18,467)	30,384	(1,237,574)	462,822	6,215	469,037
Loss for the period	-	-	-	-	-	-	(35,901)	(35,901)	(40)	(35,941)
Other comprehensive income for the period	-	-	-	-	2,157	-	-	2,157	-	2,157
Equity-settled share option arrangements	-	-	-	-	-	762	-	762	-	762
Balance as at 30 June 2017	64,989	1,614,799	4,779	3,912	(16,310)	31,146	(1,273,475)	429,840	6,175	436,015

Condensed Consolidated Statements of Cash Flows

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash used in operating activities	(8,040)	(63,048)
Net cash (used in)/generated from investing activities	(1,448)	487
Net cash used in financing activities	(992)	(962)
Net decrease in cash and cash equivalents	(10,480)	(63,523)
Cash and cash equivalents at the beginning of period	240,921	241,490
Cash and cash equivalents at the end of period	230,441	177,967
Bank balances and cash include the following for the purposes of the condensed consolidated statement of cash flows:		
Cash at bank and on hand	241,308	206,194
Segregated trust bank balances	(10,867)	(28,227)
Cash and cash equivalents	230,441	177,967



Notes:

1. General Information

Pursuant to a special resolution passed by the Company's shareholders on 23 May 2017, the name of the Company was changed from "First China Financial Network Holdings Limited 首華財經網絡集團有限公司" to "Sinofortune Financial Holdings Limited 華億金控集團有限公司".

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) research, exploration and development of the student safety network project and the electronic student card in the PRC, and (v) provision of stock information and research services through the internet network 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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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 7 August 2017.

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 Company Ordinance. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

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 2016.

3. Revenue

An analysis of the Group's revenue for the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Commission income from securities and futures brokerage	159	150	317	320
Commission income from precious metals brokerage	-	7	-	778
Spot trading profits on precious metals contracts, net	-	93	-	520
Trading of electronic student cards and school safety products	1,110	1,874	2,473	3,659
Interest income from clients	180	176	413	285
Consultancy fee income	366	196	610	476
Revenue	1,815	2,496	3,813	6,038
Proceeds from trading of securities	-	1,847	-	4,122
Turnover	1,815	4,343	3,813	10,160

4. Segment Information

The chief operating decision-maker has been identified as the executive directors (the “Executive Directors”) of the Company. The Executive Directors review the Group’s internal reports in order to assess performance and allocate resources. Operating segments were determined based on these reports.

The Executive Directors identified the Group was organized into five operating divisions and each of the operating divisions represented an operating and reportable segments: (1) provision of brokerage and securities margin financing services; (2) precious metals spot trading and brokerage; (3) trading of electronic student cards and school safety products; (4) trading and principal investments; (5) provision of stock information and research services.

The segment information of the reportable segments for the six months ended 30 June 2017 is as follows:

	Brokerage and securities margin financing services HK\$'000 (unaudited)	Precious metals spot trading and brokerage HK\$'000 (unaudited)	Trading of electronic student cards and school safety products HK\$'000 (unaudited)	Trading and principal investments HK\$'000 (unaudited)	Provision of stock information and research services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue from external customers	730	-	2,473	-	610	3,813
Other income and loss, net by segment	34	176	21	(18,773)	801	(17,741)
Segment results	(1,712)	(89)	(1,508)	(19,191)	(1,895)	(24,395)
Net unallocated expenses						(9,094)
Finance costs						(122)
Share of loss of associate						(2,330)
Loss before income tax						(35,941)
Income tax expense						-
Loss for the period						(35,941)

The segment information of the reportable segments for the six months ended 30 June 2016 is as follows:

	Brokerage and securities margin financing services HK\$'000 (unaudited)	Precious metals spot trading and brokerage HK\$'000 (unaudited)	Trading of electronic student cards and school safety products HK\$'000 (unaudited)	Trading and principal investments HK\$'000 (unaudited)	Provision of stock information and research services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue from external customers	605	1,298	3,659	-	476	6,038
Other income and loss, net by segment	59	14	2	2,075	183	2,333
Segment results	(1,588)	(1,965)	(10,798)	37	(3,193)	(17,507)
Net unallocated expenses						(12,400)
Finance costs						(152)
Share of loss of associate						(6,990)
Loss before income tax						(37,049)
Income tax expense						-
Loss for the period						(37,049)

The Group mainly operates in Hong Kong and the PRC.

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue		
Hong Kong	730	605
The PRC	3,083	5,433
	3,813	6,038

Revenue from external customers is allocated based on the country in which the customer is located.

5. Other Income and Loss, Net

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income				
CCASS fee income	4	4	7	8
Handling fee income	–	9	–	18
Interest income on bank deposits	207	209	389	298
Other interest income	–	–	–	–
Dividend income	64	1,872	63	1,873
Sundry income	797	17	1,001	99
	1,072	2,111	1,460	2,296
Other (loss)/income, net				
Financial assets at fair value through profit or loss				
– Fair value (losses)/gains on securities trading	(15,872)	9,058	(19,201)	765
– Realized losses on trading of securities	–	–	–	(728)
	(15,872)	9,058	(19,201)	37
	(14,800)	11,169	(17,741)	2,333

6. Income Tax Expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. No provision for Hong Kong and overseas Profits Tax have been made in the unaudited condensed consolidated financial statements as the Group incurred tax losses for the period (2016: Nil).

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax:				
Current tax on profits				
for the period				
– PRC Enterprise Income Tax	-	-	-	-
Deferred income tax				
Current period	-	-	-	-
Income tax (income)/expense	-	-	-	-

7. 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:

	Six months ended	
	30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	(35,901)	(36,165)
Number of shares		
Issued ordinary shares at 1 January and 30 June	6,498,958,120	6,498,958,120
Weighted average number of ordinary shares in issue for calculating diluted earnings per share	6,498,958,120	6,498,958,120
Loss per share	(0.0055)	(0.0056)
Diluted loss per share	(0.0055)	(0.0056)

The computation of diluted loss per share for the period ended 30 June 2017, did not assume the exercise of the Company's share options outstanding during the period ended 30 June 2017. Since their exercise would result in a decrease in loss per share.

8. Trade Receivables

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Amount receivable arising from securities broking:		
Margin clients	2,603	5,888
Cash clients	2,797	5,820
Hong Kong Securities Clearing Company Limited (net)	2,275	429
Other trade receivables	1,295	2,449
	8,970	14,586
Less: Provision for impairment loss	(36)	(36)
Trade receivables, net	8,934	14,550

Amounts receivable from margin clients are repayable on demand, bear interest at prevailing market rates and are secured by clients' pledged securities which are listed on the Stock Exchange with a total market value of approximately HK\$20,800,000 as at 30 June 2017 (31 December 2016: approximately HK\$25,580,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts receivable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days.

Other trade receivables arising from the trading of electronic student cards are due immediately from date of billing but the Group will generally grant a credit period of 60 days on average to its customers.



The following is an aged analysis of other trade receivables at the end of each reporting period:

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 30 days	628	2,268
31 – 90 days	474	–
91 – 180 days	157	145
181 – 365 days	–	–
Over 365 days	36	36
	1,295	2,449

The maximum exposure to credit risk at the end of reporting period is the carrying amounts of trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables.

As at 30 June 2017 and 31 December 2016, all other trade receivables, except for the impaired amounts indicated below, were not past due.

Movements on the provision of impairment of trade receivables are as follow:

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
At the beginning of period	36	36
Impairment of trade receivables	–	–
At the end of period	36	36

As at 30 June 2017 and 31 December 2016, the Group's trade receivables of HK\$36,000 were individually determined to be impaired.

9. Financial Assets at Fair Value Through Profit or Loss

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Listed equity – held for trading Equity securities – Hong Kong	44,766	63,968

Stock code	Company name	No. of share held as at 30 June 2017	Approximately percentage of shareholding	Fair value as at 30 June 2017 HK\$'000	Fair value losses on securities trading for the period ended 30 June 2017 HK\$'000
					(18,293)
01335	Sheen Tai	83,152,000	3.80%	41,576	(18,293)
06898	China Aluminum	2,454,000	0.39%	3,190	(908)
				44,766	(19,201)

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the condensed consolidated statements of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in “other income and loss, net” in the condensed consolidated statement of profit or loss and other comprehensive income.

The fair value of all equity securities is based on their current bid prices in an active market.

10. Trade Payables

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Amount payable arising from securities broking:		
Margin clients	10,801	90
Cash clients	–	14,722
Other trade payables	6	6
Trade payables, net	10,807	14,818

Amounts payable to margin clients are repayable on demand. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts payable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

The following is an aged analysis of other trade payables at the end of reporting period:

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
0 – 30 days	–	–
31 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	6	6
	6	6

11. Borrowings

	At 30 June 2017 HK\$'000 (unaudited)	At 31 December 2016 HK\$'000 (audited)
Borrowing included in current liabilities – Secured bank borrowings	7,563	8,555

12. Share Capital and Premium

	Number of issued shares (In thousands)	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
As at 1 January 2017 and as at 30 June 2017	6,498,958	64,989	1,614,799	1,679,788

The total authorized number of ordinary shares is 10,000,000,000 shares (2016: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2016: HK\$0.01 per share). All issued shares are fully paid.

13. Dividend

The Directors do not recommend the payment of a dividend for the period ended 30 June 2017 (2016: Nil).



Business Review

The name of the Company has been officially changed to “Sinofortune Financial Holdings Limited” in June 2017 following the issue of the Certificate of Incorporation on Change of Name and the Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company by the Registrar of Companies in Cayman Islands and Hong Kong respectively.

The Group in the six months ended 30 June 2017 recorded revenue of approximately HK\$3.81 million, which was a decrease of approximately HK\$2.23 million compared with the last corresponding period. Such decrease mainly due to the continuing tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC, the Group did not have revenue incurred for the period ended 30 June 2017 in these principal activities and approximately HK\$1.29 million was recorded for the period ended 30 June 2016.

For proprietary stock trading, the Group recorded an unrealized loss of approximately HK\$19.20 million and no realized profit or loss for the period under review.

As mentioned in 2016 annual report of the Group, the final judgement handed down by South China International Economic and Trade Arbitration Commission (Shenzhen Court of International Arbitration) against Yang Shunhong that he shall repay the refundable earnest money of RMB20.00 million to 首華證券諮詢(深圳)有限公司 (transliterated as First China Securities Consultancy (Shenzhen) Co., Ltd) (“Shenzhen First China”), a wholly-owned subsidiary of the Company, together with penalty and legal costs, in relation to the proposed acquisition of 100% of the registered capital of 民勤量子新能源有限公司 (transliterated as Minqin Quantum New Energy Co. Ltd.) (“Minqin Quantum”). The proposed acquisition was terminated as announced by the Company on 29 May 2015.



As neither the refundable earnest money, penalty nor legal costs have been received by Shenzhen First China, our legal adviser has applied to the Intermediate People's Court (the "Court") in Suining City, Sichuan Province, China on behalf of Shenzhen First China to include Yang Shunhong in the list of restricted high consumption, the list of dishonest persons and the list of restricted departures. The Court then issued execution judgment (the "Execution Judgment"), it terminated the compulsory execution of repayment of the refundable earnest money from Yang Shunhong and the Court concluded that Yang Shunhong owns no executable assets after he pledged his shares of Minqin Quantum to Shenzhen First China as a collateral. As at 30 June 2017, all the issued share capital of Minqin Quantum are pledged to Shenzhen First China. The Company has sought legal opinion from its PRC legal advisor on the Execution Judgment that the Company may apply to the Court for resuming the execution procedure anytime if any executable assets of Yang Shunhong are identified.

FINANCIAL REVIEW

The Group recorded an unaudited revenue of approximately HK\$3.81 million for the six months ended 30 June 2017 as compared to approximately HK\$6.04 million for the corresponding period in 2016, there was a decrease of approximately HK\$2.23 million or 36.9%. The decrease in turnover was mainly due to the decline in the precious metals spot trading and brokerage business which operated in the PRC.

Due to the continuing tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC, the business operation of the Group has not resumed for the six months ended 30 June 2017. The commission income from precious metals brokerage approximately HK\$0.77 million and the spot trading profits on precious metal contracts approximately HK\$0.52 million for the same period of last year.

The segment of trading of electronic student cards and school safely products continued to contribute to the Group. It recorded revenue of approximately HK\$2.47 million for the six months ended 30 June 2017 and it recorded approximately HK\$3.66 million of revenue for the last corresponding period.



The Group recorded an unaudited loss for the six months ended 30 June 2017 of approximately HK\$35.94 million compared with an unaudited loss of approximately HK\$37.05 million for the last corresponding period. The unaudited loss for the period encompassed the unaudited unrealized fair value losses on securities trading for approximately HK\$19.20 million and it recorded approximately HK\$0.76 million of unrealized fair value gains on securities trading for the last corresponding period. The basic loss per share attributable to owners for the Company for the reporting period with approximately HK\$0.55 cents compared to approximately HK0.55 cents for the same period last year.

The Group's total current asset as at 30 June 2017 amounted to approximately HK\$362.51 million and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 18.12 times. The Group's bank balances and cash amounted to approximately HK\$241.31 million as at 30 June 2017 of which approximately HK\$10.87 million were held on behalf of clients in trust and segregated accounts. The total borrowings amounted to HK\$7.56 million which was secured by the charges over certain of the Group's land and buildings and corporate guarantee executed by the Company.

The equity attributable to owner of the Company amounted to approximately HK\$429.84 million as at 30 June 2017, representing a decrease of approximately HK\$32.98 million, or 7.1% from that of 31 December 2016.

OUTLOOK

Due to the continuing tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC, the Group did not have revenue incurred for the period under review. It is difficult to predict the policy of the PRC Government on such activities in future.

As at 30 June 2017, almost 64.8% revenue of the Group came from the segments of trading of electronic student cards and school safety products. Since the customers tend to prefer and use BeiDou Navigation Satellite System (北斗衛星導航系統) ("BeiDou System") due to encouragement from the PRC Government, the Group will endeavor to resolve the technical issue in order to change the navigating chips of electronic cards and devices of the school safety network to coordinate with the BeiDou System. It is expected that such change can improve and enhance the revenue of the school safety network business.

Hong Kong stock market gradually picked up, but the industry competition is still fierce. The Group is confident and optimistic about the prospects of the stock markets. We will closely monitor the changes in the stock markets conditions in order to improve performance of the Group.

The Group expects the change of company name to Sinofortune Financial Holdings Limited will better reflect the current status of the Group's business development and its direction of future development. On 4 July 2017, the Company and 深圳美麗生態股份有限公司 (transliterated as Shenzhen Eco beauty Co., Ltd), a limited liability company established in the PRC whose shares are listed on Shenzhen Stock Exchange under stock code 000010, entered into the joint venture agreement to establish the joint venture company, 重慶盛渝泓嘉國際貿易有限公司 (transliterated as Chongqing Sheng Yu Hong Jia International Trading Company Limited), in Chongqing City, PRC to carry out the businesses of sales of motor vehicles, motor vehicle parts and motor vehicle products; sales of used motor vehicles; motor vehicles rental (excluding motor vehicles finance leasing); motor vehicles repair and maintenance; motor vehicles insurance agency; import, export and domestic trading businesses; e-commerce business; international freight forwarding services; information consultancy (excluding restricted items); and investment in industrial enterprises (specific items will be separately disclosed).

The Company holds the view that the entering into of the joint venture agreement with 深圳美麗生態股份有限公司 (transliterated as Shenzhen Eco beauty Co., Ltd) to establish the joint venture company represents an opportunity for the Group to expand its business in the sales of motor vehicles in the PRC market which is the largest motor vehicles market in the world and there is still a huge growth potential for the market given the relatively lower vehicle per capita compared with other developed markets of the world such as the United States. The Company believes that the joint venture company can expand the income base of the Group and diversify its business portfolio. The Company will contribute RMB90,000,000, representing 90% shareholding, and 深圳美麗生態股份有限公司 (transliterated as Shenzhen Eco beauty Co., Ltd) will contribute RMB10,000,000, representing 10% shareholding, to establish the joint venture company. The formation of the joint venture company is still subject to formal approval by the relevant government authority of the PRC.

The Group will continue to develop other businesses and look for opportunities to expand the income sources in order to enhance the revenue of the Group.

DIRECTORS' REPORT

Liquidity and Financial Resources

The Group's current assets as at 30 June 2017 amounted to approximately HK\$362.51 million (31 December 2016: approximately HK\$398.21 million) and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 18.12 times, (31 December 2016: 15.59 times). The gearing ratio of the Group, calculated as total liabilities over total assets, was 5.6% (31 December 2016: 6.3%). Among them, the financial assets at fair value through profit or loss were approximately HK\$44.76 million (31 December 2016: approximately HK\$63.97 million). All the financial assets were invested in the equity securities listed in Hong Kong. As at 30 June 2017, the Group's cash and bank balances were approximately HK\$241.31 million (31 December 2016: approximately HK\$255.00 million) of which approximately HK\$10.87 million (31 December 2016: approximately HK\$14.07 million) were held on behalf of clients in trust and segregated accounts.

As at 30 June 2017, the Group's total borrowing amounted to approximately HK\$7.56 million (31 December 2016: approximately HK\$8.56 million), of which, approximately HK\$2.00 million (31 December 2016: approximately HK\$2.00 million) was repayable within one year. The borrowings were secured by charges over the Group's land and buildings as well as corporate guarantee issued by the Company. Taking into account of the amount of liquid assets in hand, the Board is of the view that the Group has sufficient financial resources for future development of the existing business of the Group and other business when investment opportunities arise.

Share Capital

As at 30 June 2017, the authorized share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each and the issued share capital of the Company was approximately HK\$64,989,581 divided into 6,498,958,120 shares of HK\$0.01 each.



Foreign Exchange Exposure

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flow generated from business transaction locally. As at 30 June 2017, the Group did not have any material un-hedged foreign exchange exposure of interest rate mismatch.

Employee Information

As at 30 June 2017, the Group had a workforce of 65 employees (31 December 2016: 80). The total staff costs, including directors' emoluments, amounted to approximately HK\$10.34 million for the period ended 30 June 2017 (30 June 2016: approximately HK\$13.13 million). The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. The Group has also adopted a new share option scheme as an added incentive for its employees.

Charge on Group Assets

As at 30 June 2017, property, plant and equipment of the Group with a carrying amount of approximately HK\$29.98 million (31 December 2016: HK\$30.78 million) were pledged for banking facilities granting to the Group.

Contingent Liabilities

As at 30 June 2017 and 31 December 2016, the Group had no significant contingent liabilities.



Events after the Reporting Period

On 4 July 2017, our Group entered into a joint venture agreement to establish a joint venture company in Chongqing City, PRC to carry out the businesses of sales of motor vehicles, motor vehicle parts and motor vehicle products; sales of used motor vehicles; motor vehicles rental (excluding motor vehicles finance leasing); motor vehicles repair and maintenance; motor vehicles insurance agency; import, export and domestic trading businesses; e-commerce business; international freight forwarding services; information consultancy (excluding restricted items); and investment in industrial enterprises (specific items will be separately disclosed).

The formation of the joint venture company is still subject to formal approval by the relevant government authority of the PRC. For more details, please refer to our announcement dated 4 July 2017.

Significant Investment, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

Apart from those disclosed in the sections headed "Outlook" and "Events after the Reporting Period" in this report, the Group did not have any other significant investment, material acquisitions and disposal of subsidiaries, associates and joint ventures during the period ended 30 June 2017.



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

As at 30 June 2017, 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	Number of shares			Total	Approximate percentage of shareholding
	Personal Interests	Family Interests	Corporate Interests		
Wang Jiawei	202,043,628	-	-	202,043,628	3.11%
Lai Yuk Mui	2,780,127	-	-	2,780,127	0.04%
Liu Runtong	2,646,000	-	-	2,646,000	0.04%

(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 30 June 2017:

Name of Director	Date of grant	Number of share options				Outstanding as at 30 June 2017	Option period	Exercise price (HK\$)
		Outstanding as at 1 January 2017	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

So far as is known to any Directors of the Company, as at 30 June 2017, the following persons (not being a Director or chief executive of the Company) had interests or short positions 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:

(a) Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (Note 1)	Beneficial owners	595,328,957	9.16%
Zhu Wei	Beneficial owners	350,004,000	5.39%

Note:

- (1) Ms. Chen Dongjin held 145,116,650 shares of the Company. Ms. Chen Dongjin is the spouse of Mr. Wang Wenming who held 450,212,307 shares of the Company. As such, they were deemed to be collectively interested in 595,328,957 shares of the Company.

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (Note 2 and 3)	Beneficial owners	11,682,577	0.18%

Note:

- (2) Pursuant to the Old Share Option Scheme, Mr. Wang Wenming was granted share options on 13 April 2010, the number of shares underlying which was adjusted on 15 June 2010, to subscribe for 11,682,577 shares of the Company. Ms. Chen Dongjin is the spouse of Mr. Wang Wenming so they were deemed to be collectively interested in the share options to subscribe for 11,682,577 shares of the Company.
- (3) With effect from 22 September 2015, Mr. Wang Wenming resigned as an executive Director of the Company.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other 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 5 September 2007, 13 April 2010, 22 September 2014, 16 October 2015 and 9 November 2016, options to subscribe for 32,400,000 shares, 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 30 June 2017, details of the outstanding options were as follows:

Date of grant	Number of share options				Outstanding as at 30 June 2017 (Note 1)	Option period	Exercise price (HK\$)
	Outstanding as at 1 January 2017 (Note 1)	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
05/09/2007	4,248,210	-	-	-	4,248,210	05/09/2007 – 04/09/2017	0.215
13/04/2010	82,840,095	-	-	-	82,840,095	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, 32,400,000 and 84,000,000 shares of share options were granted by the Company on 5 September 2007 and 13 April 2010 respectively and were adjusted on 15 June 2010.

Directors' Interest in Competing Business

As at 30 June 2017, the Directors were not aware of any business or interest of each Director, management 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 Benzheng, Mr. Li Jianxing and Professor Chen Shu Wen.

The Audit Committee has reviewed the financial statements of the Group for the six months ended 30 June 2017 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, 7 August 2017

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 Benzheng, Mr. Li Jianxing and Professor Chen Shu Wen.

