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 2019

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CORPORATE INFORMATION

Board of Directors

Chairman and Executive Director
Mr. Lau Siu Ying

Executive Director
Mr. Wang Yu

Non-executive Director
Mr. Bao Kang Rong

Independent Non-executive Directors
Dr. Law Chun Kwan
Mr. Lam Man Kit
Dr. Lo Wai Shun

Company Secretary

Mr. So Chi Kai

Audit Committee

Mr. Lam Man Kit *(Committee Chairman)*
Dr. Law Chun Kwan
Dr. Lo Wai Shun

Remuneration Committee

Mr. Lam Man Kit *(Committee Chairman)*
Mr. Lau Siu Ying
Dr. Law Chun Kwan
Dr. Lo Wai Shun

Nomination Committee

Mr. Lau Siu Ying *(Committee Chairman)*
Mr. Wang Yu
Dr. Law Chun Kwan
Mr. Lam Man Kit
Dr. Lo Wai Shun

Registered Office

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

Hong Kong Head Office

Room 1505-06, Tower A, Regent Centre
63 Wo Yi Hop Road, Kwai Chung
Hong Kong

China Head Office

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887 Huai Hai Zhong Road
Huangpu District
Shanghai, PRC

Shanghai Office

Room 328, Xin Mao Lou
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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

BDO Limited

Legal Advisors

As to Hong Kong law:
Franki Ho & Associates

As to Bermuda law:
Conyers Dill & Pearman

Principal Bankers

China Construction Bank
China Merchants Bank
ICBC (Asia)

Corporate Websites

www.fortunetele.com
www.chinafortune.com

Stock Code

110

REVIEW AND OUTLOOK

Revenue

For the six months ended 30 June 2019, the Group recorded total revenue of HK$60.9 million, which was approximately HK$21.4 million or 1.5 times higher than the revenue of HK$39.5 million reported for the six months ended 30 June 2018. The increase in Group's revenue was primarily attributable to the increase in revenue from mobile phone trading business in PRC.

The Group's revenue was entirely derived from mobile phone trading business in PRC in both reporting periods. During the six months ended 30 June 2019, revenue contribution from Zhejiang was HK$55.8 million representing 91.6% of the total revenue of the Group, whereas Shanghai contributed HK$5.1 million or 8.4% of the total revenue of the Group.

The increase in revenue was attributable to expansion of the Group's mobile phone wholesale business network in various PRC cities, such as Zhejiang and Shanghai, due to customer's demand which benefit the Group's performances and the revenue was increased starting from the second half of year 2018.

Gross profit and gross profit margin

The Group's gross profit during the period was HK$0.6 million which was approximately the same as in the previous corresponding period.

Although there was growth in the mobile phone trading business during the six months ended 30 June 2019 when compared with previous corresponding period, the competition in the mobile phone retail market was very keen, as a result, the Group's gross profit margin was decreased from 1.4% during the six months ended 30 June 2018 to 0.9% during the six months ended 30 June 2019. Such decrease was mainly due to the increased bargaining power from telecommunications chain stores and mobile carriers which purchasing mobile phone.

Other income

Other income was approximately HK$0.3 million for the six months ended 30 June 2019, representing a decrease of HK$0.1 million when compared to HK$0.4 million for the six months ended 30 June 2018. The decrease was mainly due to decrease of other miscellaneous income.

Other gains and losses

We had a net gain of HK$0.1 million during the six months ended 30 June 2019 and a net loss of HK$12.8 million during the six months ended 30 June 2018. The other gains and losses during the six months ended 30 June 2019 mainly consisted of fair value loss on financial assets at fair value through profit or loss of HK$1 thousand, and reversal of impairment loss recognised in respect of prepayment paid to a supplier of HK$0.1 million. The turnaround from net loss to net gain was mainly due to an impairment loss recognised in respect of prepayment paid to a supplier amounted to HK$10.7 million for the six months ended 30 June 2018, while no such impairment loss in current period.

Selling and distribution costs

Selling and distribution costs were approximately HK$15 thousand for the six months ended 30 June 2019, while no selling and distribution costs were recorded for the six months ended 30 June 2018.

Administrative expenses

Administrative expenses amounted to HK$9.2 million for the six months ended 30 June 2019 when compared to the previous corresponding period of HK$6.7 million. The increase of administrative expenses was mainly due to the depreciation and the staff costs.

Finance costs

During the six months ended 30 June 2019, HK$0.3 million of finance costs was recorded while HK$0.6 million of finance costs was recorded for the six months ended 30 June 2018. The decrease of finance costs was due to the waiver of debt assignments entered during the second half of 2018.

Income tax expense

Income tax expense for the six months ended 30 June 2019 amounted to HK$95 thousand when compared to previous corresponding period of HK$65 thousand.

Loss for the period attributable to owners of the Company

As a result of the factors set out above, the Group's share of loss amounted to HK$6.4 million for the six months ended 30 June 2019, as compared to HK$17.6 million of loss for the period attributable to owners of the Company in previous corresponding period.

Loss per share

The basic loss per share was HK0.70 cents as compared to the basic loss per share of HK1.92 cents in previous corresponding period. No diluted loss per share was presented as the effect of all potential ordinary shares is anti-dilutive for the six months ended 30 June 2019 and 2018.

Financial assets at fair value through profit or loss

As at 30 June 2019, the Group held various unlisted equity investments and unlisted fund investment engaged in developing mobile devices and operating system, manufacturing and distribution of mobile devices in different jurisdictions and engaged in different business.

Inventories

Inventories increased by 73.7% from HK$0.1 million as at 31 December 2018 to HK$0.2 million as at 30 June 2019 primarily due to the increase in Group's performance on mobile phone trading business. The Group will continue to apply strict policy in inventory control in the future.

Trade and other receivables

Trade and other receivables of the Group decreased by 3.6% from approximately HK$42.2 million as at 31 December 2018 to approximately HK$40.7 million as at 30 June 2019, mainly due to the settlements from customers and the tightened credit control implemented by the Group. No impairment loss on prepayments paid to suppliers was recognised for the six months ended 30 June 2019, while an impairment loss on prepayment paid to a supplier of HK$10.7 million was recognised for the six months ended 30 June 2018.

Cash and cash equivalents

The total cash and cash equivalents amounted to HK$12.5 million as at 30 June 2019 as compared to HK$26.6 million as at 31 December 2018, without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation. During the period, there was no material change in the funding and treasury policy of the Group. The Group considers there is no material potential currency exposure as the majority of its revenue and expenses are derived and incurred in Renminbi 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.

Trade and other payables

The trade and other payables of the Group decreased by 8.3% from approximately HK$39.0 million as at 31 December 2018 to approximately HK$35.8 million as at 30 June 2019, primarily due to faster settlements to third parties for the purchases.

Liquidity and gearing ratio

The net asset value of the Group attributable to owners of the Company as at 30 June 2019 amounted to HK$33.9 million or HK$0.04 per share when compared to HK$40.6 million or HK$0.04 per share as at 31 December 2018. As at 30 June 2019, the Group had net current assets of approximately HK$5.8 million when compared to net current assets of HK$12.6 million as at 31 December 2018. As at 30 June 2019, the Group had a current ratio of 1.1 times (31 December 2018: 1.2 times). The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.52 and 0.43 as at 30 June 2019 and 31 December 2018.

Contingent liabilities

As at 30 June 2019, the Group did not have any contingent liabilities or guarantees (31 December 2018: nil).

Material acquisitions and disposals of subsidiaries or associates

During the six months ended 30 June 2019 and 2018, the Group did not have any material acquisitions and disposals of subsidiaries or associates.

Significant investments held by the Group

During the six months ended 30 June 2019 and 2018, the Group did not make any significant investments.

Employees and remuneration policies

As at 30 June 2019, the Group has in total 33 employees as compared to 25 employees as at 31 December 2018. Employees were remunerated according to the nature of their job duties and market trend. The Group provided staff welfare and fund contribution to its employee 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.

OPERATIONAL REVIEW

Market Overview

According to the statistics released by the Ministry of Industry and Information Technology of the People's Republic of China ("MII"), there were more than 1.6 billion subscribers to mobile phone services in the PRC as at the end of 2018. While there are continuing intense competitions among the major mobile phone manufacturers in the PRC, they are trying to cut the distribution layers by directly supplying to the provincial distributors and leading retailers with a view to increase their profitability. Because of this, leading vendors have developed multi-channel distribution models which include "national distribution", "provincial distribution", "direct to retail" and "direct to operator".

On the other hand, mobile carriers are key participants in the mobile phone industry chain. The restructuring of mobile carriers in past years and the issuance of 4G licenses have led to more intense competition among the mobile carriers. By cooperating with retailers, especially large mobile telecommunication chain stores, the mobile carriers can benefit from the retailers' in-depth understanding of customer behaviors and spending preferences. Through such cooperation, the customers will experience more professional, convenient and integrated customer services. Thus, large mobile telecommunications chain stores are expected to become the main sales channel for the mobile carriers for their bundled mobile phones.

On the eve of the launch of 5G, the smartphone market became more mature, the international trade conflicts escalated, and the overall economic development was overshadowed with uncertainties.

Business Review

Mobile Phone Business

The Group was involved in the business of trading, wholesale and retail of mobile phones and telecom equipments in China. Yet, the continuous development of mobile phone market business model intensifying competition in the retail industry and the uncertainties arising from the emerging US-China trade war presented challenges the development of the Group's operations and performance.

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 pre-installing software, etc, in purchasing a mobile phone. In the 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.

Mining Business

The Group has once commenced mining site exploitation system in our Strontium mining site since 2010. After the expiration of a 5-year mining operating permit on 25 September 2012, Sifa Mining obtained a renewed mining operating permit for 2 years (the "2-year Permit 2012-2014") from the Ministry of Land and Resources of the PRC（中華人民共和國國土資源部）("MLR"), under which Sifa Mining was allowed to carry out exploration activities only, but not exploitation activities. The 2-year Permit 2012-2014 was expired on 25 September 2014.

On 27 April 2015, a mining operating permit was granted by MLR for a term of 2 years from 25 September 2014 to 25 September 2016 under which a restriction was added that no exploitation activities were allowed but only exploration activities. Such restriction imposed on the renewed mining permit was basically the same as the previous mining permit which was approved by MLR in 2012 whilst the application for mining exploitation permit is a continuing process.

In the course of applying for further extension after expiry on 25 September 2016, the Department of Land and Resources of Hubei Province of the PRC (the "DLR") issued an announcement (the "DLR Announcement") published on 29 December 2017 in respect of the deadline of application for renewal of the expired mining operating permit.

In the DLR Announcement, the DLR informed the owners of the expired mining operating permits to furnish the application procedures for the renewal before 28 February 2018. If the owners fail to do so, they are responsible to deregister the mining operating permits before 31 March 2018 by themselves or the DLR will de-register the permits instead. The Group was unable to furnish the application before the deadline and therefore, instructed the Group's lawyers to clarify with the DLR the Group's situation as to whether the Group would be allowed to submit a new application for the mining operating permit in future.

Despite great efforts to ascertain with the DLR by the Group's lawyers, the Group had been unable to receive a clear and favourable reply in this regard. As a result and prudent measure, a full impairment of the mining right of HK$174.6 million and related plant and equipment of HK$9.0 million had been made whist all the related deferred tax liabilities of HK$41.1 million had been derecognised in the profit or loss for the year ended 31 December 2017.

Despite the fact that the above mining right will no longer have any bearing on the financials of the Group for the year ended 31 December 2018, the Directors strived to pursue the ultimate stance of the DLR in respect of the above mining right in the interests of the Shareholders.

During the year ended 31 December 2018, the Group, through its lawyer, has tried to approach DLR by telephone calls and resubmission of the letter sent in February 2018 for the clarification of the Group's situation. However, DLR did not make reply to the Group's enquiries. The Group's lawyers have come to the opinion that the mining operating permit has already expired and will be unable to be renewed and hence be deregistered eventually. For the avoidance of doubt, such opinion will not affect the financial statements of the Group for the year ended 31 December 2018.

Prepayments to suppliers and related legal proceedings

For the year ended 31 December 2017, an impairment loss of HK$24.9 million was recognised for the prepayments in the total sum of HK$33.7 million made to two mobile phone suppliers, one in Guangzhou and another one in Chongqing by a subsidiary of the Group in Shanghai.

The said subsidiary commenced arbitral proceedings and, on 14 January 2019, has obtained the final arbitral award of, amongst others, HK$19.8 million, being the prepayment against the Chongqing supplier. In the course of such arbitral proceedings, a sum of HK$10.2 million has been repaid by such supplier. The Group has instructed PRC lawyers to enforce the arbitral award.

The said subsidiary also commenced legal proceedings for recovery of the prepayment of HK$14.8 million against the Guangzhou supplier in the People's Court in Guangzhou, China. After the final hearing of the trial of the legal proceedings instituted by the said subsidiary against the Guangzhou supplier in the People's Court in Guangzhou, the PRC, on 18 April 2019, judgment has been entered into against such supplier in the sum of about HK$12.7 million together with default charge and legal costs. Nonetheless, the Guangzhou supplier has filed an appeal against such judgment pending the listing of the appeal hearing in the Intermediate People's Court in Guangzhou.

Prospects and Outlook

In the coming year, the Group expects the uncertainties in the PRC economies, in particular those arising from the ongoing US-China trade conflict, will continue to affect consumption and retail segment. Affected adversely by the external uncertainties such as trade dispute between the PRC and the US, the economic growth of the PRC is likely to slow. However, the continued economic growth in the PRC is fuelled by a high internal consumption. As the world's biggest handset market, there were more than 1.6 billion handset subscribers in the PRC with an increase of over 90 million subscribers in 2018 which benefit from preferential mobile internet traffic policies. There were around 1 billion 4G users among the total subscribers, and forecasted to increase much further in the near future. On the other hand, there were more than 1.1 billion mobile Internet users which implies that there are huge business opportunities in both mobile application and mobile commerce. China has the world's largest 4G network and continues to strive for further expansion. With a goal to add new 4G base stations last year to improve signal coverage in buildings, elevators, and other indoor space, as well as on railways and expressway. Since the Group has been in the related mobile phone industry for decades, big data, mobile phone operating system and mobile internet would be surely the key business areas that the Group is interested in. As the technology for 5G telecommunications networks matured and was ready for takeoff demand for related equipment has remained robust. Blockchain technology is another area that the Group is pursuing. The Group is actively looking for further opportunities which will further enhance the shareholders' value.

USE OF PROCEEDS

The 2017 Subscription

On 23 December 2016, the Company entered into a conditional Subscription Agreement with the Subscribers respectively, pursuant to which the Company has agreed to issue and the Subscribers have agreed to subscribe totaling 85,716,000 Subscription Shares. On 1 February 2017, the Company completed subscription of 85,716,000 new Shares. After taking into account the share issue expenses of approximately HK$0.2 million, the net price per Subscription Share issued is about HK$0.35. The net proceeds, after deducting the share issue expenses, received by the Company is approximately HK$29.8 million.

Up to 30 June 2019, 100% of the net proceeds had been fully utilised as general working capital by the Group, with breakdown as follows:

	For the year ended 31 December 2017	**For the year ended 31 December 2018**	**For the period ended 30 June 2019**	**Total utilised up to 30 June 2019**	**% of net proceeds utilised up to 30 June 2019**
	HK$'000	HK$'000	HK$'000	HK$'000	%
Selling and distribution costs	397	11	11	419	1.4
Administrative expenses					
– Salaries and allowances	3,980	3,731	473	8,184	27.5
– Directors' fee	4,253	3,631	298	8,182	27.5
– Professional fees	2,105	2,923	167	5,195	17.4
– Rental expenses	1,561	1,544	156	3,261	10.9
– Office expenses	236	294	41	571	1.9
– Travelling expenses	155	328	49	532	1.8
– Rates and management fee	121	192	35	348	1.2
– Utilities	132	115	15	262	0.9
– Insurance	113	112	21	246	0.8
– Others	1,371	1,140	89	2,600	8.7
Total	14,424	14,021	1,355	29,800	100.0

OTHER INFORMATION

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

At 30 June 2019, 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:

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	20.52%
	Beneficial owner	259,996,285	28.33%
		448,296,298	48.85%

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 2019.

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.

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.

As at 30 June 2018, the Company had 11,900,000 outstanding options granted under the old share option scheme. On 11 July 2018, the 11,900,000 outstanding options granted under the old share option scheme were lapsed.

As at 30 June 2019 and 31 December 2018, there were no outstanding shares in respect of which options had been granted and remained outstanding under the Scheme.

Directors' rights to acquire shares or debentures

Save as 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 2019, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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	20.52%
	Beneficial owner	259,996,285	28.33%
		448,296,298	48.85%
Mr. Lee Wai, Timothy	Held by controlled entity (Note 2)	188,300,013	20.52%

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 2019, 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 maximise 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 2019, 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. Lam Man Kit (Chairman of the Audit Committee), Dr. Law Chun Kwan and Dr. Lo Wai Shun.

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 2019, 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 2019

	Notes	Six months ended 30/6/2019 HK$'000 (unaudited)	30/6/2018 HK$'000 (unaudited)
Revenue	4	**60,867**	39,479
Cost of sales		**(60,316)**	(38,934)
Gross profit		**551**	545
Other income		**256**	429
Other gains and losses		**143**	(12,792)
Selling and distribution costs		**(15)**	–
Administrative expenses		**(9,235)**	(6,731)
Finance costs	5	**(292)**	(646)
Share of results of associates		**–**	(6)
Loss before income tax		**(8,592)**	(19,201)
Income tax expense	6	**(95)**	(65)
Loss for the period	7	**(8,687)**	(19,266)
Loss for the period attributable to:			
Owners of the Company		**(6,384)**	(17,584)
Non-controlling interests		**(2,303)**	(1,682)
		(8,687)	(19,266)
Loss per share			
Basic	8	**(0.70) cents**	(1.92) cents
Diluted	8	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period	**(8,687)**	(19,266)
Other comprehensive income that may be subsequently transferred to profit or loss		
Exchange differences arising on translation from functional currency to presentation currency	**(66)**	705
Total comprehensive income for the period	**(8,753)**	(18,561)
Total comprehensive income for the period attributable to:		
Owners of the Company	**(6,661)**	(17,572)
Non-controlling interests	**(2,092)**	(989)
	(8,753)	(18,561)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30/6/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
Non-current assets			
Plant and equipment		4,559	5,709
Mining right		–	–
Right-of-use assets		62	–
Investments in associates		–	498
Financial assets at fair value through profit or loss		5,051	5,350
Club memberships		875	877
		10,547	12,434
Current assets			
Inventories		165	95
Trade and other receivables	9	40,656	42,182
Amount due from a non-controlling shareholder of a subsidiary	14(b)	3,405	3,435
Financial assets at fair value through profit or loss		775	536
Cash and cash equivalents		12,487	26,563
		57,488	72,811
Current liabilities			
Trade and other payables	10	35,818	39,039
Lease liabilities		63	–
Amount due to a related party	13	4,328	6,493
Amounts due to non-controlling shareholders of subsidiaries	14(b)	5,016	8,296
Tax payables		6,432	6,415
		51,657	60,243
Net current assets		5,831	12,568
Total assets less current liabilities		16,378	25,002

	Notes	30/6/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
Capital and reserves			
Share capital	11	**91,778**	91,778
Reserves		**(57,852)**	(51,191)
Equity attributable to owners of the Company		**33,926**	40,587
Non-controlling interests		**(35,243)**	(33,151)
		(1,317)	7,436
Non-current liabilities			
Government grant	12	**5,650**	5,700
Amount due to a related party	13	**12,045**	11,866
		17,695	17,566
		16,378	25,002

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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	Other reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018 as originally presented (audited)	91,778	417,391	2,481	68,829	30,132	991	–	(580,193)	31,409	(37,460)	(6,051)
Initial application of HKFRS 9	–	–	–	79	–	–	–	1,369	1,448	–	1,448
Restated at 1 January 2018	91,778	417,391	2,481	68,908	30,132	991	–	(578,824)	32,857	(37,460)	(4,603)
Loss for the period	–	–	–	–	–	–	–	(17,584)	(17,584)	(1,682)	(19,266)
Exchange differences arising on translation from functional currency to presentation currency	–	–	–	12	–	–	–	–	12	693	705
Total comprehensive income for the period	–	–	–	12	–	–	–	(17,584)	(17,572)	(989)	(18,561)
At 30 June 2018 (unaudited)	91,778	417,391	2,481	68,920	30,132	991	–	(596,408)	15,285	(38,449)	(23,164)
At 1 January 2019 (audited)	**91,778**	**417,391**	**2,481**	**67,025**	**30,132**	**-**	**1,814**	**(570,034)**	**40,587**	**(33,151)**	**7,436**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,384)**	**(6,384)**	**(2,303)**	**(8,687)**
Exchange differences arising on translation from functional currency to presentation currency	**-**	**-**	**-**	**(277)**	**-**	**-**	**-**	**-**	**(277)**	**211**	**(66)**
Total comprehensive income for the period	**-**	**-**	**-**	**(277)**	**-**	**-**	**-**	**(6,384)**	**(6,661)**	**(2,092)**	**(8,753)**
At 30 June 2019 (unaudited)	**91,778**	**417,391**	**2,481**	**66,748**	**30,132**	**-**	**1,814**	**(576,418)**	**33,926**	**(35,243)**	**(1,317)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(11,962)**	(8,324)
Net cash generated from investing activities	**560**	91
Net cash (used in)/generated from financing activities	**(2,165)**	4,240
Net decrease in cash and cash equivalents	**(13,567)**	(3,993)
Cash and cash equivalents at 1 January	**26,563**	18,364
Effect of foreign exchange rate changes	**(509)**	(107)
Cash and cash equivalents at 30 June	**12,487**	14,264

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 2019 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 2018 annual report, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. Significant accounting policies and changes in accounting policies

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies. Also, the Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK$'000
Statement of financial position as at 1 January 2019	
Right-of-use assets	93
Lease liabilities (non-current)	33
Lease liabilities (current)	60

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitment as of 31 December 2018	723
Less: short term leases for which lease terms end within 31 December 2019	(627)
Less: future interest expenses	(3)
Total lease liabilities as of 1 January 2019	93

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 4.75%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases in which the Group is a lessee.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the date of adoption of HKFRS 16, i.e. 1 January 2019.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

4. Segment information and revenue

(a) Reportable segments and reconciliation of reportable segment revenue, profit or loss, assets and liabilities

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 2019, 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

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 2019 (unaudited)

	Mobile phone business HK$'000	Mining business HK$'000	Total HK$'000
Reportable segment revenue from contracts with external customers within scope of HKFRS 15	60,867	–	60,867
Reportable segment loss	(2,623)	(901)	(3,524)
Depreciation and amortisation (excluding right-of-use assets)	1,132	–	1,132
Depreciation of right-of-use assets	31	–	31
Reversal of impairment loss recognised in respect of prepayment paid to a supplier	(120)	–	(120)
Recovery of write down of inventories	(22)	–	(22)
Revenue			
Reportable segment revenue and consolidated revenue			60,867
Loss before income tax			
Reportable segment loss			(3,524)
Fair value loss on financial assets at fair value through profit or loss			(1)
Interest income			46
Gain on disposal of investment in an associate			24
Miscellaneous income			210
Motor vehicle expenses			(116)
Staff costs (including directors' remunerations)			(3,024)
Rental expenses			(302)
Corporate expenses			(1,613)
Finance costs			(292)
Consolidated loss before income tax			(8,592)

As at 30 June 2019 (unaudited)

	Mobile phone business HK$'000	Mining business HK$'000	Total HK$'000
Reportable segment assets	56,496	3,611	60,107
Reportable segment liabilities	(29,972)	(12,993)	(42,965)
Assets			
Reportable segment assets			60,107
Unallocated corporate assets			
– Financial assets at fair value through profit or loss			5,826
– Club memberships			875
– Cash and cash equivalents			668
– Others			559
Consolidated total assets			68,035
Liabilities			
Reportable segment liabilities			42,965
Unallocated corporate liabilities			
– Tax payables			4,574
– Amount due to a related party (Note 13)			16,373
– Others			5,440
Consolidated total liabilities			69,352

For the six months ended 30 June 2018 (unaudited)

	Mobile phone business HK$'000	Mining business HK$'000	Total HK$'000
Reportable segment revenue from contracts with external customers within scope HKFRS 15	39,479	–	39,479
Reportable segment loss	(13,243)	(862)	(14,105)
Impairment loss recognised in respect of prepayment paid to a supplier	10,694	–	10,694
Value-added tax paid	1,677	–	1,677
Recovery of write down of inventories	(29)	–	(29)
Revenue			
Reportable segment revenue and consolidated revenue			39,479
Loss before income tax			
Reportable segment loss			(14,105)
Fair value loss on financial assets at fair value through profit or loss			(421)
Interest income			39
Miscellaneous income			390
Staff costs (including directors' remunerations)			(2,693)
Corporate expenses			(1,759)
Share of results of associates			(6)
Finance costs			(646)
Consolidated loss before income tax			(19,201)

As at 31 December 2018 (audited)

	Mobile phone business HK$'000	Mining business HK$'000	Total HK$'000
Reportable segment assets	72,083	3,643	75,726
Additions to non-current assets	5,808	–	5,808
Reportable segment liabilities	(36,069)	(12,701)	(48,770)

Assets	
Reportable segment assets	75,726
Unallocated corporate assets	
– Investments in associates	498
– Financial assets at fair value through profit or loss	5,886
– Club memberships	877
– Cash and cash equivalents	1,704
– Others	554
Consolidated total assets	85,245
Liabilities	
Reportable segment liabilities	48,770
Unallocated corporate liabilities	
– Tax payables	4,574
– Amount due to a related party (Note 13)	18,359
– Others	6,106
Consolidated total liabilities	77,809

(b) Geographical information

During the six months ended 30 June 2019 and 2018, the Group's operations and non-current assets are situated in the People's Republic of China ("PRC") in which all of its revenue was derived.

(c) Revenue

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

Disaggregation of revenue from contracts with customers

	Trading of mobile phone	
	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Primary geographical market		
PRC	**60,867**	39,479
Major product		
Mobile phone	**60,867**	39,479
Timing of revenue recognition		
At a point in time	**60,867**	39,479

5. Finance costs

	Six months ended	
	30/6/2019	30/6/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Imputed interests on amount due to a related party	**290**	–
Interests on lease liabilities	**2**	–
Interests on other borrowings wholly repayable within five years	**–**	646
	292	646

6. Income tax expense

For the six months ended 30 June 2019 and 2018, the Group's major operations are being carried out through its subsidiaries established in the People's Republic of China (the "PRC") and subject to the Enterprise Income Tax (the "EIT") rate of 25%, unless preferential rates are applicable in the cities where the subsidiaries are located.

No provision for Hong Kong Profits Tax has been made as the Group did not have any estimated assessable profits for both periods.

7. Loss for the period

	Six months ended 30/6/2019 HK$'000 (unaudited)	30/6/2018 HK$'000 (unaudited)
Loss for the period has been arrived at		
after charging:		
Auditor's remuneration	**583**	507
Depreciation of plant and equipment	**1,138**	6
Depreciation of right-of-use assets	**31**	–
Staff costs		
– directors' emoluments	**1,799**	1,786
– salaries and allowances for other staff	**2,573**	1,664
– retirement benefit scheme contribution (excluding directors)	**136**	84
	4,508	3,534
and after crediting:		
Interest income	**46**	39
Gain on disposal of investment in an associate	**24**	–
Recovery of write down of inventories	**22**	29

8. Loss per share

The calculation of loss per share for the six months ended 30 June 2019 is based on the loss for the period attributable to owners of the Company of HK$6,384,000 (30 June 2018: loss of HK$17,584,000) and the weighted average number of 917,779,442 (30 June 2018: 917,779,442) shares in issue during the period.

No diluted loss per share is presented as the effect of all potential ordinary shares is anti-dilutive for the periods ended 30 June 2019 and 2018.

9. Trade and other receivables

	30/6/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
Trade receivables	**5,761**	508
Less: accumulated allowance	**(51)**	(52)
	5,710	456
Value-added tax receivables	**241**	259
Prepayments to suppliers	**45,179**	40,122
Other receivables and deposits (Note)	**18,145**	32,262
Less: accumulated allowance	**(28,619)**	(30,917)
	40,656	42,182

Note: The other receivables of HK$6,846,000 (31 December 2018: HK$22,960,000) represented the amount due from an entity controlled by a non-controlling shareholder of a subsidiary as at 30 June 2019. The amount was unsecured, interest-free and repayable within one year.

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:

	30/6/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
Trade receivables:		
91 to 365 days	**5,710**	456
	5,710	456

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:

	30/6/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
Trade payables:		
Over 90 days	**42**	42
	42	42
Value-added tax payables	**19**	18
Prepayments from customers	**19,881**	143
Other payables and accruals (Note)	**15,876**	38,836
	35,818	39,039

Note: The other payables of HK$87,000 (31 December 2018: HK$22,746,000) represented the amount due to an entity controlled by a non-controlling shareholder of a subsidiary as at 30 June 2019. The amount was unsecured, interest-free and repayable within one year.

11. Share capital

	Number of ordinary shares	**Share capital** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31 December 2018 and 30 June 2019	2,000,000,000	200,000
Issued and fully paid:		
At 31 December 2018 and 30 June 2019	917,779,442	91,778

12. Government grant

A government grant of RMB5,000,000 was awarded to a subsidiary of the Group by the PRC local government agencies as an incentive primarily to encourage and support its business development in local district. Under the terms of this government grant, the grant would be recalled if the subsidiary could not meet certain level of accumulated Value-added tax ("VAT') and EIT payments during a period of three years up to 2021.

13. Amount due to a related party

	30/6/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
Current Liabilities		
– Mr. Lau Siu Ying ("Mr. Lau") (Note i)	**4,328**	6,493
Non-current Liabilities		
– Mr. Lau (Note ii)	**12,045**	11,866
	16,373	18,359

Notes:

i) The balance is unsecured, interest-free and repayable on demand.

ii) On 31 December 2018, Mr. Lau advanced HK$13,680,000 (equivalent to RMB12,000,000) to the Company which is due on 31 December 2021. The borrowing is carried at amortised cost using an imputed interest rate of 4.75% per annum. The imputed interest portion of HK$1,814,000 (equivalent to RMB1,590,000) was credited to other reserve under attributable to owners of the Company.

During the six months ended 30 June 2019, the imputed interest of HK$290,000 (equivalent to RMB250,000) was credited to the borrowing.

14. Related party disclosures

(a) Related party transactions

	Six months ended	
	30/6/2019 HK$'000 (unaudited)	30/6/2018 HK$'000 (unaudited)
Purchase of goods from an entity controlled by a non-controlling shareholder of a subsidiary	**–**	11,107

(b) Amounts due from/to non-controlling shareholders of subsidiaries

The balances are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel and senior management

The remuneration of directors and other members of the Group's key management during the period was as follows:

	Six months ended 30/6/2019 HK$'000 (unaudited)	30/6/2018 HK$'000 (unaudited)
Short-term benefits	**2,109**	2,023
Post-employment benefits	**29**	30
	2,138	2,053

15. Fair value measurements of financial instruments

HKFRS 13 requires disclosures for financial instruments that are measured at fair value by levels of the fair value measurement hierarchy. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets measured at fair values in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy at 30 June 2019.

	Level 1 (unaudited) HK$'000	Level 2 (unaudited) HK$'000	Level 3 (unaudited) HK$'000	Total (unaudited) HK$'000
Assets				
Financial assets at fair value through profit or loss				
– Unlisted fund investment in PRC	–	–	4,282	4,282
– Unlisted equity investments in Hong Kong	–	–	769	769
– Listed equity investments in PRC	775	–	–	775
	775	–	5,051	5,826

The following table presents the Group's assets measured at fair values in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy at 31 December 2018.

	Level 1 (audited) HK$'000	Level 2 (audited) HK$'000	Level 3 (audited) HK$'000	Total (audited) HK$'000
Assets				
Financial assets at fair value through profit or loss				
– Unlisted fund investment in PRC	–	–	3,731	3,731
– Unlisted equity investments in Hong Kong	–	–	1,619	1,619
– Listed equity investments in PRC	536	–	–	536
	536	–	5,350	5,886

There were no transfers between levels 1 and 2 or into or out of level 3 during the periods.

As at 30 June 2019, the fair values of unlisted equity investments and certain unlisted fund investment are categorised under Level 3 fair value measurement. The valuations of financial assets carried at fair value for financial reporting purposes have been reviewed and reported directly to the senior management. The movement of financial instruments under Level 3 of fair value hierarchy is as follows:

	30/06/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
At the beginning of period/year	**5,350**	2,449
Initial adoption of HKFRS 9	**–**	1,448
Purchases	**–**	1,550
Fair value change	**(251)**	98
Exchange adjustments	**(48)**	(195)
At the end of period/year	**5,051**	5,350

The fair value of financial assets that are grouped under Level 3 is determined by using market approach valuation techniques.

Specific valuation techniques used to value financial instruments include:

- Fund administrators' valuation for unlisted investment fund, these investment funds invest substantially in a basket of investments, such as property development projects carried in Beijing. The fair value of unlisted equity investment is determined with reference to capital statements provided by the private equity investment fund institution.

- Market value was measured based on the underlying value of the assets and liabilities of the unlisted equity investments.

The carrying amounts of the Group's financial instruments carried at other than fair value approximated their fair values because of the short-term maturities nature.

16. Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2019 and 30 June 2018.

By Order of the Board
China Fortune Holdings Limited
Lau Siu Ying
Chairman and Chief Executive Officer

Hong Kong, 29 August 2019

As at the date of this report, the Board comprises two executive directors, namely Mr. Lau Siu Ying and Mr. Wang Yu; one non-executive director, namely Mr. Bao Kang Rong; and three independent non-executive directors, namely Dr. Law Chun Kwan, Mr. Lam Man Kit and Dr. Lo Wai Shun.