



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

2022



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\$139,093,000 for the nine months ended 30 September 2022.

Loss for the nine months ended 30 September 2022 was approximately HK\$16,211,000.

Loss attributable to owners of the Company for the nine months ended 30 September 2022 amounted to approximately HK\$16,209,000.

Basic loss per share was 0.21 HK cents.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2022.

Third Quarterly Report (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 2022 together with the comparative unaudited figures for the period ended 30 September 2021.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	80,654	15,029	139,093	20,186
Other income and losses, net	4	2,665	2,300	2,621	5,044
Changes in inventories of finished goods		(78,861)	(14,830)	(136,965)	(17,647)
Other direct costs		(12)	(38)	(49)	(164)
Employee benefit expenses		(3,418)	(3,519)	(10,410)	(10,632)
Depreciation of property, plant and equipment		(478)	(504)	(1,459)	(1,546)
Depreciation of right-of-use assets		(342)	(363)	(1,069)	(1,088)
Amortisation of intangible assets		-	-	-	(3)
Finance costs		(245)	(22)	(723)	(79)
Other expenses		(2,693)	(5,648)	(7,250)	(11,399)
Loss before income tax		(2,730)	(7,595)	(16,211)	(17,328)
Income tax expense	5	-	-	-	-
Loss for the period		(2,730)	(7,595)	(16,211)	(17,328)

Note	Three months ended 30 September 2022		Nine months ended 30 September 2022	
	HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Other comprehensive (loss)/ income				
<i>Item that may be subsequently reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(7,747)	204	(13,817)	1,607
Other comprehensive (loss)/ income for the period, net of tax	(7,747)	204	(13,817)	1,607
Total comprehensive loss for the period	(10,477)	(7,391)	(30,028)	(15,721)
(Loss)/profit for the period attributable to:				
Owners of the Company	(2,738)	(7,599)	(16,209)	(17,327)
Non-controlling interests	8	4	(2)	(1)
	(2,730)	(7,595)	(16,211)	(17,328)
Total comprehensive (loss)/ income for the period attributable to:				
Owners of the Company	(10,472)	(7,395)	(30,004)	(15,722)
Non-controlling interests	(5)	4	(24)	1
	(10,477)	(7,391)	(30,028)	(15,721)

	Note	Three months ended 30 September 2022		Nine months ended 30 September 2022	
		HK cent (unaudited)	2021 HK cent (unaudited)	HK cent (unaudited)	2021 HK cent (unaudited)
Loss per share attributable to owners of the Company for the period					
Basic loss per share	6	(0.04)	(0.10)	(0.21)	(0.22)
Diluted loss per share	6	N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2022

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Statutory reserve	Translation reserve	Accumulated losses			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 January 2021 (audited)	77,489	1,673,299	4,779	3,912	(11,222)	(1,541,866)	206,391	226	206,617
Loss for the period	-	-	-	-	-	(17,327)	(17,327)	(1)	(17,328)
Other comprehensive income for the period	-	-	-	-	1,605	-	1,605	2	1,607
Balance at 30 September 2021 (unaudited)	77,489	1,673,299	4,779	3,912	(9,617)	(1,559,193)	190,669	227	190,896
Balance at 1 January 2022 (audited)	77,489	1,673,299	4,779	3,912	(7,119)	(1,573,956)	178,404	220	178,624
Loss for the period	-	-	-	-	-	(16,209)	(16,209)	(2)	(16,211)
Other comprehensive loss for the period	-	-	-	-	(13,795)	-	(13,795)	(22)	(13,817)
Balance at 30 September 2022 (unaudited)	77,489	1,673,299	4,779	3,912	(20,914)	(1,590,165)	148,400	196	148,596

Notes:

1. General Information

Sinofortune Financial Holdings Limited (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 registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is situated at 16th Floor, CMA Building, No. 64-66 Connaught Road Central, Hong Kong.

In the opinion of the directors of the Company, the ultimate controlling party of the Company is Mr. Wang Jiawei, the Chairman and executive director of the Company.

The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”).

The Group comprising the Company and its subsidiaries, is principally engaged in (i) provision of securities and futures contracts trading services in Hong Kong, (ii) trading and principal investments in Hong Kong, and (iii) sales of motor vehicles, provision of agency services and accessories sourcing in the People’s Republic of China (“PRC”).

The functional currency of the Company is Hong Kong dollar (“HK\$”). The condensed consolidated financial statements are presented in Hong Kong dollars as management of the Company considered it is more beneficial to users of the condensed consolidated financial statements. All values stated in these condensed consolidated financial statements are rounded to the nearest thousands Hong Kong dollars (HK\$’000), unless otherwise stated. These condensed consolidated financial statements have been approved and authorised for issuing by the Board of Directors on 7 November 2022.

2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of preparation of the condensed consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the condensed consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

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

The principal accounting policies applied in the preparation of these condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2021.

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 September		Nine months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 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	86	166	259	704
Sales of motor vehicles where the Group acts as principal Agency and service fees income from accessories sourcing	80,565	14,856	138,814	17,676
	–	1	9	1,718
	80,651	15,023	139,082	20,098
Revenue from other sources				
Interest income from securities and futures brokerage services	3	6	11	88
Total revenue	80,654	15,029	139,093	20,186
Disaggregated by timing of revenue recognition within the scope of HKFRS 15				
Over time	–	–	–	–
At point in time	80,651	15,023	139,082	20,098
	80,651	15,023	139,082	20,098

4. Other Income and Losses, Net

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Other income				
CCASS fee income	3	5	9	18
Handling fee income	4	7	8	24
Interest income from bank deposits	23	855	2,299	2,318
Sundry income	2,675	1,493	744	2,285
Other income	2,705	2,360	3,060	4,645
Other gains and losses				
Fair value (loss)/gain on financial assets at fair value through profit or loss				
Unrealised fair value (loss)/gain on securities trading	(40)	(60)	(439)	399
Other (losses)/gains, net	(40)	(60)	(439)	399
Other income and losses, net	2,665	2,300	2,621	5,044

5. Income Tax Expense

No provision for Hong Kong profits tax and PRC enterprise income tax has been made in the condensed consolidated financial statements as the group companies incurred tax losses for the nine months ended 30 September 2022 (2021: Nil).

6. Loss Per Share

(a) Basic loss per share

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

	Nine months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company	(16,209)	(17,327)

	Nine months ended 30 September	
	2022	2021
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basis loss per share	7,748,958	7,748,958

(b) Diluted loss per share

No diluted loss per share for both of the nine months ended 30 September 2022 and 2021 is presented as there were no potential ordinary shares in issue for both of the nine months ended 30 September 2022 and 2021.

7. Share Capital and Premium

	Number of shares '000	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
Ordinary shares of HK\$0.01 each				
Issued and fully paid				
At 1 January 2022 and 30 September 2022	7,748,958	77,489	1,673,299	1,750,788

The authorized ordinary shares of the Company comprise 10,000,000,000 shares (31 December 2021: 10,000,000,000 shares) with a par value of HK\$0.01 per share (31 December 2021: HK\$0.01 per share).

8. Dividends

The Directors of the Company do not recommend any payment of a dividend in respect for the nine months ended 30 September 2022 (2021: Nil).

Business Review

The Group recorded revenue of approximately HK\$139.09 million and a loss of approximately HK\$16.21 million for the nine months ended 30 September 2022, compared with the revenue of approximately HK\$20.19 million and the loss of approximately HK\$17.33 million for the same period in 2021, the revenue has significantly increased by approximately HK\$118.90 million and the loss has reduced by approximately HK\$1.12 million. As disclosed in the Company's announcement dated 28 October 2022, the reason for the loss for the period ended 30 September 2022 which was mainly due to the dropping of the selling price of the motor vehicles sold by the Group during the period ended 30 September 2022. The business under the segment of sales of motor vehicles in the PRC during the period ended 30 September 2022 was still hindered from the widespread preventive and control measures against COVID-19 in the PRC.

As increase in turnover in the sales of motor vehicles and provision of agency services business due to the Group obtained certification administered by the Ministry of Ecology and Environment of the PRC ("EE Certificate") for three types of China 6 Standard imported motor vehicles, the segment of sales of motor vehicles, provision of agency services and accessories sourcing recorded revenue of approximately HK\$138.82 million for the period ended 30 September 2022, compared with approximately HK\$19.39 million for the same period last year, significantly increase of approximately HK\$119.43 million.

Regarding investment in the new medicine development market in the PRC, the Group cooperates in the joint development of four new medicines in the treatment of lymphoma, cell tumors, colorectal cancer and multidrug-resistant tuberculosis through its investment in a limited partnership. As at 30 September 2022, two of the new medicines have entered into the phase I of clinical trial and the others are still in the researching stage.

For proprietary stock trading, the Group recorded an unrealised loss of approximately HK\$0.44 million and no realised gain or loss was recorded for the period under review.

Financial Review

The Group recorded an unaudited revenue of approximately HK\$139.09 million for the nine months ended 30 September 2022 as compared to the unaudited revenue of approximately HK\$20.19 million for the corresponding period in 2021, there was an increase of approximately HK\$118.90 million or 5.9 times. The increase in revenue was mainly due to the increase in the sales of motor vehicles business in the PRC.

The segment of sales of motor vehicles, provision of agency services and accessories sourcing recorded revenue of approximately HK\$138.82 million for the nine months ended 30 September 2022 and it recorded approximately HK\$19.39 million of revenue for the last corresponding period. As the pace of certification process is improved and more Group's China 6 Standard imported motor vehicles can be offered for sale in the PRC. The Group has lowered the selling price of its motor vehicles to push up the sales under the widespread preventive and control measures under COVID-19 in the PRC. The business profits under this segment is expected to improve steadily following the easing of the curbs and the lift of the restrictions for the pandemic.

The Group recorded an unaudited loss for the nine months ended 30 September 2022 of approximately HK\$16.21 million compared with an unaudited loss of approximately HK\$17.33 million for the last corresponding period. The basic loss per share attributable to owners for the Company for the reporting period with approximately HK\$0.21 cents compared to approximately HK\$0.22 cents for the same period last year.

The Group's current asset as at 30 September 2022 amounted to approximately HK\$176.57 million and the liquidity of the Group, as demonstrated by the current ratio (current assets over current liabilities) was 3.6 times. The Group's bank balances and cash were amounted to approximately HK\$29.45 million as at 30 September 2022 of which approximately HK\$5.64 million were held on behalf of clients in trust and segregated accounts.

As at 30 September 2022, the Group's total borrowings amounted to approximately HK\$11.97 million, which wholly repayable in October 2023. That borrowings were secured by charges over the Group's leasehold land and buildings as well as corporate guarantee issued by the Company. The gearing ratio of the Group as at 30 September 2022 (calculated by the total liabilities of approximately HK\$64.19 million over equity attributable to the owners of the Company of approximately HK\$148.40 million) is 43.3%.

The equity attributable to owner of the Company amounted to approximately HK\$148.40 million as at 30 September 2022, representing a decrease of approximately HK\$30.00 million, or 16.8% from that of 31 December 2021.

Outlook

As at 30 September 2022, almost 99.8% revenue of the Group came from the segment of sales of motor vehicles, provision of agency services and accessories sourcing in the PRC. Although the motor vehicles business of the Group is affected by the outbreak of COVID-19 pandemic, the uncertainty created by the ongoing Sino-US trade war and the impact of the PRC government policy, the Group will closely monitor the business environment and the change of the PRC government policy in order to make appropriate business strategies.

As disclosed in the announcement dated 7 March 2022 and 2021 annual report of the Company, due to the change of government policy in the PRC on the China 6 Standard imported motor vehicles, the PRC government requires the parallel importers of motor vehicles to obtain EE Certificate for China 6 Standard imported motor vehicles before offering the same for sale in the PRC. As at 30 September 2022, the Group obtained EE Certificate for three types of China 6 Standard imported motor vehicles, and the others are still in the certification process. The Group has been closely monitoring the certification process for their imported China 6 Standard motor vehicles. The Group expects the business performance of this segment will be improved if more Group's China 6 Standard imported motor vehicles can be offered for sale in the PRC.

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

As at 30 September 2022, 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 21 June 2012 which complies with Chapter 23 of the GEM Listing Rules and has expired on 20 June 2022. As at 30 September 2022, no share option had been granted under the share option scheme and none of the Directors and chief executive have any share options to subscribe for shares of the Company.

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 rules 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 2022, 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 2022, 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 Company adopted a share option scheme which complies with Chapter 23 of the GEM Listing Rules and has expired on 20 June 2022.

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.

As at 30 September 2022, no share option under the share option scheme has been granted.

Directors' Interest in Competing Business

As at 30 September 2022, 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 C.2.1

Code provision C.2.1 stipulates that the roles of chairman and chief executive 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 of 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 three 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 nine months ended 30 September 2022 pursuant to the relevant provisions contained in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 7 November 2022

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.