



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 RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, 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 announcement 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 announcement misleading.

HIGHLIGHTS

The Group recorded a turnover of approximately HK\$159,153,000 for the six months ended 30 June 2018.

Loss for the six months ended 30 June 2018 was approximately HK\$20,151,000.

Loss attributable to owners of the Company for the six months ended 30 June 2018 amounted to approximately HK\$19,804,000.

Basic loss per share was 0.31 HK cents and diluted loss per share was 0.31 HK cents.

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2018.

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 2018 together with the comparative unaudited figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	Three months ended		Six months ended	
		30 June		30 June	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	<i>3</i>	35,055	1,815	159,153	3,813
Other income and loss, net	<i>5</i>	(10,302)	(14,800)	(1,663)	(17,741)
Changes in inventories of finished good		(33,047)	(215)	(152,677)	(709)
Other direct costs		(32)	(39)	(93)	(85)
Employee benefits expenses		(5,195)	(4,913)	(10,293)	(10,338)
Depreciation of property, plant and equipment		(897)	(1,331)	(1,851)	(2,680)
Finance costs		(45)	(60)	(92)	(122)
Other operating expenses		(4,873)	(3,285)	(12,635)	(5,749)
Share of loss of associates		—	(1,421)	—	(2,330)
Loss before income tax		(19,336)	(24,249)	(20,151)	(35,941)
Income tax expense	<i>6</i>	—	—	—	—
Loss for the period		(19,336)	(24,249)	(20,151)	(35,941)

	<i>Note</i>	Three months ended		Six months ended	
		30 June		30 June	
		2018	2017	2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive (loss)/					
income:					
<i>Items that may be reclassified to</i>					
<i>profit or loss</i>					
Currency translation differences		<u>(11,059)</u>	<u>2,077</u>	<u>(4,894)</u>	<u>2,157</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(11,059)</u>	<u>2,077</u>	<u>(4,894)</u>	<u>2,157</u>
Total comprehensive loss for the period		<u>(30,395)</u>	<u>(22,172)</u>	<u>(25,045)</u>	<u>(33,784)</u>
Loss for the period attributable to:					
Owners of the Company		(19,267)	(24,196)	(19,804)	(35,901)
Non-controlling interests		<u>(69)</u>	<u>(53)</u>	<u>(347)</u>	<u>(40)</u>
		<u>(19,336)</u>	<u>(24,249)</u>	<u>(20,151)</u>	<u>(35,941)</u>
Total comprehensive loss					
for the period attributable to:					
Owners of the Company		(30,508)	(22,118)	(24,881)	(33,743)
Non-controlling interests		<u>113</u>	<u>(54)</u>	<u>(164)</u>	<u>(41)</u>
		<u>(30,395)</u>	<u>(22,172)</u>	<u>(25,045)</u>	<u>(33,784)</u>
Loss per share attributable to					
owners of the Company					
for the period:					
<i>Basic loss per share (HK cents)</i>					
From loss for the period	7	<u>(0.304)</u>	<u>(0.372)</u>	<u>(0.314)</u>	<u>(0.552)</u>
<i>Diluted loss per share</i>					
<i>(HK cents)</i>					
From loss for the period	7	<u>(0.304)</u>	<u>(0.372)</u>	<u>(0.314)</u>	<u>(0.552)</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current asset			
Property, plant and equipments		32,786	34,115
Intangible assets		103	104
Statutory deposits and other assets		505	505
Rental and other deposit paid		401	804
		<u>33,795</u>	<u>35,528</u>
Current assets			
Inventories		11,853	124,155
Trade receivables	8	21,708	9,424
Loans and receivables		–	598
Financial assets at fair value through profit or loss	9	21,607	34,276
Prepayments, deposits and other receivables		125,629	24,897
Bank balances and cash – trust accounts		11,139	9,766
Bank balances and cash – general accounts		104,996	170,932
		<u>296,932</u>	<u>374,048</u>
Total assets		<u>330,727</u>	<u>409,576</u>
Current liabilities			
Trade payables	10	8,451	7,567
Other payables and accruals		1,632	7,401
Current income tax payable		–	60
Borrowings	11	5,534	54,393
		<u>15,617</u>	<u>69,421</u>
Net current assets		<u>281,315</u>	<u>304,627</u>
Total assets less current liabilities		<u>315,110</u>	<u>340,155</u>
Non-current liabilities			
Deferred income tax liabilities		3,290	3,290
		<u>3,290</u>	<u>3,290</u>
Net assets		<u>311,820</u>	<u>336,865</u>

		At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Capital and reserves			
Share capital	12	62,989	64,989
Share premium	12	1,600,799	1,614,799
Other reserve		–	(16,000)
Special reserve		4,779	4,779
Statutory reserve		3,912	3,912
Translation reserve		(13,892)	(9,181)
Share-based compensation reserve		30,554	30,554
Accumulated losses		<u>(1,391,694)</u>	<u>(1,371,890)</u>
Equity attributable to owners of the Company		297,447	321,962
Non-controlling interests		<u>14,373</u>	<u>14,903</u>
Total equity		<u><u>311,820</u></u>	<u><u>336,865</u></u>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Special reserve	Statutory reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total	
	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)
Balance as at 1 January 2017	64,989	1,614,799	–	4,779	3,912	(18,467)	30,384	(1,237,574)	462,822	469,037
Loss for the period	–	–	–	–	–	–	–	(35,901)	(35,901)	(35,941)
Other comprehensive income for the period	–	–	–	–	–	2,157	–	–	2,157	2,157
Equity-settled share option arrangements	–	–	–	–	–	–	762	–	762	762
Balance as at 30 June 2017	<u>64,989</u>	<u>1,614,799</u>	<u>–</u>	<u>4,779</u>	<u>3,912</u>	<u>(16,310)</u>	<u>31,146</u>	<u>(1,273,475)</u>	<u>429,840</u>	<u>436,015</u>
Balance as at 1 January 2018	64,989	1,614,799	(16,000)	4,779	3,912	(9,181)	30,554	(1,371,890)	321,962	336,865
Loss for the period	–	–	–	–	–	–	–	(19,804)	(19,804)	(20,151)
Other comprehensive loss for the period	–	–	–	–	–	(4,711)	–	–	(4,711)	(4,894)
Shares retrieval from escrow arrangement	(2,000)	(14,000)	16,000	–	–	–	–	–	–	–
Balance as at 30 June 2018	<u>62,989</u>	<u>1,600,799</u>	<u>–</u>	<u>4,779</u>	<u>3,912</u>	<u>(13,892)</u>	<u>30,554</u>	<u>(1,391,694)</u>	<u>297,447</u>	<u>311,820</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(27,877)	(8,040)
Net cash generated from/(used in) investing activities	10,202	(1,448)
Net cash used in financing activities	<u>(48,261)</u>	<u>(992)</u>
Net decrease in cash and cash equivalents	(65,936)	(10,480)
Cash and cash equivalents at the beginning of period	<u>170,932</u>	<u>240,921</u>
Cash and cash equivalents at the end of period	<u>104,996</u>	<u>230,441</u>
Bank balances and cash include the following for the purposes of the condensed consolidated statement of cash flows:		
Cash at bank and on hand	116,135	241,308
Segregated trust bank balances	<u>(11,139)</u>	<u>(10,867)</u>
Cash and cash equivalents	<u>104,996</u>	<u>230,441</u>

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) research, exploration and development of the student safety network project and the electronic student card in the PRC, (v) provision of stock information and research services through the internet network in the PRC, and (vi) 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 7 August 2018.

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, which are carried at fair value.

The principal accounting policies applied in the preparation of these unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2017.

3. Revenue

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

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Commission income from securities and futures brokerage	147	159	403	317
Trading of electronic student cards and school safety products	965	1,110	2,081	2,473
Interest income from clients	132	180	259	413
Sales of motor vehicles which the Group acts as principal	33,584	–	155,741	–
Agency fee income from trading of PRC-purchased motor vehicles	(4)	–	438	–
Consultancy fee income	231	366	231	610
	<u>231</u>	<u>366</u>	<u>231</u>	<u>610</u>
Revenue	<u>35,055</u>	<u>1,815</u>	<u>159,153</u>	<u>3,813</u>

4. Segment Information

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

In prior reporting periods, the Executive Directors identified the Group was organized into six operating divisions and each of the operating divisions represented an operating and reportable segments: (1) provision of brokerage and securities margin financing services; (2) precious metals spot trading and brokerage; (3) trading of electronic student cards and school safety products; (4) trading and principal investments; (5) provision of stock information and research services; and (6) sales of motor vehicles and provision of agency services.

The segment information of the reportable segments for the six months ended 30 June 2018 is as follows:

	Brokerage and securities margin financing services <i>HK\$'000</i> (unaudited)	Precious metals spot trading and brokerage <i>HK\$'000</i> (unaudited)	Trading of electronic student cards and school safety products <i>HK\$'000</i> (unaudited)	Trading and principal investments <i>HK\$'000</i> (unaudited)	Provision of stock information and research services <i>HK\$'000</i> (unaudited)	Sales of motor vehicles and provision of agency services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue from external customers	662	–	2,081	–	231	156,179	159,153
Other income and loss, net by segment	31	23	105	(1,874)	96	(48)	(1,667) ¹
Segment results	(1,412)	(128)	(366)	(1,874)	(2,743)	(3,212)	(9,735)
Net unallocated expenses							(10,328)
Finance costs							(92)
Interest income							4 ¹
Loss before income tax							(20,151)
Income tax expense							–
Loss for the period							(20,151)

¹ Equivalent to the total balances stated in Note 5

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

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

The Group mainly operates in Hong Kong and the PRC.

	Six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Hong Kong	662	730
The PRC	158,491	3,083
	159,153	3,813

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

5. Other Income and Loss, Net

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income				
Central Clearing and Settlement System				
("CCASS") fee income	4	4	11	7
Interest income on bank deposits	–	207	39	389
Dividend income from				
securities held for trading	26	64	26	63
Sundry income/(loss)	(45)	797	166	1,001
	(15)	1,072	242	1,460
Other gain or loss, net				
Financial assets at fair value through profit or				
loss				
– Unrealised fair value losses on				
securities trading	(10,287)	(15,872)	(1,905)	(19,201)
	(10,302)	(14,800)	(1,663)	(17,741)

6. Income Tax Expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 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 audited condensed consolidated financial statements as the Group incurred a tax loss for the period (2017: Nil).

PRC Enterprise Income tax has been provided at the rate from 15% to 25% (2017: 15% to 25%) on the assessable profits of the PRC subsidiaries arising in or derived from PRC for the period. In accordance with the “Catalogue of Encouraged Industries in Western Region” approved by the State Council, as one of the subsidiaries engaged in an encouraged business in Chongqing, it enjoys the reduced PRC Enterprise Income tax rate of 15% (2017: 15%). No provision for PRC Enterprise Income tax has been provided as the Group incurred tax losses for the period.

7. Loss Per Share

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

	Six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	<u>(19,804)</u>	<u>(35,901)</u>
Number of shares		
Issued ordinary shares at 1 January	6,498,958,120	6,498,958,120
Shares retrieval from escrow arrangement	<u>(200,000,000)</u>	<u>—</u>
Issued ordinary shares at 30 June	<u>6,298,958,120</u>	<u>6,498,958,120</u>
Weighted average number of ordinary shares in issue for calculating basic and diluted loss per share	<u>6,298,958,120</u>	<u>6,498,958,120</u>
Loss per share	<u>(0.0031)</u>	<u>(0.0055)</u>
Diluted loss per share	<u>(0.0031)</u>	<u>(0.0055)</u>

The computation of diluted loss per share for the period ended 30 June 2018 and 2017 did not assume the exercise of the Company's share options outstanding during the period ended 30 June 2018 and 2017 since their exercise would result in a decrease in loss per share.

8. Trade Receivables

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
Amount receivable arising from securities broking:		
Margin clients	3,325	2,614
Cash clients	4,131	4,490
Brokers and dealers	–	–
Hong Kong Securities Clearing Company Limited (net)	–	488
Other trade receivables	<u>14,252</u>	<u>1,832</u>
Trade receivables, net	<u>21,708</u>	<u>9,424</u>

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\$19,393,000 as at 30 June 2018 (31 December 2017: approximately HK\$22,584,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

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

The trade receivables arising from the trading of electronic student cards and from the trading of motor vehicles are due immediately from date of billing.

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

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
0 – 30 days	14,252	1,832
31 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	–	–
	<u>14,252</u>	<u>1,832</u>

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

As at 30 June 2018 and 31 December 2017, all other trade receivables, except for the impaired amounts indicated below, were not past due.

9. Financial Assets at Fair Value Through Profit or Loss

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
Listed equity – held for trading		
Equity securities – Hong Kong	21,607	23,513
Financial asset designated as at fair value through profit and loss	–	10,763
	<u>21,607</u>	<u>34,276</u>

Stock code	Company name	No. of share held as at 30 June 2018	Approximately percentage of shareholding	Fair value losses on securities trading for the period ended	
				Fair value as at 30 June 2018 HK\$'000	30 June 2018 HK\$'000
01335	Sheen Tai	75,238,000	3.06%	18,809	(1,881)
06898	China Aluminum	2,454,000	0.26%	2,798	(24)
Listed shares – held for trading				21,607	(1,905)

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

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

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

The fair value of the financial asset designated as at fair value through profit or loss of the end of reporting period was determined based on the market value of the fund provided by the fund management company.

10. Trade Payables

	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)
Amount payable arising from securities broking:		
Margin clients	1,089	716
Cash clients	7,219	6,845
Hong Kong Securities Clearing Company Limited (net)	137	–
Other trade payables	<u>6</u>	<u>6</u>
Trade payables, net	<u>8,451</u>	<u>7,567</u>

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

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

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

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
0 – 30 days	–	–
31 – 90 days	–	–
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	<u>6</u>	<u>6</u>
	<u>6</u>	<u>6</u>

11. Borrowings

	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 December 2017 <i>HK\$'000</i> (audited)
Borrowing included in current liabilities		
– Secured bank borrowings	5,534	6,556
– Unsecured borrowing from related party	<u>–</u>	<u>47,837</u>
	<u>5,534</u>	<u>54,393</u>

12. Share Capital and Premium

	Number of issued shares <i>(In thousands)</i>	Ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2018	6,498,958	64,989	1,614,799	1,679,788
Shares retrieval from escrow arrangement	<u>(200,000)</u>	<u>(2,000)</u>	<u>(14,000)</u>	<u>(16,000)</u>
As at 30 June 2018	<u><u>6,298,958</u></u>	<u><u>62,989</u></u>	<u><u>1,600,799</u></u>	<u><u>1,663,788</u></u>

The total authorized number of ordinary shares is 10,000,000,000 shares (2017: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2017: HK\$0.01 per share). All issued shares are fully paid.

13. Dividend

The Directors do not recommend the payment of a dividend for the period ended 30 June 2018 (2017: Nil).

BUSINESS REVIEW

The Group recorded revenue of approximately HK\$159.15 million in the six months ended 30 June 2018, which is an increase of approximately HK\$155.34 million compared with the corresponding period in 2017. This was mainly due to the new segment of sales of parallel imported motor vehicles and provision of relevant agency services in the PRC. Such new segment recorded approximately HK\$156.18 million for the period ended 30 June 2018 and there was no information recorded for the period ended 30 June 2017 since 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”) was formed in August 2017.

For proprietary stock trading, the Group recorded an unrealized loss of approximately HK\$1.91 million and no realized profit or loss for the period under review.

At the extraordinary general meeting of the Company held on 9 April 2018, the proposed additional contribution of RMB50,000,000 by the Company to the registered capital of Sheng Yu Hong Jia was duly passed as an ordinary resolution of the Company. It led to further increase the Company’s equity interest in Sheng Yu Hong Jia from 90% to 93.33% and significantly strengthen the capital base of Sheng Yu Hong Jia and will increase its trading capacity and competitiveness in the parallel import motor vehicle market of the PRC and is in the interests of the Company and the shareholders as a whole. The Company has settled the sum of RMB35,000,000 leaving a sum of RMB15,000,000 unsettled yet. For more details, please refer to our announcement dated 8 June 2018.

For the period ended 30 June 2018, the Group recorded the revenue of sales of motor vehicles approximately HK\$155.74 million and an agency fee income from trading of PRC-purchased motor vehicles approximately HK\$0.44 million. There was no information recorded for the period ended 30 June 2017.

FINANCIAL REVIEW

The Group recorded an unaudited revenue of approximately HK\$159.15 million for the six months ended 30 June 2018 as compared to approximately HK\$3.81 million for the corresponding period in 2017, there was an increase of approximately HK\$155.34 million or 40.77 times. The increase in turnover was mainly due to the increase in the sales of motor vehicles and provision of agency services business which operated in the PRC.

The segment of trading of electronic student cards and school safety products recorded revenue of approximately HK\$2.08 million for the six months ended 30 June 2018 and it recorded approximately HK\$2.47 million of revenue for the last corresponding period.

The business of sales of motor vehicles and provision of agency services commenced in October 2017. It recorded approximately HK\$156.18 million of revenue for the six months ended 30 June 2018.

The Group recorded an unaudited loss for the six months ended 30 June 2018 of approximately HK\$20.15 million compared with an unaudited loss of approximately HK\$35.94 million for the last corresponding period. The unaudited loss for the period encompassed the unaudited unrealized fair value losses on securities trading for approximately HK\$1.91 million and it recorded losses approximately HK\$19.20 million for the last corresponding period. The basic loss per share attributable to owners for the Company for the reporting period with approximately HK\$0.31 cents compared to approximately HK0.55 cents for the same period last year.

The Group's total current asset as at 30 June 2018 amounted to approximately HK\$296.93 million and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 19.01 times. The Group's bank balances and cash amounted to approximately HK\$116.14 million as at 30 June 2018 of which approximately HK\$11.14 million were held on behalf of clients in trust and segregated accounts. The total borrowings amounted to approximately HK\$5.53 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 June 2018 (calculated by the total liabilities of approximately HK\$15.62 million over equity attributable to the owners of the Company of approximately HK\$297.45 million) is 5.25%.

The equity attributable to owner of the Company amounted to approximately HK\$297.45 million as at 30 June 2018, representing a decrease of approximately HK\$24.52 million, or 7.62% from that of 31 December 2017.

OUTLOOK

As at 30 June 2018, almost 98.1% revenue of the Group came from the new segment of sales of parallel imported motor vehicles and provision of relevant agency services in the PRC. Chinese President Xi Jinping stated at the Boao Forum for Asia Annual Conference 2018 on 10 April 2018 that China will significantly lower the import tariffs for vehicles this year. The reduction in import tariff has been effective since 1 July 2018 which will significantly reduce the purchasing costs of end-customers by approximately 8%-15% and thus making imported vehicles more attractive to customers. The Group expects that this policy will enhance and improve the performance of the Group.

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 2018, Sheng Yu Hong Jia has improved its number of customers and increased to 7 customers (among 3 of them are related companies) and with 20 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.

The motor vehicles business is a new “green-field” business of the Group and it will expand the business by organic growth. As such, it is inevitable that at the initial and growth stage of the business, Sheng Yu Hong Jia will have limited number of customers. However, with the experience of the management team of Sheng Yu Hong Jia and the size of the motor vehicles market in the PRC and its potential when compared with other developed markets, the Group is confident that the motor vehicles business will continue to grow with increased number of customers.

Despite Hong Kong stock market was fluctuated, the Group is confident and optimistic about the prospects of the stock markets in the PRC and Hong Kong. We will closely monitor the changes in these stock markets in order to improve performance of the Group.

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

DIRECTORS' REPORT

Liquidity and Financial Resources

The Group's current assets as at 30 June 2018 amounted to approximately HK\$296.93 million (31 December 2017: approximately HK\$374.05 million) and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 19.01 times, (31 December 2017: 5.39 times). The gearing ratio of the Group (calculated as total liabilities over equity attributable to owners of the Company) was 5.25% (31 December 2017: 21.56%). Among them, the financial assets at fair value through profit or loss were approximately HK\$21.61 million (31 December 2017: approximately HK\$34.28 million). The financial assets invested include the equity securities listed in Hong Kong and unlisted investment funds launched in PRC. As at 30 June 2018, the Group's cash and bank balances were approximately HK\$116.14 million (31 December 2017: approximately HK\$180.70 million) of which approximately HK\$11.14 million (31 December 2017: approximately HK\$9.77 million) were held on behalf of clients in trust and segregated accounts.

As at 30 June 2018, the Group's total borrowing amounted to approximately HK\$5.53 million (31 December 2017: approximately HK\$54.39 million), of which, approximately HK\$2.00 million (31 December 2017: approximately HK\$49.90 million) was repayable within one year. The borrowings were secured by charges over the Group's land and buildings as well as corporate guarantee issued by the Company. Taking into account of the amount of liquid assets in hand, the Board is of the view that the Group has sufficient financial resources for future development of the existing business of the Group and other business when investment opportunities arise.

Share Capital

On 28 June 2018, our Company retrieved 200,000,000 consideration shares held in escrow arrangement and delivered the certificates for the 200,000,000 consideration shares to its Hong Kong branch share registrar, Hong Kong Registrars Limited for cancellation. For more details, please refer to our announcement dated 28 June 2018.

As at 30 June 2018, 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\$62,989,581 divided into 6,298,958,120 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 2018, the Group did not have any material unhedged foreign exchange exposure of interest rate mismatch.

Employee Information

As at 30 June 2018, the Group had a workforce of 88 employees (31 December 2017: 85). The total staff costs, including directors' emoluments, amounted to approximately HK\$10.29 million for the period ended 30 June 2018 (30 June 2017: approximately HK\$10.34 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 2018, property, plant and equipment of the Group with a carrying amount of approximately HK\$28.47 million (31 December 2017: HK\$29.17 million) were pledged for banking facilities granting to the Group.

Contingent Liabilities

As at 30 June 2018 and 31 December 2017, 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 2018.

Events after the Reporting Period

Subsequent to the reporting date, on 5 July 2018, the Group entered into an agreement to dispose the entire ownership of Shenzhen Wealth Alliance Networking Company Limited, a wholly-owned subsidiary of the Group, at a cash consideration of RMB12,000,000.

On 6 July 2018, our Group entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for 1,450,000,000 subscription shares at the subscription price of HK\$0.060 per subscription share (subject to automatic adjustment as a result of any corporate action taken by the Company including but not limited to any sub-division, consolidation, etc. of the shares) to raise capital in gross proceeds of approximately HK\$87,000,000.

The subscriber is Mr. Wang Jiawei, the chairman of the Board, an executive Director and the chief executive officer of the Company, he is a connected person of the Company under the GEM Listing Rules. Therefore, the entering into of the subscription agreement and the subscription thereunder will constitute a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the subscription shares. For more details, please refer to our announcement dated 6 July 2018.

The Directors are of the view that the subscription represents an opportunity for the Company to raise capital for the development and expansion of the existing motor vehicle business of the Group and to capture potential investment opportunities relating to the motor vehicle business of the Group when such opportunities arise.

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

As at 30 June 2018, 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	202,043,628	3.21%
Lai Yuk Mui	Beneficial owner	2,780,127	0.04%
Liu Runtong	Beneficial owner	2,646,000	0.04%

(b) Long positions in underlying shares of the Company

Share option scheme of the Company

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

The following table discloses the details of the share options held by the Directors and chief executive to subscribe for shares of the Company during the period ended 30 June 2018:

Name of Directors	Date of grant	Number of share options				Option period	Exercise price (HK\$)	
		Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			Outstanding as at 30 June 2018
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 Benzheng	13/04/2010	2,124,105	–	–	–	2,124,105	13/04/2010-12/04/2020	0.419
James Beeland Rogers Jr.	22/09/2014	20,000,000	–	–	–	20,000,000	22/09/2014-21/09/2024	0.518
James Beeland Rogers Jr.	16/10/2015	20,000,000	–	–	–	20,000,000	16/10/2015-15/10/2025	0.238
James Beeland Rogers Jr.	09/11/2016	20,000,000	–	–	–	20,000,000	09/11/2016-08/11/2026	0.150

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

(c) Short positions in underlying shares of the Company

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

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS
AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE
COMPANY**

So far as is known to any Directors of the Company, as at 30 June 2018, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

(a) Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (Note 1)	Beneficial owners	595,328,957	9.45%
Zhu Wei	Beneficial owner	350,004,000	5.56%

Note:

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

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Wang Wenming and Chen Dongjin (Note 2 and 3)	Beneficial owners	11,682,577	0.19%

Note:

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

Save as disclosed above, as at 30 June 2018, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Details of the Share Options Granted by the Company

Share Option Scheme of the Company

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

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

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

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

On 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 June 2018, 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 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 June 2018		
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 June 2018, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Purchase, Sale or Redemption of Listed Securities

On 28 June 2018, our Group retrieved 200,000,000 consideration shares held in escrow arrangement and delivered the certificates to Hong Kong branch share registrar, Hong Kong Registrars Limited for cancellation. For more details, please refer to our announcement dated 28 June 2018.

Save as disclosed above, during the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Compliance with Code on Corporate Governance Practice

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

Code Provision A.2.1

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

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

Directors' Securities Transaction

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

Audit Committee

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

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

The Audit Committee has reviewed the financial statements of the Group for the six months ended 30 June 2018 pursuant to the relevant provisions contained in the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 7 August 2018

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

This announcement will remain on the “Latest Company Announcements” page of the website of the GEM of the Stock Exchange at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company’s website at <http://www.sinofortune.hk>.