



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)

THIRD
QUARTERLY
REPORT
2019

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

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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.

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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\$225,474,000 for the nine months ended 30 September 2019.

Loss for the nine months ended 30 September 2019 was approximately HK\$87,601,000.

Loss attributable to owners of the Company for the nine months ended 30 September 2019 amounted to approximately HK\$83,548,000.

Basic loss per share was 1.24 HK cents and diluted loss per share was 1.24 HK cents.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2019.

Third 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 nine months ended 30 September 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 30 September		Nine months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	95,515	177,893	225,474	337,046
Other income and loss, net	4	7,480	1,875	2,125	212
Changes in inventories of finished good		(117,920)	(173,806)	(255,022)	(326,483)
Written down of inventories		(3,505)	–	(3,505)	–
Other direct costs		(17)	(21)	(63)	(114)
Employee benefits expenses		(6,214)	(5,084)	(17,144)	(15,377)
Depreciation of property, plant and equipments		(638)	(711)	(1,953)	(2,562)
Depreciation of right-of-use asset		(896)	–	(2,764)	–
Amortization of intangible assets		(7)	–	(55)	–
Provision for loss on onerous contracts		17,065	–	(16,744)	–
Finance costs		(308)	(40)	(708)	(132)
Other operating expenses		(5,330)	(4,311)	(17,242)	(16,946)
Gain on disposal of subsidiaries		–	10,230	–	10,230
(Loss)/profit before income tax		(14,775)	6,025	(87,601)	(14,126)
Income tax expense	5	–	–	–	–
(Loss)/profit for the period		(14,775)	6,025	(87,601)	(14,126)
Other comprehensive (loss)/ income:					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences		(6,835)	(9,249)	(6,110)	(14,143)
Release of translation reserve upon disposal of subsidiaries		–	1,001	–	1,001



	Note	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Other comprehensive loss for the period, net of tax		(6,835)	(8,248)	(6,110)	(13,142)
Total comprehensive loss for the period		(21,610)	(2,223)	(93,711)	(27,268)
(Loss)/profit for the period attributable to:					
Owners of the Company		(14,124)	5,884	(83,548)	(13,920)
Non-controlling interests		(651)	141	(4,053)	(206)
		(14,775)	6,025	(87,601)	(14,126)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(20,967)	(1,432)	(89,723)	(26,313)
Non-controlling interests		(643)	(791)	(3,988)	(955)
		(21,610)	(2,223)	(93,711)	(27,268)
(Loss)/earnings per share attributable to owners of the Company for the period:					
Basic (loss)/earnings per share (HK cents)					
From (loss)/profit for the period	6	(0.207)	0.094	(1.240)	(0.220)
Diluted (loss)/earnings per share (HK cents)					
From (loss)/profit for the period	6	(0.207)	0.094	(1.240)	(0.220)

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Special reserve	Statutory reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	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)
Balance as at 1 January 2018	64,989	1,614,799	(16,000)	4,779	3,912	(9,181)	30,554	(1,377,890)	321,962	14,903	336,865
Loss for the period	-	-	-	-	-	(12,393)	-	(13,920)	(13,920)	(206)	(14,126)
Other comprehensive loss for the period	-	-	-	-	-	(12,393)	-	-	(12,393)	(749)	(13,142)
Shares retrieval from escrow arrangement	(2,000)	(14,000)	16,000	-	-	-	-	-	-	-	-
Balance as at 30 September 2018	62,989	1,600,799	-	4,779	3,912	(21,574)	30,554	(1,385,810)	295,649	13,948	309,597
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	-	-	-	-	-	-	-	(83,548)	(83,548)	(4,053)	(87,601)
Other comprehensive loss for the period	-	-	-	-	-	(6,175)	-	-	(6,175)	65	(6,110)
Balance as at 30 September 2019	77,489	1,673,299	-	4,779	3,912	(28,471)	30,554	(1,486,761)	274,801	9,569	284,370



Notes:

1. General Information

Sinofortune Financial Holdings Limited and its subsidiaries are 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 8 November 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.

Changes in accounting policies and disclosures

HKFRS 16 Leases

Upon the adoption of HKFRS 16, at the commencement date of the lease, the lessee recognises a “lease liabilities” and a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group’s accounting as a lessee of premises which are classified as operating leases in previous year. The application of the new accounting model leads to an increase in both assets and liabilities and have an impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

HKFRS 16 has been applied under modified retrospective approach, with the cumulative effect of initial application recognised as an adjustment to the opening balances of accumulated losses as at 1 January 2019. Comparative information has not been restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group has used the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

Upon the initial application of HKFRS 16, the Group measured the right-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets has been adjusted as at 1 January 2019.



The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognized as at 1 January 2019:

	At 1 January 2019 HK\$'000 (Unaudited)
Operation lease commitments disclosed as at 31 December 2018	5,621
Less: commitments relating to leases exempt from capitalization:	
– short-term leases with remaining lease term ending on or before 31 December 2019	(58)
– VAT effect	(145)
	5,418
Less: total future interest expenses	(309)
Lease liabilities relating to operating leases recognized upon application of HKFRS 16 and lease liabilities as at 1 January 2019	5,109
Analyzed as	
Current	2,019
Non-current	3,090
	5,109

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK\$'000 (Unaudited)
Right-of-use assets relating to operating leases recognized upon application of HKFRS 16	5,015

The following table summarizes the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 HK\$'000 (Unaudited)
Retained profits	
Impact at 1 January 2019	94

The following table summarizes the impacts of the adoption of HKFRS 16 on the group's consolidated statement of financial position:

	Carrying amounts previously reported at 31 December 2018 HK\$'000 (Audited)	Capitalization of operating lease contracts HK\$'000 (Unaudited)	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000 (Unaudited)
Right-of-use assets	–	5,015	5,015
Total non-current assets	30,731	5,015	35,746
Lease liabilities	–	2,019	2,019
Current liabilities	30,847	2,019	32,866
Net current assets	350,553	(2,019)	348,534
Total assets less current liabilities	381,284	3,000	384,284
Lease liabilities	–	3,090	3,090
Non-current liabilities	3,109	3,090	6,199
Net assets	378,175	(94)	378,081

**Line items in the consolidated statement
of financial position impacted by the adoption of
HKFRS 16:**

Right-of-use assets	–	5,015	5,015
Total non-current assets	30,731	5,015	35,746
Lease liabilities	–	2,019	2,019
Current liabilities	30,847	2,019	32,866
Net current assets	350,553	(2,019)	348,534
Total assets less current liabilities	381,284	3,000	384,284
Lease liabilities	–	3,090	3,090
Non-current liabilities	3,109	3,090	6,199
Net assets	378,175	(94)	378,081



3. Revenue

Disaggregation of revenue

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (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	120	103	363	506
– Trading of electronic products, electronic student cards and school safety products	9	12	876	118
– Provision of electronic student card platform	68	185	1,215	2,160
– Service income from provision of stock information	–	(5)	–	226
– Sales of motor vehicles where the Group acts as principal	95,061	177,471	221,839	333,212
– Agency fee income from trading of motor vehicles and accessories sourcing	99	(10)	740	428
	95,357	177,756	225,033	336,650
Revenue from other sources				
– Interest income from clients	158	137	441	396
Revenue	95,515	177,893	225,474	337,046
Proceeds from trading of securities	13,087	–	15,559	–
Turnover	108,602	177,893	241,033	337,046
Disaggregated by timing of revenue recognition within the scope of HKFRS 15				
– Over time	68	180	1,215	2,386
– At a point in time	95,289	177,576	223,818	334,264
	95,357	177,756	225,033	336,650

4. Other Income and Loss, Net

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income				
CCASS fee income	3	3	10	14
Handling fee income	10	-	24	-
Interest income on bank deposits	14	5	214	44
Other interest income	2	1	2	1
Dividend income from securities held for trading	1	1	54	27
Sundry income	231	115	1,348	281
	261	125	1,652	367
Other gain or loss, net				
Financial assets at fair value through profit or loss				
- Unrealised fair value gains/(losses) on securities trading	6,530	1,750	60	(155)
- Realized gains on trading of securities	689	-	413	-
	7,219	1,750	473	(155)
	7,480	1,875	2,125	212

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 loss for the period (2018: Nil).

PRC Enterprise Income tax has been provided at the rate from 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 a tax loss 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:

	Nine months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	(83,548)	(13,920)
Number of shares		
Issued ordinary shares at 1 January	6,718,821,034	6,498,958,120
Shares retrieval from escrow arrangement	–	(200,000,000)
Issued ordinary shares at 30 September	6,718,821,034	6,298,958,120
Weighted average number of ordinary shares in issue for calculating basic and diluted loss per share	6,718,821,034	6,298,958,120
Loss per share	(0.0124)	(0.0022)
Diluted loss per share	(0.0124)	(0.0022)

The computation of diluted loss per share for the period ended 30 September 2019 and 2018, did not assume the exercise of the Company's share options outstanding during the period ended 30 September 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
As at 1 January 2019 and as at 30 September 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 30 September 2019 (2018: Nil).

9. Contingent Liabilities

On 29 October 2019, the China Chongqing Arbitration Commission (重慶仲裁委員會) (the "Commission") notified 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) (the "JV Company"), the sino-foreign joint venture company formed in Chongqing City, the People's Republic of China ("PRC") that is 93.33% owned by the Company and carries out the motor vehicles related businesses of the Group that an arbitration application (the "Arbitration") was made to the Commission by one of the JV Company's customers (the "Claimant") and the application was accepted by the Commission. The Claimant alleged in the Arbitration that the JV Company had failed to perform its obligation under an agreement made between the JV Company and the Claimant on 14 July 2019 for the sale of 350 motor vehicles and claimed for payment of liquidated damages of RMB11,025,000 and costs of the Arbitration. The JV Company has engaged PRC legal advisor to advise it on the merit of the Claimant's claim in the Arbitration.



Business Review

The Group in the nine months ended 30 September 2019 recorded revenue of approximately HK\$225.47 million, which was a decrease of approximately HK\$111.58 million compared with the last corresponding period. This was mainly due to the business of sales of motor vehicles and provision of relevant agency services in the PRC. Such business recorded approximately HK\$222.58 million for the period ended 30 September 2019 and approximately HK\$333.64 million was recorded for the period ended 30 September 2018.

As disclosed in the announcement of the Company dated 9 September 2019, as a result of the unfavorable market condition for the motor vehicle business of the Group, the Group has been adopting a more conservative and tightened approach in the development and the investments and acquisitions of business related to the motor vehicle business of the Group. In view of the uncertainty created by the on-going Sino-US trade war to the motor vehicle business of the Group, the Group is adjusting its business strategies and exploring other business sectors and opportunities in order to maximize the gain to the Group. After considering the Company's decision to divert the Group's resources to invest in the new medicine development market in the PRC through its investment in the limited partnership (成都藍葆震企業管理中心 transliterated as Chengdu Lan Bao Zhen Business Management Centre) ("Limited Partnership"), instead of looking for opportunities in investments and acquisitions of business related to the motor vehicle business of the Group.

On 9 September 2019, 深圳華億生物科技集團有限公司 (transliterated as Shenzhen Huayi Biotechnology Group Company Limited), a direct wholly-owned subsidiary of the Company, entered into the limited partnership agreement with the general partner (成都藍葆坤企業管理中心 transliterated as Chengdu Lan Bao Kun Business Management Center) ("General Partner"). Pursuant to the limited partnership agreement, the parties thereto agreed to, inter alia, invest in the Limited Partnership with an aggregate capital of RMB60 million. The capital commitment to be made by the Group to the Limited Partnership will be RMB30 million, representing 50% of the total capital commitment to be made by all partners of the Limited Partnership.

The Limited Partnership has a 90% owned subsidiary, 成都嘉葆藥銀醫藥科技有限公司 (transliterated as Chengdu Jia Bao Yao Yin Medicine Technology Company Limited) (“Chengdu Jia Bao Yao Yin”), a limited company established in the PRC on 28 August 2019. The remaining 10% share of Chengdu Jia Bao Yao Yin is owned by Wei Yuquan, the chief scientist of the General Partner. The business scope of Chengdu Jia Bao Yao Yin is medical research and experimental development; medicine technology, biotechnology research and development, technology promotion, technology transfer (projects subject to approval according to law may be commenced after approval by relevant departments).

The Group was informed that on 28 September 2019, Chengdu Jia Bao Yao Yin entered into a joint development agreement with WuXi AppTec (Shanghai) Co., Ltd. which is a wholly owned subsidiary of Wuxi Apttec Co., Ltd. with Stock Exchange stock code 2359 to co-operate in the joint development of three new medicines in the treatment of lymphoma, cell tumors and colorectal cancer. For more details, please refer to the announcement of the Company dated 15 October 2019.

For proprietary stock trading, the Group recorded an unrealized gain of approximately HK\$0.06 million and a realized gain of approximately HK\$0.41 million for the period under review.

Financial Review

The Group recorded an unaudited revenue of approximately HK\$225.47 million for the nine months ended 30 September 2019 as compared to approximately HK\$337.05 million for the corresponding period in 2018, there was a decrease of approximately HK\$111.58 million or 33.1%. The decrease in turnover 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\$222.58 million for the nine months ended 30 September 2019 and it recorded approximately HK\$333.64 million of revenue for the last corresponding period. The decline in revenue of this segment was due to the sudden drop in customers’ demand on motor vehicles mainly caused by the change in government policies in relation to automobile emission standard in the People’s Republic of China (the “PRC”) and the on-going Sino-US trade war, which in turn caused a decrease in customer purchase desire and a price reduction for some motor vehicle models by the Company. As such, certain models of motor vehicles sold at loss for the period in order to maintain the overall financial health of the Group. Up to the period ended 30 September 2019, the parallel imported China VI motor vehicle still had not been available in the market.



The segment of trading of electronic product, electronic student cards and school safety products and provision of electronic student card platform recorded revenue of approximately HK\$2.09 million for the nine months ended 30 September 2019 and it recorded approximately HK\$2.28 million of revenue for the last corresponding period.

The Group recorded an unaudited loss for the nine months ended 30 September 2019 of approximately HK\$87.60 million compared with an unaudited loss of approximately HK\$14.13 million for the last corresponding period. The unaudited loss for the period encompassed the unaudited provision for loss on onerous contracts for approximately HK\$16.74 million and no such provision for last corresponding period, unaudited unrealized fair value gains on securities trading for approximately HK\$0.06 million and it recorded unaudited unrealized fair value losses approximately HK\$0.16 million for the last corresponding period. The basic loss per share attributable to owners for the Company for the reporting period with approximately HK\$1.24 cents compared to approximately HK0.22 cents for the same period last year.

The Group's current asset as at 30 September 2019 amounted to approximately HK\$288.66 million and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 6.64 times. Among them, the financial assets fair value through profit or loss and financial assets fair value through other comprehensive income were HK\$1.96 million and HK\$9.86 million respectively. The financial assets invested the equity securities listed in the Hong Kong and the investment in the PRC. The Group's bank balances and cash amounted to approximately HK\$110.39 million as at 30 September 2019 of which approximately HK\$6.22 million were held on behalf of clients in trust and segregated accounts. The total borrowings amounted to HK\$2.91 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 30 September 2019 (calculated by the total liabilities of approximately HK\$50.41 million over equity attributable to the owners of the Company of approximately HK\$274.80 million) is 18.3%.

The equity attributable to owner of the Company amounted to approximately HK\$274.80 million as at 30 September 2019, representing a decrease of approximately HK\$89.82 million, or 24.6% from that of 31 December 2018.

Outlook

In view of the uncertainty created by the on-going Sino-US trade war and the impact of the PRC government policy to the motor vehicle business of the Group, the Company decided to divert the Group's resources to invest in the new medicine development market in the PRC instead of looking for opportunities in investments and acquisitions of business related to the motor vehicle business of the Group.

After the three years' efforts since the implementation of the 13th Five-Year Plan (2016-2020), the PRC government has been reforming the regulatory landscape in the pharmaceutical industry leading it has a steady growth in the past few years, especially for major new medicines development like the promotion of more life-saving and safe medicines to be listed and included in medical insurance.

With the aims of offering the comprehensive health services to the nation, optimization of the national health insurance system and promotion the healthcare reforms, the PRC government is striking to achieve the efficiency of market controls and allow people have accessibility and affordability of quality drugs and national health services in pursuit of a "Healthy China" by year 2030. On the other hand, with the reform of the review and approval system, the PRC government has demonstrated an improved efficiency in accelerating the pace of approval for registration of innovative drugs especially for chronic and rare diseases in the recent years.

The Company considers that the business opportunities in the pharmaceutical market in the PRC is optimistic given the recent reforms in the pharmaceutical market carried out by the PRC government, the large and aging population, growing per capita income, and the PRC's government's long term commitment to build up a "Healthy China" by year 2030.

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 30 September 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 30 September 2019:

Name of Director	Date of grant	Number of share options				Outstanding as at 30 September 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 30 September 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 30 September 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 30 September 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 30 September 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 30 September 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.



Event after the Reporting Period

Subsequent to the reporting period, in October 2019, the Group disposed of its entire equity interest in 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) at a cash consideration of RMB2,400,000 and thereby discontinued the segment of trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform of the Group.

On 29 October 2019, the China Chongqing Arbitration Commission (重慶仲裁委員會) (the “Commission”) notified 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) (the “JV Company”), the sino-foreign joint venture company formed in Chongqing City, the People’s Republic of China (“PRC”) that is 93.33% owned by the Company and carries out the motor vehicles related businesses of the Group that an arbitration application (the “Arbitration”) was made to the Commission by one of the JV Company’s customers (the “Claimant”) and the application was accepted by the Commission. The Claimant alleged in the Arbitration that the JV Company had failed to perform its obligation under an agreement made between the JV Company and the Claimant on 14 July 2019 for the sale of 350 motor vehicles and claimed for payment of liquidated damages of RMB11,025,000 and costs of the Arbitration. The JV Company has engaged PRC legal advisor to advise it on the merit of the Claimant’s claim in the Arbitration.

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 nine months ended 30 September 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, 8 November 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.

