



中國長遠控股有限公司
China Fortune Holdings Limited

(Incorporated in Bermuda with limited liability,
carrying on business in Hong Kong as CFH Limited)
Stock Code : 0110

Interim Report 2015

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CORPORATE INFORMATION

Board of Directors

Chairman and Executive Director

Mr. Lau Siu Ying

Executive Directors

Mr. Luo Xi Zhi

Mr. Wang Yu

Independent Non-executive Directors

Mr. Chang Wing Seng, Victor

Mr. Wong Lit Chor, Alexis

Dr. Law Chun Kwan

Company Secretary

Mr. Fok Wai Ming, Eddie

Audit Committee

Mr. Chang Wing Seng, Victor

(Committee Chairman)

Mr. Wong Lit Chor, Alexis

Dr. Law Chun Kwan

Remuneration Committee

Mr. Chang Wing Seng, Victor

(Committee Chairman)

Mr. Wong Lit Chor, Alexis

Mr. Lau Siu Ying

Dr. Law Chun Kwan

Nomination Committee

Mr. Lau Siu Ying *(Committee Chairman)*

Mr. Wang Yu

Mr. Chang Wing Seng, Victor

Mr. Wong Lit Chor, Alexis

Dr. Law Chun Kwan

Registered Office

Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda.

Hong Kong Head Office

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63 Wo Yi Hop Road, Kwai Chung,
Hong Kong.

China Head Office

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Hongkou District,
Shanghai, PRC.

Shanghai Office

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2 Tai Zhong Nan Lu,
Waigaoqiao Free Trade Zone,
Shanghai, PRC.

Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton HM11,
Bermuda.

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

Auditor

BDO Limited

Legal Advisor

Conyers Dill & Pearman

Principal Bankers

China Merchants Bank
ICBC

Corporate Websites

www.fortunetele.com
www.chinafortune.com

Stock Code

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REVIEW AND OUTLOOK

Financial Review

The Group's turnover in mobile phone business continued to drop in the period. The Group recorded a consolidated revenue during the period of HK\$16.5 million when compared to the previous corresponding period of HK\$34.3 million. The gross profit amounted to HK\$2.0 million, a decrease of 48.9% when compared to the previous corresponding period of HK\$4.0 million. The gross margin percentage during the period was 12.4% which was higher than the previous corresponding period of 11.7%. As a result, the Group reported a loss of HK\$12.2 million during the period when compared to a loss of HK\$13.7 million in the previous corresponding period.

The selling and distribution costs amounted to HK\$4.8 million when compared to the previous corresponding period of HK\$6.3 million. The administrative expenses amounted to HK\$9.4 million when compared to the previous corresponding period of HK\$14.8 million.

As far as the mobile phone retail chain subsidiary in Zhuhai was concerned, the revenue achieved during the period amounted to HK\$11.3 million which decreased by HK\$6.6 million as compared with the previous corresponding period. The Group shared net losses of HK\$1.1 million from the results of three associates during the period as compared to the net loss of HK\$0.4 million from one associate in the previous corresponding period.

The finance costs during the period was HK\$0.7 million which was approximately the same as in the previous corresponding period.

The net asset value of the Group as at 30 June 2015 amounted to HK\$188.4 million or HK\$0.23 per share when compared to HK\$195.9 million or HK\$0.24 per share as at 31 December 2014. As at 30 June 2015, the Group's other borrowings amounted to HK\$15.5 million, which was maintained more or less at the same level as at 31 December 2014.

The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.36 as at 30 June 2015 when compared to 0.34 as at 31 December 2014.

The total cash and cash equivalents amounted to HK\$57.7 million (most of which were placed as deposits in the banks in the PRC) as at 30 June 2015 without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation and other borrowings. During the period, there was no material change in the funding and treasury policy of the Group. The Group considers the only potential currency exposure is in Renminbi as the majority of its revenue is derived in the PRC. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

The inventories of the Group as at 30 June 2015 amounted to HK\$7.2 million, as compared to HK\$6.5 million as at 31 December 2014, mainly comprised inventories from the mobile phone business. The inventory turnover period was 91 days for the six months ended 30 June 2015, as compared with that for the twelve months ended 31 December 2014 of 46 days. The Group will continue to apply strict policy in inventory control in the future.

The amount of trade and other receivables as at 30 June 2015 was HK\$33.9 million, as compared to HK\$14.9 million as at 31 December 2014. In order to minimize the credit risk for the trade receivables, the Group has implemented prudent control on the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 30 June 2015, the Group had in total 135 employees as compared to 140 employees as at 31 December 2014. Employees were remunerated according to the nature of their job duties and market trend. The Group provided staff welfare and fund contribution to its employees in accordance with the prevailing regulations in the PRC and Hong Kong. There was no material change in the remuneration policy, bonus scheme and share option scheme during the period. The Group has a share option scheme under which the Company may grant share options to the participants, including directors and employees, to subscribe for shares of the Company.



Market and Business Review, and Outlook

Mobile Phone Business

The Group was involved in the business of wholesale and retail of mobile phones and telecom equipments in China. Although there was growth in the mobile phone market, the competition in the mobile phone retail market was very keen and the Group's performance in this area had been affected.

Customers focus is expected to gradually shift from the functionality of mobile phone to the shopping experience. Customers will normally require services such as function presentations, digital phone books synchronization and preinstalling software, etc, in purchasing a mobile phone. In the 3G & 4G era, the convergence of mobile telecommunications and the Internet also led to rapid development of value-added business which requires the retail channels to advance from a pure sales platform to an integrated service platform. In this regard, the large mobile telecommunication chain stores have advantages.

Investment in mobile phone operating system

On 29 December 2012, the Group subscribed a convertible bond issued by Jolla Limited, which is a newly established company in Finland and engaged in mobile phone operating system development. After full conversion of the convertible bond into shares of Jolla Limited and together with further subscriptions, the Group acquired approximately 6.25% (at that moment) equity interest in Jolla Limited with an aggregate consideration of HK\$10.2 million in March 2013. Although Jolla Limited is a newly established company in Finland, its team consists of well-experienced programmers and developers of mobile phone operating system.

Mining

We commenced developing a new mining site exploitation system in our Strontium mining site since 2010. However, the development plan and construction progress in this new system had been inevitably and adversely affected by the downturn of the global mineral resources demand since 2012 and up to the current moment. In view of this, the construction works in the new mining site exploitation system is temporarily suspended at the moment and being subject to our managerial review over the whole construction schedule for matching the industry cycle accordingly. During the period, the mining operating permit had been renewed for two years with the new expiring date of 25 September 2016 and other conditions remain the same as the last mining operating permit.

Prospects

Mobile phone operating system, mobile internet application and other mobile/internet related businesses would surely be the key business areas that the Group is interested in since we have been in the mobile phone industry for decades. The Group is actively looking for further business and investment opportunities which will further enhance the shareholders' value.

OTHER INFORMATION

Directors' and Chief Executive's interests in shares and underlying shares

At 30 June 2015, the interests and short positions of the directors, the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(a) Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Lau Siu Ying	Held by a discretionary trust (Note)	188,300,013	22.63%
	Beneficial owner	267,996,285	32.21%
		<u>456,296,298</u>	<u>54.84%</u>
Mr. Wong Lit Chor, Alexis	Beneficial owner	1,500,000	0.18%
Dr. Law Chun Kwan	Beneficial owner	1,000,000	0.12%

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Lau Siu Ying	Beneficial owner	8,000,000	8,000,000
Mr. Luo Xi Zhi	Beneficial owner	1,000,000	1,000,000
Mr. Wang Yu	Beneficial owner	1,000,000	1,000,000
Mr. Chang Wing Seng, Victor	Beneficial owner	1,500,000	1,500,000
		11,500,000	11,500,000

Note:

These shares are held by Future 2000 Limited, a company incorporated in the British Virgin Islands which in turn is held by a discretionary trust, the beneficiaries of which include Mr. Lau Siu Ying, his spouse and his children.

The interest disclosed above represents long positions in the shares and underlying shares of the Company or its associated corporations.

Save as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as defined in the SFO at 30 June 2015.

Share options

As the old share option scheme had expired on 26 January 2014, the Company adopted a new share option scheme (the "New Share Option Scheme") on 28 May 2014.

As at 30 June 2015, the Company had 11,900,000 outstanding options granted under the old share option scheme, which shall continue to be valid and exercisable during the prescribed exercisable period in accordance with the old share option scheme.

The purpose of the New Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group or any invested entity.

The rules of the New Share Option Scheme provide that the Company may specify the eligible participants to whom options shall be granted, the number of shares subject to each option and the date on which the options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. Subject to the terms of the New Share Option Scheme, the Board may in its absolute discretion when making an offer impose any conditions, restrictions or limitation in relation thereto in addition to those set forth in the New Share Option Scheme as it may think fit including continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option partly or fully shall vest provided always that no offer made to such grantee would or might constitute an invitation to the public to subscribe for the shares under any applicable laws, legislations and regulations.

The New Share Option Scheme is principally the same as the old share option scheme.

The following table disclosed the movements in the share options of the Company during the period:

	Date of grant	Exercise price per share HK\$	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period
Category I – Directors							
Mr. Lau Siu Ying	12.7.2013	0.255	8,000,000	–	–	–	8,000,000
Mr. Luo Xi Zhi	12.7.2013	0.255	1,000,000	–	–	–	1,000,000
Mr. Wang Yu	12.7.2013	0.255	1,000,000	–	–	–	1,000,000
Mr. Chang Wing Seng, Victor	12.7.2013	0.255	1,500,000	–	–	–	1,500,000
Dr. Law Chun Kwan	12.7.2013	0.255	1,000,000	–	(1,000,000)	–	–
Total for directors			12,500,000	–	(1,000,000)	–	11,500,000
Category II – Employees							
Employees	12.7.2013	0.255	100,000	–	–	–	100,000
Category III – Consultants							
Consultants	12.7.2013	0.255	300,000	–	–	–	300,000
Total for all categories			12,900,000	–	(1,000,000)	–	11,900,000

Directors' rights to acquire shares or debentures

Other than the share option scheme disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors, their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company or had exercised any such rights during the period.

Substantial shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 30 June 2015, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

(a) Ordinary shares of HK\$0.10 each of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Lau Siu Ying	Held by a discretionary trust (Note 1)	188,300,013	22.63%
	Beneficial owner	267,996,285	32.21%
		456,296,298	54.84%
Mr. Lee Wai, Timothy	Held by controlled entity (Note 2)	188,300,013	22.63%

(b) Share options

Name of substantial shareholder	Capacity	Number of options held	Number of underlying shares
Mr. Lau Siu Ying	Beneficial owner	8,000,000	8,000,000
Mr. Lee Wai, Timothy	Beneficial owner	300,000	300,000

Notes:

1. These shares are held by Future 2000 Limited, a company incorporated in the British Virgin Islands which in turn is held by a discretionary trust. The beneficiaries of the discretionary trust include Mr. Lau Siu Ying, his spouse and his children.
2. Under the SFO, Mr. Lee Wai, Timothy is deemed to have interests in the shares of the Company as he is entitled to exercise more than one-third of the voting power at general meetings of Future 2000 Limited.

Purchase, sale or redemption of listed securities of the Company

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

For the six months ended 30 June 2015, the Company has complied with the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Listing Rules, except that:

1. Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual but Mr. Lau Siu Ying currently assumes both roles of the Chairman and the Chief Executive Officer of the Company. Provision A.4 of the Code states that all directors should be subject to re-election at regular intervals. However, Mr. Lau Siu Ying, being the Chairman of the Board, does not need to retire by rotation. Mr. Lau Siu Ying has been in charge of the overall management of the Company since its incorporation. As a result, although he does not need to retire by rotation and assumes both roles of the Chairman and the Chief Executive Officer of the Company, the Board considers that such arrangement at the current stage of development of the Group can facilitate the execution of its business strategies and maximize the effectiveness of its operations. Nevertheless, through the supervision from the Board including the Independent Non-executive Directors, the interests of the shareholders should be adequately and fairly considered.
2. All Non-executive Directors of the Company are not appointed for a specific term as stipulated under the provision A.4.1 of the Code but are subject to retirement by rotation in accordance with the Company's Bye-laws. In accordance with the relevant provisions in the Bye-laws of the Company, if the appointment of Directors is made by the Board, the Directors so appointed must stand for election by the shareholders at the first annual general meeting following their appointments and all Directors, except the Chairman, must stand for re-election by the shareholders by rotation.

AUDIT COMMITTEE

The Company has formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices regarding the Company's financial reporting matters, including the review of the interim results for the six months ended 30 June 2015, the internal control and risk management system. The Audit Committee has reviewed and approved this report.

As at the date of this report, the Audit Committee comprises three Independent Non-executive Directors, Mr. Chang Wing Seng, Victor (Chairman of the Audit Committee), Mr. Wong Lit Chor, Alexis and Dr. Law Chun Kwan.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the review period.



INTERIM RESULTS

The board of directors (the "Board") of China Fortune Holdings Limited (the "Company") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015, together with the comparative figures set out below. These condensed consolidated interim results have not been audited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

		Six months ended	
	Note	30/6/2015	30/6/2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	4	16,546	34,340
Cost of sales		(14,500)	(30,339)
		<hr/>	<hr/>
Gross profit		2,046	4,001
Other income		1,788	4,706
Other gains and losses		(37)	(314)
Selling and distribution costs		(4,760)	(6,250)
Administrative expenses		(9,420)	(14,765)
Finance costs	5	(656)	(662)
Share of results of associates		(1,136)	(376)
		<hr/>	<hr/>
Loss before income tax		(12,175)	(13,660)
Income tax expense	6	-	-
		<hr/>	<hr/>
Loss for the period	7	(12,175)	(13,660)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		(8,665)	(11,405)
Non-controlling interests		(3,510)	(2,255)
		<hr/>	<hr/>
		(12,175)	(13,660)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
Basic	8	(1.04) cents	(1.38) cents
		<hr/>	<hr/>
Diluted	8	N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2015*

	Six months ended	
	30/6/2015	30/6/2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(12,175)	(13,660)
Other comprehensive income that may be subsequently transferred to profit or loss		
Exchange differences arising on translation of foreign operations	(92)	(7,273)
Total comprehensive income for the period	(12,267)	(20,933)
Total comprehensive income attributable to:		
Owners of the Company	(8,757)	(16,464)
Non-controlling interests	(3,510)	(4,469)
	(12,267)	(20,933)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	30/6/2015 HK\$'000 (unaudited)	31/12/2014 HK\$'000 (audited)
Non-current assets			
Plant and equipment		10,869	11,311
Mining right		279,771	279,771
Investments in associates		3,438	3,411
Available-for-sale investments		10,303	10,303
Club memberships		1,106	1,106
		<u>305,487</u>	<u>305,902</u>
Current assets			
Inventories		7,217	6,502
Trade and other receivables	9	33,885	14,919
Amounts due from non-controlling shareholders of subsidiaries		3,767	3,767
Cash and cash equivalents		57,711	71,264
		<u>102,580</u>	<u>96,452</u>
Current liabilities			
Trade and other payables	10	43,711	25,080
Amounts due to related parties		1,184	3,167
Amount due to non-controlling shareholder of a subsidiary		482	405
Tax payables		6,486	6,486
Warrants	11	1,568	1,588
Other borrowings	12	15,498	15,498
		<u>68,929</u>	<u>52,224</u>
Net current assets		<u>33,651</u>	<u>44,228</u>
Total assets less current liabilities		<u>339,138</u>	<u>350,130</u>

	Note	30/6/2015 HK\$'000 (unaudited)	31/12/2014 HK\$'000 (audited)
Capital and reserves			
Share capital	13	83,206	82,906
Reserves		105,184	112,966
		<hr/>	<hr/>
Equity attributable to owners of the Company		188,390	195,872
Non-controlling interests		83,556	87,066
		<hr/>	<hr/>
		271,946	282,938
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities		67,192	67,192
		<hr/>	<hr/>
		339,138	350,130
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2015*

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Statutory funds HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2014 (audited)	82,316	393,311	2,481	84,921	30,132	1,446	(371,072)	223,535	95,156	318,691
Loss for the period	-	-	-	-	-	-	(11,405)	(11,405)	(2,255)	(13,660)
Exchange differences arising on translation of foreign operations	-	-	-	(5,059)	-	-	-	(5,059)	(2,214)	(7,273)
Total comprehensive income for the period	-	-	-	(5,059)	-	-	(11,405)	(16,464)	(4,469)	(20,933)
Issue of shares upon exercise of share options	470	1,101	-	-	-	(372)	-	1,199	-	1,199
Balance at 30 June 2014 (unaudited)	82,786	394,412	2,481	79,862	30,132	1,074	(382,477)	208,270	90,687	298,957
Balance at 1 January 2015 (audited)	82,906	394,904	2,481	79,929	30,132	1,074	(395,554)	195,872	87,066	282,938
Loss for the period	-	-	-	-	-	-	(8,665)	(8,665)	(3,510)	(12,175)
Exchange differences arising on translation of foreign operations	-	-	-	(92)	-	-	-	(92)	-	(92)
Total comprehensive income for the period	-	-	-	(92)	-	-	(8,665)	(8,757)	(3,510)	(12,267)
Issue of shares upon exercise of share options	100	238	-	-	-	(83)	-	255	-	255
Issue of shares upon exercise of unlisted warrants	200	820	-	-	-	-	-	1,020	-	1,020
Balance at 30 June 2015 (unaudited)	83,206	395,962	2,481	79,837	30,132	991	(404,219)	188,390	83,556	271,946

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2015*

	Six months ended	
	30/6/2015	30/6/2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(12,196)	(12,084)
Net cash (used in)/generated from investing activities	(537)	494
Net cash (used in)/generated from financing activities	(728)	2,796
Net decrease in cash and cash equivalents	(13,461)	(8,794)
Cash and cash equivalents at 1 January	71,264	96,581
Effect of foreign exchange rate changes	(92)	(2,195)
Cash and cash equivalents at 30 June	57,711	85,592

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

The Company is an exempted company with limited liability incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Group are distribution and trading of mobile phones and related accessories, development of marketing and after-sales service network and mining and processing of celestite, zinc and lead minerals.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's 2014 annual report, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

3. Significant accounting policies

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except that certain financial instruments, if any, are measured at fair values.

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the financial statements contained in the 2014 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning on or after 1 January 2015. The adoption of these standards, amendments or interpretations has no material effect on the Group's financial position or results of operations.

The Group has not early adopted the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

4. Segment information and turnover

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers (the "CODM") that are used to make strategic decisions.

During the six months ended 30 June 2015, the Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Mobile phone business
- Mining business

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Corporate expenses, corporate assets and corporate liabilities are not allocated to the reportable segments as they are not included in the measure of the segments' profit or loss, segments' assets and segments' liabilities that are used by the CODM for assessment of segment performance.

For the six months ended 30 June 2015 (unaudited)

	Mobile phone business HK\$'000	Mining business HK\$'000	Total HK\$'000
Reportable segment revenue from external customers	16,546	–	16,546
Reportable segment loss	(4,977)	(2,053)	(7,030)
Depreciation and amortisation	225	202	427
Impairment loss recognised in respect of trade and other receivables	–	35	35
Recovery of write down of inventories	(216)	–	(216)
Revenue			
Reportable segment revenue and consolidated revenue			16,546
Loss before income tax			
Reportable segment loss			(7,030)
Expenses used in the development of mobile games			(31)
Interest income			626
Miscellaneous income			386
Corporate expenses			(4,334)
Share of results of associates			(1,136)
Finance costs			(656)
Consolidated loss before income tax			(12,175)

As at 30 June 2015 (unaudited)

	Mobile phone business HK\$'000	Mining business HK\$'000	Total HK\$'000
Reportable segment assets	<u>92,874</u>	<u>296,408</u>	<u>389,282</u>
Reportable segment liabilities	<u>(22,800)</u>	<u>(102,432)</u>	<u>(125,232)</u>
Assets			
Reportable segment assets			389,282
Unallocated corporate assets			
– Investments in associates			3,438
– Available-for-sale investments			10,303
– Others			5,044
Consolidated total assets			<u>408,067</u>
Liabilities			
Reportable segment liabilities			125,232
Unallocated corporate liabilities			
– Warrants			1,568
– Others			9,321
Consolidated total liabilities			<u>136,121</u>

For the six months ended 30 June 2014 (unaudited)

	Mobile phone business HK\$'000	Mining business HK\$'000	Total HK\$'000
Reportable segment revenue from external customers	34,340	–	34,340
Reportable segment loss	(7,401)	(2,138)	(9,539)
Loss on disposal/write-off of plant and equipment	295	–	295
Depreciation and amortisation	615	248	863
Write down of inventories	285	–	285
Additions to non-current assets	319	–	319
Revenue			
Reportable segment revenue and consolidated revenue			34,340
Loss before income tax			
Reportable segment loss			(9,539)
Interest income			919
Miscellaneous income			383
Corporate expenses			(4,385)
Share of result of an associate			(376)
Finance costs			(662)
Consolidated loss before income tax			(13,660)

As at 31 December 2014 (audited)

	Mobile phone business HK\$'000	Mining business HK\$'000	Total HK\$'000
Reportable segment assets	88,177	297,291	385,468
Reportable segment liabilities	(7,681)	(101,357)	(109,038)

Assets

Reportable segment assets	385,468
Unallocated corporate assets	
– Investments in associates	3,411
– Available-for-sale investments	10,303
– Others	3,172
Consolidated total assets	402,354

Liabilities

Reportable segment liabilities	109,038
Unallocated corporate liabilities	
– Warrants	1,588
– Others	8,790
Consolidated total liabilities	119,416

(b) Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

5. Finance costs

	Six months ended	
	30/6/2015	30/6/2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on other borrowings wholly repayable within five years	656	662

6. Income tax expense

	Six months ended	
	30/6/2015	30/6/2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax (“EIT”)	–	–
Income tax expense	–	–

For both six months ended 30 June 2015 and 2014, the Group’s subsidiaries in the PRC were subject to the EIT rate of 25%.

No provision has been made for income tax as the Group did not have any estimated assessable profits for both periods.

7. Loss for the period

	Six months ended	
	30/6/2015	30/6/2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of plant and equipment	442	882
Exchange loss	2	19
Staff costs		
– directors’ emoluments	2,439	2,478
– other staff costs	4,393	7,629
– retirement benefit scheme contribution (excluding directors)	487	1,291
	7,319	11,398
and after crediting:		
Service income from provision of logistics and promotion services	772	3,384
Interest income	626	919

8. Loss per share

The calculation of loss per share for the six months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company of HK\$8,665,000 (30 June 2014: loss of HK\$11,405,000) and the weighted average number of 829,422,558 shares in issue during the period (30 June 2014: 825,150,182 shares in issue).

No diluted loss per share is presented as the effect of all potential ordinary shares is anti-dilutive for the periods ended 30 June 2015 and 2014.

9. Trade and other receivables

	30/6/2015 HK\$'000 (unaudited)	31/12/2014 HK\$'000 (audited)
Trade receivables	20,474	19,981
Less: accumulated allowance	(18,493)	(18,458)
	1,981	1,523
Value-added-tax receivables	366	427
Prepayments to suppliers	19,735	2,850
Other receivables and deposits	14,983	13,299
Less: accumulated allowance	(3,180)	(3,180)
	33,885	14,919

The Group generally requests for full prepayment from its trade customers but it also allows certain trade customers a credit period of 30 to 90 days. The following is an aged analysis of trade receivables (net of allowance) presented based on the invoice date at the end of reporting period:

	30/6/2015 HK\$'000 (unaudited)	31/12/2014 HK\$'000 (audited)
Trade receivables:		
0 to 30 days	1,332	240
31 to 90 days	323	1,205
91 to 365 days	326	43
Over 365 days	–	35
	1,981	1,523

10. Trade and other payables

The following is an aged analysis of the trade payables presented based on the invoice date at the end of reporting period:

	30/6/2015 HK\$'000 (unaudited)	31/12/2014 HK\$'000 (audited)
Trade payables:		
0 to 30 days	2,631	504
31 to 90 days	33	865
Over 90 days	351	276
	3,015	1,645
Rebates payable	1,494	1,494
Prepayments from customers	15,875	70
Other payables and accruals	23,327	21,871
	43,711	25,080

11. Warrants

	HK\$'000
Balance at 1 January 2015	1,588
Exercise	(20)
Balance at 30 June 2015	1,568

On 15 July 2014, an aggregate of 160,000,000 warrants was fully placed and issued at the issue price of HK\$0.01 per warrant. The subscription price of the warrants is HK\$0.5 per shares and the subscription period is two years starting from the date of issue.

12. Other borrowings

	30/6/2015 HK\$'000 (unaudited)	31/12/2014 HK\$'000 (audited)
Other borrowings, secured	15,498	15,498

At the end of reporting period, the Group's other borrowings were pledged by 100,000 (31 December 2014: 100,000) tons of minerals reserve, carrying at a fixed annual interest rate of 8.47% (31 December 2014: 8.47%) per annum and repayable within one year (31 December 2014: within one year).

At 30 June 2015 and 31 December 2014, the Group did not have any banking facilities.

13. Share capital

	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 January 2015	1,000,000,000	100,000
Increase in authorised share capital (<i>Note</i>)	1,000,000,000	100,000
	<hr/>	<hr/>
At 30 June 2015	2,000,000,000	200,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Issued and fully paid:</i>		
At 1 January 2015	829,063,442	82,906
Share options exercised	1,000,000	100
Warrants exercised	2,000,000	200
	<hr/>	<hr/>
At 30 June 2015	832,063,442	83,206
	<hr/> <hr/>	<hr/> <hr/>

Note: Pursuant to an ordinary resolution passed on 28 May 2015, it was resolved that the authorised share capital of the Company be increased from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 1,000,000,000 ordinary shares of HK\$0.10 each.

14. Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2015 and 30 June 2014.

By the order of the Board

China Fortune Holdings Limited

Lau Siu Ying

Chairman and Chief Executive Officer

Hong Kong, 28 August 2015

As at the date of this report, the Board comprises three executive directors, namely Mr. Lau Siu Ying, Mr. Luo Xi Zhi and Mr. Wang Yu; and three independent non-executive directors, namely Mr. Chang Wing Seng, Victor, Mr. Wong Lit Chor, Alexis and Dr. Law Chun Kwan.