



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
2023**



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\$106,767,000 for the nine months ended 30 September 2023.

Loss for the nine months ended 30 September 2023 was approximately HK\$20,866,000.

Loss attributable to owners of the Company for the nine months ended 30 September 2023 amounted to approximately HK\$20,855,000.

Basic loss per share was 0.27 HK cents.

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2023.

Third Quarterly Report (Unaudited)

The board of Directors of the Company (the “Board”) announces the unaudited condensed consolidated report of the Company and its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2023 together with the comparative unaudited figures for the period ended 30 September 2022.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	23,387	80,654	106,767	139,093
Other income and losses, net	4	(560)	2,665	1,136	2,621
Changes in inventories of finished goods		(22,592)	(78,861)	(104,964)	(136,965)
Other direct costs		(14)	(12)	(58)	(49)
Employee benefit expenses		(3,364)	(3,418)	(10,412)	(10,410)
Depreciation of property, plant and equipment		(551)	(478)	(1,508)	(1,459)
Depreciation of right-of-use assets		(141)	(342)	(434)	(1,069)
Finance costs		(630)	(245)	(1,872)	(723)
Other expenses		(2,769)	(2,693)	(9,493)	(7,250)
Loss before income tax		(7,234)	(2,730)	(20,838)	(16,211)
Income tax expense	5	(28)	–	(28)	–
Loss for the period		(7,262)	(2,730)	(20,866)	(16,211)

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2023

	Attributable to owners of the Company						Sub-total HK\$'000 (unaudited)	Non- controlling interests HK\$'000 (unaudited)	Total equity HK\$'000 (unaudited)
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Special reserve HK\$'000 (unaudited)	Statutory reserve HK\$'000 (unaudited)	Translation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)			
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)
Total comprehensive loss for the period	-	-	-	-	(13,795)	(16,209)	(30,004)	(24)	(30,028)
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
Balance at 1 January 2023 (audited)	77,489	1,673,299	4,779	3,912	(17,645)	(1,604,616)	137,218	191	137,409
Loss for the period	-	-	-	-	-	(20,855)	(20,855)	(11)	(20,866)
Other comprehensive loss for the period	-	-	-	-	(5,800)	-	(5,800)	(10)	(5,810)
Total comprehensive loss for the period	-	-	-	-	(5,800)	(20,855)	(26,655)	(21)	(26,676)
Balance at 30 September 2023 (unaudited)	77,489	1,673,299	4,779	3,912	(23,445)	(1,625,471)	110,563	170	110,733



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) sales of motor vehicles, provision of agency services and accessories sourcing in the People’s Republic of China (“PRC”), excluding Hong Kong, (ii) provision of securities and futures contracts trading services in Hong Kong, and (iii) trading of listed securities in Hong Kong.

The functional currency of the Company is Hong Kong dollar (“HK\$”). The unaudited condensed consolidated financial statements are presented in Hong Kong dollars as management of the Company considered it is more beneficial to users of the unaudited condensed consolidated financial statements. All values stated in these unaudited condensed consolidated financial statements are rounded to the nearest thousands Hong Kong dollars (HK\$’000), unless otherwise stated. These unaudited condensed consolidated financial statements have been approved and authorised for issuing by the Board of Directors on 3 November 2023.

2. Basis of Preparation

The unaudited 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 unaudited condensed consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured 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 2022.

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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products or service lines				
Sales of motor vehicles where the Group acts as principal Agency and service fees income from accessories sourcing	22,860	80,565	105,640	138,814
Commission income from securities and futures brokerage services	461	–	851	9
	63	86	267	259
	23,384	80,651	106,758	139,082
Revenue from other sources				
Interest income from securities and futures brokerage services	3	3	9	11
Total revenue	23,387	80,654	106,767	139,093
Disaggregated by timing of revenue recognition within the scope of HKFRS 15				
Over time	–	–	–	–
At point in time	23,384	80,651	106,758	139,082
	23,384	80,651	106,758	139,082



4. Other Income and Losses, Net

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other income				
CCASS fee income	2	3	9	9
Handling fee income	5	4	8	8
Interest income from bank deposits	29	23	165	2,299
Dividends from listed equity securities	–	–	100	–
Sundry income	(406)	2,675	864	744
	(370)	2,705	1,146	3,060
Other gains and losses				
Fair value loss on financial assets at fair value through profit or loss				
Listed equity securities	(190)	(40)	(10)	(439)
Other losses, net	(190)	(40)	(10)	(439)
Other income and losses, net	(560)	2,665	1,136	2,621

5. Income Tax Expense

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Provision for:				
PRC enterprise income tax	28	–	28	–

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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss for the purpose of basic loss per share		
Loss for the period attributable to owners of the Company	(20,855)	(16,209)

	Nine months ended 30 September	
	2023 '000	2022 '000
Number of shares for the purpose of basic loss per share		
Number of ordinary shares in issue at 1 January and 30 September	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 2023 and 2022 is presented as there were no potential ordinary shares in issue for both of the nine months ended 30 September 2023 and 2022.



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 2023 and				
30 September 2023	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 2022: 10,000,000,000 shares) with a par value of HK\$0.01 per share (31 December 2022: HK\$0.01 per share).

8. Dividends

The directors of the Company do not recommend payment of a dividend in respect for the nine months ended 30 September 2023 (For the nine months ended 30 September 2022: Nil).



Business Review

The Group recorded revenue of approximately HK\$106.77 million and a loss of approximately HK\$20.87 million for the nine months ended 30 September 2023, compared with the revenue of approximately HK\$139.09 million and the loss of approximately HK\$16.21 million for the same period in 2022, the revenue has decreased by approximately HK\$32.32 million and the loss has increased by approximately HK\$4.66 million. As disclosed in the Company's announcement dated 30 October 2023, the reason for the loss for the period ended 30 September 2023 which was due to the revenue has been offset by the expenses like the high overhead costs and finance costs and thus resulting a loss during the period ended 30 September 2023.

For the period ended 30 September 2023, the Group recorded the revenue of sales of motor vehicles where the Group acts as principal approximately HK\$105.64 million and agency and service fees income from accessories sourcing approximately HK\$0.85 million. Approximately HK\$138.81 million and less than HK\$0.01 million were recorded respectively for the revenue of sales of motor vehicles where the Group acts as principal and an agency and services fees income from accessories sourcing for the period ended 30 September 2022.

The Group invested in the new medicine development market in the PRC, the limited partnership of the Group co-operates with its business partner in the joint development of four new medicines in the treatment of lymphoma, cell tumors, colorectal cancer and multidrug-resistant tuberculosis. As at 30 September 2023, one of the new medicines has entered into the phase II of clinical trial and the others are still in the researching stage.

For trading of listed securities, the Group recorded an unrealised loss of approximately HK\$0.01 million and no realised gain or loss for the period under review.

Reference is made to the Company's announcements dated 24 April 2023, 24 May 2023, 23 June 2023, 24 July 2023 and 24 August 2023 regarding a memorandum of understanding ("MOU") in relation to a possible disposal of the entire issued share capital of Sinofortune Financial Holdings (BVI) Limited by the Company to a potential purchaser at a consideration of HK\$4.30 million plus 100% of the net asset value of the disposal group (i.e. collectively, Sinofortune Securities Limited, Sinofortune Financial Capital Limited and Sinofortune Asset Management Limited) at the time of the completion of the possible disposal (approximately to be HK\$15.70 million). On 22 September 2023, as no agreement could be reached on the terms and conditions of the possible disposal before the expiry of the extended exclusivity period



of the MOU, the MOU has been automatically terminated on 22 September 2023. Upon the termination of the MOU, the MOU ceases to be of any effect and no party shall have obligation with respect to the other party save for any antecedent breaches of the binding provisions stated in the MOU. The Group is still looking for new buyer(s).


Financial Review

The Group recorded an unaudited revenue of approximately HK\$106.77 million for the nine months ended 30 September 2023 as compared to approximately HK\$139.09 million for the corresponding period in 2022, there was a decrease of approximately HK\$32.33 million or 23.24%. The decrease in revenue was mainly due to the decrease in the sales of motor vehicles business which operated in the PRC.

The segment of sales of motor vehicles, provision of agency services and accessories sourcing recorded revenue of approximately HK\$106.49 million for the nine months ended 30 September 2023 and it recorded approximately HK\$138.82 million of revenue for the corresponding period last year. 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 business profit under this segment is expected to improve steadily.

The Group recorded an unaudited loss for the nine months ended 30 September 2023 of approximately HK\$20.87 million compared with an unaudited loss of approximately HK\$16.21 million for the corresponding period last year. The basic loss per share attributable to owners for the Company for the reporting period with approximately HK\$0.27 cent compared to the basic loss per share attributable to owners for the Company approximately HK\$0.21 cent for the same period last year.

The Group's current asset as at 30 September 2023 amounted to approximately HK\$197.64 million (31 December 2022: approximately HK\$201.29 million) and the liquidity of the Group, as demonstrated by the current ratio (current assets over current liabilities) is 1.7 times (31 December 2022: 2.2 times). Among them, the financial assets at fair value through profit or loss were approximately HK\$0.75 million (31 December 2022: approximately HK\$0.76 million) which invested in the equity securities listed in Hong Kong. As at 30 September 2023, the Group's bank balances and cash amounted to approximately HK\$32.49 million (31 December 2022: approximately HK\$38.93 million) of which approximately HK\$5.55 million (31 December 2022: approximately HK\$5.94 million) were held on behalf of clients in trust and segregated accounts.



As at 30 September 2023, the Group's total borrowings amounted to HK\$25 million (31 December 2022: HK\$25 million), which wholly repayable period extended to October 2024. 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 2023 (calculated by the total liabilities of approximately HK\$117.60 million over equity attributable to the owners of the Company of approximately HK\$110.56 million) is 106.40% (31 December 2022: 69.52%).

The equity attributable to owners of the Company amounted to approximately HK\$110.56 million as at 30 September 2023, representing a decrease of approximately HK\$26.66 million, or 19.43% from that of 31 December 2022.

Outlook

As at 30 September 2023, almost 99.74% 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 of the Company dated 7 March 2022, 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 certification administered by the Ministry of Ecology and Environment of the PRC ("EE Certificate") for China 6 Standard imported motor vehicles before offering the same for sale in the PRC. As at 30 September 2023, the Group obtained EE Certificate for seven 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 China 6 Standard imported 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.

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 will continue to pay attention to the new medicine development market in the PRC in order to diversify the business of the Group.



The Group will continue to develop other businesses and seek opportunities to expand its revenue sources to enhance the Group's revenue.

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 September 2023.

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

As at 30 September 2023, 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:

Long positions in shares of the Company

Name of Directors	Capacity	Number of shares held	Approximate percentage of shareholding
Wang Jiawei	Beneficial owner	2,123,395,935	27.40%
Lai Yuk Mui	Beneficial owner	2,780,127	0.04%
Liu Runtong	Beneficial owner	2,646,000	0.03%



Save as disclosed above, as at 30 September 2023, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have 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 to be 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 2023, 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 2023, 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.



Directors' Interest in Competing Business

As at 30 September 2023, 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 four 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 Transactions

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

The audit committee has reviewed the financial statements of the Group for the nine months ended 30 September 2023 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, 3 November 2023

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 Benzhen, Mr. Li Jianxing, Professor Chen Shu Wen and Mr. Lee Kwun Kwan.