



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)

INTERIM REPORT

2020



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.

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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\$51,340,000 for the six months ended 30 June 2020.

Loss for the six months ended 30 June 2020 was approximately HK\$11,688,000.

Loss attributable to owners of the Company for the six months ended 30 June 2020 amounted to approximately HK\$11,597,000.

Basic loss per share was 0.15 HK cents and diluted loss per share was 0.15 HK cents.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2020.

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 2020 together with the comparative unaudited figures for the corresponding period in 2019.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Continuing operations					
Revenue	3	28,525	118,973	51,340	127,945
Other income and loss, net	5	2,693	(5,943)	2,662	(5,437)
Changes in inventories of finished good		(26,202)	(127,762)	(48,083)	(136,279)
Other direct costs		(69)	(24)	(122)	(46)
Employee benefits expenses		(5,036)	(4,983)	(10,225)	(9,755)
Depreciation of property, plant and equipments		(584)	226	(1,172)	(1,160)
Depreciation of right-of-use assets		(27)	(1,869)	(100)	(1,869)
Amortization of intangible assets		(8)	(8)	(16)	(48)
Provisions		-	(33,809)	-	(33,809)
Gain on lease termination		-	-	35	-
Finance costs		(14)	(133)	(32)	(400)
Other operating expenses		(3,318)	(6,047)	(5,975)	(10,395)
Loss before income tax		(4,040)	(61,379)	(11,688)	(71,253)
Income tax expense	6	-	-	-	-
Loss for the period from continuing operations		(4,040)	(61,379)	(11,688)	(71,253)
Loss for the period from discontinued operations	16	-	(724)	-	(1,573)

Note	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Loss for the period	(4,040)	(62,103)	(11,688)	(72,826)
Other comprehensive (loss)/income:				
<i>Items that may be reclassified to profit or loss</i>				
Currency translation differences	(438)	21	(4,110)	725
Other comprehensive (loss)/income for the period, net of tax	(438)	21	(4,110)	725
Total comprehensive loss for the period	(4,478)	(62,082)	(15,798)	(72,101)
Loss for the period attributable to:				
Owners of the Company	(4,017)	(58,869)	(11,597)	(69,424)
Non-controlling interests	(23)	(3,234)	(91)	(3,402)
	(4,040)	(62,103)	(11,688)	(72,826)
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	(5,499)	(58,840)	(16,593)	(68,757)
Non-controlling interests	1,021	(3,242)	795	(3,344)
	(4,478)	(62,082)	(15,798)	(72,101)

	Note	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Loss per share attributable to owners of the Company for the period:					
Basic loss per share (<i>HK cents</i>)	7				
From continuing and discontinued operations		(0.052)	(0.873)	(0.150)	(1.033)
From continuing operations		(0.052)	(0.862)	(0.150)	(1.010)
Diluted loss per share (<i>HK cents</i>)	7				
From continuing and discontinued operations		(0.052)	(0.873)	(0.150)	(1.033)
From continuing operations		(0.052)	(0.862)	(0.150)	(1.010)

Condensed Consolidated Statements of Financial Position

	Note	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipments		26,567	27,930
Intangible assets		19	35
Right-of-use assets		169	464
Statutory deposits and other assets		405	505
Financial assets at fair value through other comprehensive income	8	9,817	9,997
Financial assets at fair value through profit or loss	9	32,146	31,702
Rental and other deposits paid		1,985	2,327
		71,108	72,960
Current assets			
Inventories		13,979	52,530
Trade receivables	10	46,954	31,835
Loan receivables		33,063	2,833
Financial assets at fair value through profit or loss	9	1,005	1,385
Prepayments, deposits and other receivables		39,969	32,531
Bank balances and cash – trust accounts		10,357	5,740
Bank balances and cash – general accounts		64,833	113,059
		210,160	239,913
Total assets		281,268	312,873
Current liabilities			
Trade payables	11	13,720	5,770
Other payables and accruals	12	13,270	25,222
Contract liabilities	13	4,128	4,118
Provisions	14	20,759	21,549
Borrowings	15	1,290	2,376
Lease liabilities		3,192	3,258
		56,359	62,293

	Note	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Net current assets		153,801	177,620
Total assets less current liabilities		224,909	250,580
Non-current liabilities			
Lease liabilities		–	1,677
Deferred income tax liabilities		2,927	2,927
		2,927	4,604
Net assets		221,982	245,976
Capital and reserves			
Share capital	17	77,489	77,489
Share premium	17	1,673,299	1,673,299
Special reserve		4,779	4,779
Statutory reserve		3,912	3,912
Translation reserve		(25,596)	(20,600)
Share-based compensation reserve		21,624	21,624
Accumulated losses		(1,533,772)	(1,521,955)
Equity attributable to owners of the Company		221,735	238,548
Non-controlling interests		247	7,428
Total equity		221,982	245,976

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Statutory reserve	Translation reserve	Share-based compensation reserve	Accumulated losses			
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)			
Balance as at 1 January 2019	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 at 1 January 2019 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	-	-	-	-	-	-	(69,424)	(69,424)	(3,402)	(72,826)
Other comprehensive income for the period	-	-	-	-	667	-	-	667	58	725
Balance as at 30 June 2019	77,489	1,673,299	4,779	3,912	(21,629)	30,554	(1,472,637)	295,767	10,213	305,980
Balance as at 1 January 2020	77,489	1,673,299	4,779	3,912	(20,600)	21,624	(1,521,955)	238,548	7,428	245,976
Loss for the period	-	-	-	-	-	-	(11,597)	(11,597)	(91)	(11,688)
Other comprehensive income/(loss) for the period	-	-	-	-	(4,996)	-	-	(4,996)	886	(4,110)
Transaction with non-controlling interests	-	-	-	-	-	-	(220)	(220)	(7,976)	(8,196)
Balance as at 30 June 2020	77,489	1,673,299	4,779	3,912	(25,596)	21,624	(1,533,772)	221,735	247	221,982

Condensed Consolidated Statements of Cash Flows

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(5,364)	(20,321)
Net cash used in investing activities	(41,776)	(28,451)
Net cash used in financing activities	(1,086)	(2,952)
Net decrease in cash and cash equivalents	(48,226)	(51,724)
Cash and cash equivalents at the beginning of period	113,059	153,054
Cash and cash equivalents at the end of period	64,833	101,330
Bank balances and cash include the following for the purposes of the condensed consolidated statements of cash flows:		
Cash at bank and on hand	75,190	110,677
Segregated trust bank balances	(10,357)	(9,347)
Cash and cash equivalents	64,833	101,330

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 People's Republic of China ("PRC"), (ii) provision of securities and futures contracts trading services in Hong Kong, (iii) trading and principal investments in the PRC and Hong Kong, and (iv) 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 August 2020.

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 and at fair value through other comprehensive income.

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 2019.

3. Revenue

Disaggregation of revenue

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

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 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	213	132	363	243
- Sales of motor vehicles where the Group acts as principal	27,248	118,697	48,768	126,778
- Agency fee income from trading of motor vehicles and accessories sourcing	945	-	1,947	642
	28,406	118,829	51,078	127,663
Revenue from other sources				
- Interest income from clients	119	144	262	282
Revenue	28,525	118,973	51,340	127,945
Disaggregated by timing of revenue recognition within the scope of HKFRS 15				
- Over time	-	-	-	-
- At a point in time	28,406	118,829	51,078	127,663
	28,406	118,829	51,078	127,663

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 reporting in order to assess performance and allocate resources. Operating segments were determined based on these reports.

In prior reporting periods, the Group was organized into four 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 services; (3) trading and principal investments; and (4) sales of motor vehicles and provision of agency services.

In October 2019, the Group ceased its business in the trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform which are classified as discontinued operations for the previous year due to disposal of a subsidiary. Further details of the discontinued operations are set out in note 16.

The segment information of the reportable segments for the six months ended 30 June 2020 is as follows:

	Brokerage and securities margin financing services HK\$'000 (unaudited)	Precious metals spot trading and brokerage services HK\$'000 (unaudited)	Trading and principal investments HK\$'000 (unaudited)	Sales of motor vehicles and provision of agency services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Continuing operation					
Disaggregated by timing of revenue recognition within the scope of HKFRS 15					
Over time	-	-	-	-	-
At a point in time	363	-	-	50,715	51,078
	363	-	-	50,715	51,078
Segment revenue from external customers	625	-	-	50,715	51,340
Other income and loss, net by segment	149	51	(379)	202	23 ¹
Segment results	(1,027)	(51)	(3,524)	1,482	(3,120)
Net unallocated expenses					(11,175)
Other income and loss, net					2,618 ¹
Finance costs					(32)
Interest income					21 ¹
Loss before income tax					(11,688)
Income tax expense					-
Loss for the period					(11,688)

¹ Equivalent to the total balances stated in note 5.

The segment information of the reportable segments for the six months ended 30 June 2019 is as follows:

	Brokerage and securities margin financing services HK\$'000 (unaudited)	Precious metals spot trading and brokerage services HK\$'000 (unaudited)	Trading and principal investments HK\$'000 (unaudited)	Sales of motor vehicles and provision of agency services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Continuing operation					
Disaggregated by timing of revenue recognition within the scope of HKFRS 15					
Over time	-	-	-	-	-
At a point in time	243	-	-	127,420	127,663
	243	-	-	127,420	127,663
Segment revenue from external customers	525	-	-	127,420	127,945
Other income and loss, net by segment	27	102	(6,693)	747	(5,817) ¹
Finance costs	-	-	-	(22)	(22)
Segment results	(1,712)	(13)	(10,317)	(49,372)	(61,414)
Net unallocated expenses					(9,841)
Other income and loss, net					196 ¹
Finance costs					(378)
Interest income					184 ¹
Loss before income tax					(71,253)
Income tax expense					-
Loss for the period					(71,253)

¹ Equivalent to the total balances stated in note 5.

The Group mainly operates in Hong Kong and the PRC.

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue		
Hong Kong	625	525
The PRC	50,715	127,420
	51,340	127,945
Other income and loss, net		
Hong Kong	(230)	(6,747)
The PRC	2,892	1,310
	2,662	(5,437)

Revenue from external customers are allocated based on the geographic areas in which the customers are located.

5. Other Income and Loss, Net

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Other income				
CCASS fee income	4	4	9	7
Handling fee income	8	8	14	14
Interest income on bank deposits	17	119	40	200
Other interest income	2	-	2	-
Dividend income from securities held for trading	-	54	-	54
Sundry income	2,611	693	2,976	1,035
	2,642	878	3,041	1,310
Other gain or loss, net				
Financial assets at fair value through profit or loss				
- Unrealised fair value gains/(losses) on securities trading	51	(6,544)	(379)	(6,470)
- Realised losses on trading of securities	-	(277)	-	(277)
	51	(6,821)	(379)	(6,747)
	2,693	(5,943)	2,662	(5,437)

6. Income Tax Expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 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 companies that are subject to Hong Kong Profit Tax had incurred tax losses for the period (2019: Nil).

PRC Enterprise Income tax has been provided at the rate from 25% (2019: 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 PRC subsidiaries that are subject to PRC Enterprise Income tax had incurred tax losses for the period (2019: Nil).

7. Loss Per Share

From continuing operations

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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company	(11,597)	(69,424)
Less: Loss for the period from discontinued operations	-	(1,573)
Loss for the purposes of basic and diluted loss per share from continuing operations	(11,597)	(67,851)
Number of shares		
Issued ordinary shares at 1 January and 30 June	7,748,958,120	6,718,821,034
Weighted average number of ordinary shares for the purpose of diluted loss per share	7,748,958,120	6,718,821,034
Loss per share	(0.0015)	(0.0101)
Diluted loss per share	(0.0015)	(0.0101)

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	(11,597)	(69,424)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For discontinued operations in 2019

Basic and diluted loss per share for the discontinued operations in HK0.023 cents per share, based on the loss for the period from the discontinued operations of HK\$1,573,000 and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for the periods ended 30 June 2020 and 2019 did not assume the exercise of the Company's share options outstanding during the periods ended 30 June 2020 and 2019 since their exercise would result in a decrease in loss per share.

8. Financial Assets at Fair Value through Other Comprehensive Income

	At 30 June 2020	At 31 December 2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Unlisted equity investment	9,817	9,997

The above unlisted equity investment represents the Group's equity interest in a private entity established in the PRC, 南瑞生物科技集團(深圳)有限公司 (transliterated as Nan Rui Biotechnology Group (Shenzhen) Company Limited) ("Nan Rui Biotechnology"). The Directors of the Company have elected to designate these investments in equity instruments as at fair value through other comprehensive income ("FVTOCI") as they believe that it is an equity investment held for capital gain and assets appreciation.

The investee company indirectly-held the projects related to the setting up of the biomedical laboratory together with a biological scientist. The management of the Group considers the investment would be a good opportunity for the Group to explore in new business to diversify its revenue source by investing in businesses with growth potential and broaden its source of income.

Cash flows arising from financial assets at FVTOCI are presented within "investing activities" in the condensed consolidated statements of cash flows.

Changes in fair values of financial assets at FVTOCI are recorded in "other comprehensive (loss)/income" in the condensed consolidated statements of profit or loss and other comprehensive income.

The Group considers that it takes long time for setting up biomedical laboratory and put in use. As the project was still in a development stage, the management considers that fair value approximates the carrying value of assets and liabilities of Nan Rui Biotechnology.

9. Financial Assets at Fair Value through Profit or Loss

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Listed equity – held for trading equity securities – Hong Kong	998	1,378
Other unlisted investments	7	7
Unlisted equity investments	32,146	31,702
	33,151	33,087
Represented by:		
Non-current assets	32,146	31,702
Current assets	1,005	1,385
	33,151	33,087

The details of the listed equity held for trading are as follows:

Stock code	Company name	No. of share held as at 30 June 2020	Approximately percentage of shareholding	Fair value as at 30 June 2020 HK\$'000	Fair value losses on securities trading for the period ended 30 June 2020 HK\$'000
01335	Sheen Tai	9,986,000	0.41%	998	(379)
	Listed shares – held for trading			998	(379)

Stock code	Company name	No. of share held as at 31 December 2019	Approximately percentage of shareholding	Fair value	
				31 December 2019 HK\$'000	31 December 2019 HK\$'000
01335	Sheen Tai	9,986,000	0.41%	1,378	(519)
Listed shares – held for trading				1,378	(519)

Unlisted equity investment represents 50% ownership investment in a limited partnership, 成都藍葆震企業管理中心 (transliterated as Chengdu Lan Bao Zhen Business Management Centre) (“Limited Partnership”), with registered capital of RMB60,000,000. The Group acted as a limited partner in the Limited Partnership with injected capital of RMB30,000,000. All decisions related to the relevant activities of the Limited Partnership are made by the general partner, which is independent from the Group. According to the limited partnership agreement, the term of Limited Partnership is five years from the issuance date of the business licence. The general partner has the right to extend the term of the Limited Partnership.

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”), which acts as a vehicle for Limited Partnership to invest in new medicine development projects. In 2019, Chengdu Jia Bao Yao Yin entered into a joint development of three new medicines and acquired the patent of a medicine from the same partner as mentioned in the joint development of new medicines above.

Other unlisted investments included in the financial assets at fair value through profit or loss (“FVTPL”) represents an amount of RMB6,515 (equivalent to HK\$7,106) (2019: RMB6,515 (equivalent to HK\$7,237)) invested in a fund known as 財富寶 (transliterated as Cai Fu Bao) which is managed by 南方基金管理股份有限公司 (transliterated as China Southern Asset Management Co., Limited) as at period end. This investment fund provides the unguaranteed expected floating returns of approximately 4% per annum and can be refunded one day after instruction is given to the securities company.

Financial assets at FVTPL are presented within “operating activities” in respect of held for trading equity securities and “investing activities” in respect of financial assets classified at FVTPL respectively in the condensed consolidated statements of cash flows.

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

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

10. Trade Receivables

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Amount receivable arising from securities broking:		
Margin clients	1,010	1,578
Cash clients	3,635	5,098
Hong Kong Securities Clearing Company Limited (net)	814	134
Amounts receivable arising from trading of motor vehicle	41,495	25,025
Trade receivables	46,954	31,835

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\$11,953,000 as at 30 June 2020 (2019: approximately HK\$17,212,000). 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 Group considers that the credit risk arising from the amounts receivable from margin clients is significantly mitigated by the client’s pledged securities.

The settlement terms of amounts receivable arising from cash clients and clearing house 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. Accounts receivable from cash clients and clearing house are neither past due nor impaired.

Amount receivable arising from the trading of motor vehicles with amount of HK\$41,495,000 (2019: HK\$25,025,000).

The receivable from customers in respect of the trading of motor vehicles are due in 120 days from date of billing.

The trade receivables from customers arising from trading of motor vehicles that were past due but not impaired at 30 June 2020 is related to a customer that had a good track record of credit with the Group. Based on past credit history and its financial background, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The following is an aged analysis of trade receivables based on invoice dated at the reporting period:

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
0 – 30 days	15,710	20,032
31 – 90 days	18,586	413
91 – 180 days	3,863	2,789
181 – 365 days	936	1,498
Over 365 days	2,400	293
	41,495	25,025

The maximum exposure to credit risk at the 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. There is no recent history of default on the trade receivables.

11. Trade Payables

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Amount payable arising from securities broking:		
Margin clients	4,704	89
Cash clients	9,010	5,675
Other trade payables	6	6
Trade payables	13,720	5,770

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 reporting period:

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
0 – 30 days	–	–
31 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	6	6
	6	6

12. Other Payables and Accruals

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Other payables and accruals	13,270	2,182
Deposit received for disposal of a subsidiary	–	1,710
Received in advance in respect of agency services	–	9,442
Provision of consumption tax and customs duties in respect of trading of motor vehicles	–	11,888
	13,270	25,222

13. Contract Liabilities

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Billing in advance of performance		
– Agency services	–	602
– Trading as principal	4,128	3,516
	4,128	4,118

The contract liabilities are expected to be recognized as income within one year.

The payment terms have impact on the amount of contract liabilities recognized. When the Group receives a deposit before fulfilling its agency obligations on sourcing and principal obligations on trading of the motor vehicles, this will give rise to contract liabilities at the start of a contract until the consideration received is recognized as revenue.

14. Provisions

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Provision of compensation and legal fee	5,454	5,771
Provision for loss on onerous contracts	15,305	15,778
	20,759	21,549

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under the non-cancellable purchase contract of motor vehicles. The expected economic benefits are estimated based on estimated future sales and selling price taking reference by the existing market condition and estimated number of motor vehicles sold under the existing market condition while unavoidable costs are estimated based on the motor vehicles purchase contracts that the Group is obligated to settle.

Management conducted an assessment of the non-cancellable motor vehicles contracts and the estimates and assumptions contained therein are reviewed regularly. As at 30 June 2020, provision for an onerous contracts are at carrying amount of HK\$15,305,000 (2019: HK\$15,778,000).

15. Borrowings

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Secured borrowing included in current liabilities – bank borrowings	1,290	2,376

16. Discontinued Operations

As a result of the disposal of Shenzhen Star Technology Co., Ltd, a wholly-owned subsidiary, in October 2019, the trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform businesses is presented as discontinued operations.

The results of the discontinued operations included in the unaudited condensed consolidated financial statements are set out below.

The losses from the discontinued operations for the prior period are analysed as follows:

	Three months ended 30 June 2019	Six months ended 30 June 2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	964	2,015
Other income and loss, net	79	82
Changes in inventories of finished good	(5)	(823)
Employee benefits expenses	(467)	(1,175)
Depreciation of property, plant and equipments	(77)	(155)
Other operating expenses	(1,218)	(1,517)
Loss from discontinued operations	(724)	(1,573)

17. Share Capital and Premium

	Number of issued shares (in thousands)	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2020 and 30 June 2020	7,748,958	77,489	1,673,299	1,750,788

The total authorized number of ordinary shares is 10,000,000,000 shares (2019: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2019: HK\$0.01 per share). All issued shares are fully paid.

18. Dividend

The Directors do not recommend the payment of a dividend for the period ended 30 June 2020 (2019: Nil).

Business Review

The Group recorded a loss of approximately HK\$11.69 million for the six months ended 30 June 2020, compared with the loss of approximately HK\$72.83 million for the same period in 2019, it significantly reduced by approximately HK\$61.14 million. As disclosed in the Company's announcement dated 29 July 2020, the loss has significantly reduced was mainly due to (i) there was no provision for the onerous contracts for motor vehicles for the six months ended 30 June 2020 as compared to the corresponding period in 2019; and (ii) the segment for the sales of motor vehicles and provision of agency services in the PRC recorded profits for the six months ended 30 June 2020.

The Group recorded revenue of approximately HK\$51.34 million in the six months ended 30 June 2020, which is a decrease of approximately HK\$76.61 million compared with the corresponding period in 2019. 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\$50.71 million for the period ended 30 June 2020, compared with approximately HK\$127.42 million for the previous period, representing a decrease of approximately HK\$76.71 million.

Due to the outbreak of COVID-19 leading to a series of precautionary and quarantine control measure that had been implemented across the PRC and thus seriously affected the Group's business operation in the PRC. Moreover, the COVID-19 pandemic has further impacted the market conditions and the consumer sentiment during the first half of 2020. For the period ended 30 June 2020, the Group recorded the revenue of sales of motor vehicles where the Group acts as principal approximately HK\$48.76 million and an agency fee income from trading of motor vehicles and accessories sourcing approximately HK\$1.95 million whereas approximately HK\$126.78 million and approximately HK\$0.64 million were recorded respectively for the period ended 30 June 2019.

Regarding investment in the new medicine development market in the PRC, the Group co-operates in the joint development of three new medicines through its investment in a limited partnership. As at 30 June 2020, the new medicines in the treatment of lymphoma, cell tumors and colorectal cancer are still in the research stage.

For proprietary stock trading, the Group recorded an unrealised loss of approximately HK\$0.38 million and no realised profit or loss for the period under review.

Reference is made to the Company's announcements dated 20 December 2019 and 24 December 2019 in relation to the disposal of the entire issued share capital of Sinofortune Securities Limited and the subordinated loan advanced by the Company to Sinofortune Securities Limited. On 2 June 2020, a notice of termination dated 1 June 2020 has been served by the purchaser to terminate the sale and purchase agreement. Both vendor and purchaser agreed that the sale and purchase agreement ceased to have any effect and all rights and obligations of the vendor and the purchaser under the sale and purchase agreement shall cease. The vendor forfeited the deposit of HK\$710,000 and returned the deposit of HK\$1,000,000 to the purchaser.

Financial Review

The Group recorded an unaudited revenue of approximately HK\$51.34 million for the six months ended 30 June 2020 as compared to approximately HK\$127.95 million for the corresponding period in 2019, there was a decrease of approximately HK\$76.61 million or 59.9%. 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\$50.71 million for the six months ended 30 June 2020 and it recorded approximately HK\$127.42 million of revenue for the last corresponding period. Since January 2020, the outbreak of COVID-19 has impact on the global business environment, it led to the overall sales performance of the Group was dropped significantly. The situation has been worsen by the uncertainty resulting from the on-going Sino-US trade war. As such, the Group has since January 2020 adjusted its business strategies and operations in order to boost up the sales and clear the stocks including reduced the price of certain models of motor vehicles, focused on promoting the sales on those motor vehicles which could be sold at profit and controlled the costs of operation in this segment and maintain the overall financial health of the Group. Up to the period ended 30 June 2020, the parallel imported China VI motor vehicles still had not been available in the market.

The Group recorded an unaudited loss for the six months ended 30 June 2020 of approximately HK\$11.69 million compared with an unaudited loss of approximately HK\$72.83 million for the last corresponding period. The unaudited unrealised fair value loss on securities trading for approximately HK\$0.38 million for the six months ended 30 June 2020 and it recorded unaudited unrealised fair value loss approximately HK\$6.47 million for the last corresponding period. The basic loss per share attributable to owners for the Company for the reporting period with approximately HK\$0.15 cents compared to approximately HK\$1.03 cents for the same period last year.

Outlook

As at 30 June 2020, almost 99% revenue of the Group came from the segment of sales of motor vehicles and the provision of agency services in the PRC. Affected by the outbreak of COVID-19, the uncertainty created by the on-going Sino-US trade war and the impact of the PRC government policy, the motor vehicles business of the Group has been dragged down. Recently, in order to promote the prevention and control of the COVID-19 pandemic and economic and social development, the PRC government has responded to the impact of the pandemic and focused on expanding the demand of motor vehicles and some provinces have introduced relevant policies. Hoping that those PRC government policies can improve the performance of the motor vehicles business of the Group. The Group will closely monitor the business environment and the changes of the PRC government policy in order to make appropriate business strategies.

As disclosed in the circular of the Company dated 19 March 2018, the motor vehicles business has a risk of reliance on a small number of customers. As at 30 June 2020, 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) (“Sheng Yu Hong Jia”) has improved its number of customers and increased to 33 customers and with 31 customers in the progress of negotiation. Sheng Yu Hong Jia will strive to increase more customers to reduce the level of reliance in the future.

After the three years’ efforts since the implementation of the 13th Five-Year Plan (2016-2020), the PRC 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 lifesaving and safe medicines to be listed and included in medical insurance. Therefore, the Company decided to divert the Group’s resources to invest in the new medicine development market in the PRC through its investment in a limited partnership which can attain diversification of the Group’s business.

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' Report

Liquidity and Financial Resources

The Group's current assets as at 30 June 2020 amounted to approximately HK\$210.16 million (31 December 2019: approximately HK\$239.91 million) and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 3.7 times, (31 December 2019: 3.9 times). The gearing ratio of the Group (calculated as total liabilities over equity attributable to owners of the Company) was 26.7% (31 December 2019: 28.1%). Among them, the financial assets at fair value through profit or loss were approximately HK\$1.00 million (31 December 2019: approximately HK\$1.39 million). The financial assets invested included the equity securities listed in Hong Kong. As at 30 June 2020, the Group's cash and bank balances were approximately HK\$75.19 million (31 December 2019: approximately HK\$118.80 million) of which approximately HK\$10.36 million (31 December 2019: approximately HK\$5.74 million) were held on behalf of clients in trust and segregated accounts.

As at 30 June 2020, the Group's total borrowing amounted to approximately HK\$1.29 million (31 December 2019: approximately HK\$2.38 million). The borrowings were secured by charge over the Group's leasehold land and buildings as well as corporate guarantee issued by the Company and repayable within one year. 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.

The equity attributable to owner of the Company amounted to approximately HK\$221.74 million as at 30 June 2020, representing a decrease of approximately HK\$16.81 million, or 7.0% from that of 31 December 2019.

Share Capital

As at 30 June 2020, 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\$77,489,581 divided into 7,748,958,120 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 2020, the Group did not have any material unhedged foreign exchange exposure of interest rate mismatch.

Employee Information

As at 30 June 2020, the Group had a workforce of 64 employees (31 December 2019: 90). The total staff costs, including directors' emoluments, amounted to approximately HK\$10.23 million for the period ended 30 June 2020 (30 June 2019: approximately HK\$10.93 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 2020, leasehold land and buildings of the Group with a carrying amount of approximately HK\$25.14 million (31 December 2019: HK\$25.94 million) were pledged for banking facilities granting to the Group.

Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group had no significant contingent liabilities.

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

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 2020.

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

As at 30 June 2020, 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 held	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 June 2020:

Name of Directors	Date of grant	Number of share options				Outstanding as at 30 June 2020	Option period	Exercise price (HK\$)
		Outstanding as at 1 January 2020	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 (Note 1)	-	13/04/2010 – 12/04/2020	0.419
Liu Runtong	13/04/2010	31,861,575	-	-	31,861,575 (Note 1)	-	13/04/2010 – 12/04/2020	0.419
Zhang Benzhen	13/04/2010	2,124,105	-	-	2,124,105 (Note 1)	-	13/04/2010 – 12/04/2020	0.419

Note:

- (1) The share options have not been exercised during the option period, therefore they have been lapsed on 13 April 2020.

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 June 2020, 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 June 2020, 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, options to subscribe for 84,000,000 shares of the Company respectively were granted to the Directors and certain employees of the Company. As at 30 June 2020, details of the outstanding options were as follows:

Date of grant	Number of share options				Outstanding as at 30 June 2020	Option period	Exercise price (HK\$)
	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
13/04/2010	82,840,095 (Note 1)	-	-	82,840,095 (Note 1)	-	13/04/2010 – 12/04/2020	0.419

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. The share options have not been exercised during the option period, therefore they have been lapsed on 13 April 2020.

Directors' Interest in Competing Business

As at 30 June 2020, 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 a non-executive Director, 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 2020 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 August 2020

As of the date of this report, the executive Directors are Mr. Wang Jiawei and Ms. Lai Yuk Mui, the non-executive Director is Mr. Liu Runtong and the independent non-executive Directors are Professor Zhang Benzheng, Mr. Li Jianxing and Professor Chen Shu Wen.