



# 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

## 2020 INTERIM REPORT



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## CORPORATE INFORMATION

### Board of Directors

#### Chairman and Executive Director

Mr. Lau Siu Ying

#### Executive Directors

Mr. Wang Yu

Mr. Gao Fei (Appointed on  
27 December 2019)

#### 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

Room 9008, Yong Xin Building  
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](http://www.fortunetele.com)  
[www.chinafortune.com](http://www.chinafortune.com)

### Stock Code

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## REVIEW AND OUTLOOK

### Revenue

For the six months ended 30 June 2020, the Group recorded total revenue of HK\$21.4 million, which was approximately HK\$39.5 million or 64.8% lower than the revenue of HK\$60.9 million reported for the six months ended 30 June 2019. The decrease in Group's revenue was primarily attributable to the decrease in revenue from mobile phone trading business in PRC.

The Group's revenue was derived from mobile phone trading business in PRC and promotion of the mobile application to consumers in current reporting period. During the six months ended 30 June 2020, revenue contribution from promotion of the mobile application to consumers was HK\$1.2 million representing 5.7% of the total revenue of the Group, whereas mobile phone trading business contributed HK\$20.2 million or 94.3% of the total revenue of the Group.

The decrease in revenue was due to the outbreak of the COVID-19 in early 2020, it has been intensifying and spreading across the PRC and have an adverse impact on wholesale and retail of mobile phone markets.

### Gross profit and gross profit margin

The Group's gross profit increased by HK\$0.1 million or 32.1%, from approximately HK\$0.6 million for the six months ended 30 June 2019 to approximately HK\$0.7 million for the six months ended 30 June 2020. The low gross profit level was due to the scaled back in Group's performance on mobile phone trading business since 2019.

The Group's gross profit margin was increased from 0.9% for the six months ended 30 June 2019 to 3.4% for the six months ended 30 June 2020.

### Other income

Other income was approximately HK\$0.3 million for the six months ended 30 June 2020, no changes when compared to the previous corresponding period.



## Other gains and losses

We had a net gain of HK\$2.6 million for the six months ended 30 June 2020 and a net gain of HK\$0.1 million for the previous corresponding period. For the six months ended 30 June 2020, the net gain mainly consisted of write back of income tax payables of HK\$4.6 million, write back of business tax payables of HK\$0.9 million, exchange loss of HK\$2.7 million and impairment loss recognised in respect of right-of-use assets of HK\$0.4 million, while no such gain and loss was recognised in previous corresponding period.

## Selling and distribution costs

Selling and distribution costs amounted to HK\$0.3 million for the six months ended 30 June 2020 when compared to previous corresponding period of HK\$15 thousand. The increase of selling and distribution costs was mainly due to the increase of salaries and allowances.

## Administrative expenses

The Group's administrative expenses decreased by 8.6% to HK\$8.4 million for the six months ended 30 June 2020 when compared to previous corresponding period of HK\$9.2 million, which was mainly due to the decrease of depreciation of plant and equipment and rental expenses.

## Finance costs

During the six months ended 30 June 2020, finance costs amounted to \$0.5 million, while finance costs of HK\$0.3 million was recorded in previous corresponding period. The increase of finance costs was due to the imputed interest on loan from a related party, interest on lease liabilities and interest on bank borrowing in current period.

## Income tax expense

No income tax expense were recorded for the six months ended 30 June 2020 as compared to income tax expenses amounted to HK\$95 thousand in previous corresponding period.

## 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\$2.9 million for the six months ended 30 June 2020, as compared to HK\$6.4 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 HK0.31 cents in current reporting period as compared to the basic loss per share of HK0.70 cents in previous corresponding period. No diluted loss per share was presented as the effect of any potential ordinary shares is anti-dilutive for the six months ended 30 June 2020 and 2019.

## Financial assets at fair value through profit or loss

As at 30 June 2020 and 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 11.5% from approximately HK\$26 thousand as at 31 December 2019 to approximately HK\$29 thousand as at 30 June 2020. 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 increased by 117.3% or HK\$19.4 million from approximately HK\$16.5 million as at 31 December 2019 to approximately HK\$35.9 million as at 30 June 2020, primarily due to sales amounted to approximately of HK\$20.2 million was recorded near period end. No impairment loss on prepayments paid to suppliers was recognised during the six months ended 30 June 2020 and 2019.

## Cash and cash equivalents

The total cash and cash equivalents amounted to HK\$19.7 million as at 30 June 2020 as compared to HK\$18.2 million as at 31 December 2019, 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 increased by 71.1% from approximately HK\$30.7 million as at 31 December 2019 to approximately HK\$52.5 million as at 30 June 2020, primarily due to increase in purchases near period end.



## Bank borrowing

As at 30 June 2020, the Group's bank borrowing amounted to HK\$4.4 million, while HK\$4.5 million as at 31 December 2019.

## Liquidity and gearing ratio

The net asset value of the Group attributable to owners of the Company as at 30 June 2020 amounted to HK\$13.4 million or HK\$0.01 per share when compared to HK\$14.0 million or HK\$0.02 per share as at 31 December 2019. As at 30 June 2020, the Group had net current liabilities of approximately HK\$19.9 million when compared to net current liabilities of HK\$6.9 million as at 31 December 2019. As at 30 June 2020, the Group had a current ratio of 0.77 times (31 December 2019: 0.90 times). The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 1.35 and 1.32 as at 30 June 2020 and 31 December 2019.

## Capital commitments

As at 30 June 2020, the Group had capital expenditure contracted for but not provided in the unaudited consolidated financial statements in respect of leasehold improvements amounted to HK\$0.2 million (31 December 2019: HK\$0.2 million).

## Contingent liabilities

As at 30 June 2020, the Group did not have any contingent liabilities or guarantees (31 December 2019: nil).

## Material acquisitions and disposals of subsidiaries or associates

During the six months ended 30 June 2020 and 2019, 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 2020 and 2019, the Group did not make any significant investments.

## Employees and remuneration policies

As at 30 June 2020, the Group has in total 50 employees as compared to 71 employees as at 31 December 2019. 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.

## DIVIDEND

The Board do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

## OPERATIONAL REVIEW

### Market Overview

According to the statistics released by the Ministry of Industry and Information Technology of the People's Republic of China ("MIIT"), there were approximately 1.6 billion subscribers to mobile phone services in the PRC as at the end of 2019. 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.

Although China, the world's largest mobile phone market reached a saturation point, the 5G economy has seen a huge growth. The boom of 5G mobile phones comes as China launched 5G commercialisation at the end of 2019 with the nation's telecom operators rolling out their 5G data plans.

Looking back at 2019 and first half of 2020, China's mobile phone market declined and scaled back due to the international trade conflicts escalated, the impact of COVID-19 outbreak in China, the uncertainties of economic development and China's consumers pulling back on spending, the decline is expected to continue in the coming years.





## 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. As for the PRC market, its economy was slowdown since 2019. 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 PRC 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 whilst 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 PRC 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.

According to an online search made by the Group's PRC lawyer to the Ministry of Natural Resources of the PRC (中華人民共和國自然資源部) on 20 February 2020, the status of the mining operating permit has been displayed as "expired".

Therefore, the Group's PRC 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 2019 and six months ended 30 June 2020.



**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. After obtaining the arbitral award, the Group instructed PRC lawyers to enforce the arbitral award, but was informed by the PRC lawyers that, according to a notice by the Chongqing No.5 Intermediate People's Court dated 25 October 2019, after checking through the national wide network of the PRC Court for enforcement against the Chongqing supplier, the Chongqing Supplier had no assets left to be enforced against.

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 28 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. The Guangzhou supplier had filed an appeal against such judgment, but the appeal was subsequently withdrawn by the Guangzhou supplier. Therefore, the judgment is valid, effective and executable for which enforcement proceedings was commenced against the Guangzhou supplier. However, as informed by the PRC lawyers of the Group, according to a notice issued by the People's Court of Huangpu District of Guangzhou dated 4 June 2020, after checking through the national wide network of the PRC Court for enforcement against the Guangzhou supplier, the Guangzhou supplier had no remaining assets that could be subject to enforcement proceedings to be carried out by the said subsidiary.

Notwithstanding the above situations, the Group will explore all possible means to recover the prepayments.

## Prospects and Outlook

The China economy is showing a sign of slowdown resulting from the US-China trade war that has simmered in 2019. Though the phase one interim agreement has been made in December 2019 to prevent a further escalation of the trade war, it is expected that the next round of the negotiation between the US and China would get tougher once they begin tackling the thorny issues on which they had clashed. Furthermore, in early of year 2020, the outbreak of the COVID-19 in China followed hard on the heels of the phase one's US China trade truce. The Group expect the consumption and retail segment will continued to be affected from the double blow of the US-China trade war and the COVID-19 facing an uncertain future in the coming years.

In 2019, the mobile phone market in China was still strong but its growth was obviously slowing down which resulted from the trade pressure exerted by the US in the trade war, denting the economic growth in China.

However, the continued economic growth in the PRC is fuelled by a high internal consumption. As the world's largest mobile handset market, there were approximately 1.6 billion handset subscribers in the PRC which benefit from preferential mobile internet traffic policies. The significant increase in 4G users, 5G users and Internet users implies that there are huge business opportunities in both mobile application and mobile commerce.

China was currently the world's largest 4G network and continues to strive for further expansion. With a goal to add new 4G base stations in previous years 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. Recent developments in the China market along with anticipation of aggressive activity from the mobile phone supply chain have caused us raised our Group short-term 5G forecast and expect that China will become the lead market in terms of 5G volume. In light of the increasing uncertainties in the global economy, the Group will closely monitor changes in the economic environment and will be proactive and seize opportunities in Hong Kong and ASEAN trading markets.



Pursuant to the change in control of the board of Beijing Feiying which became effective on 27 December 2019, Beijing Feiying shall be accounted for as a subsidiary of the Company, the Company can consolidate Beijing Feiying's results into the Group's accounts starting from Year 2020. The Group can tap into the used mobile phones and mobile apps market and could also share a greater profit of Beijing Feiying and this would be reflected in the accounts of the Group in coming years.

Beijing Feiying has also entered into a cooperation agreement with the mobile and internet conglomerate, Tencent, for Tencent's new mobile application, which helps users transfer data from old phones to newer ones. Under the cooperation agreement, Beijing Feiying receives 70% of revenue generated from the mobile application by users. As stipulated in the cooperation agreement, Beijing Feiying is currently mainly to assist in the promotion of the mobile application to consumers.

As at the date of this report, Beijing Feiying and Tencent has yet to conclude on the renewal of a new agreement due to the delay in the commencement of negotiations caused by the COVID-19 Outbreak, upon expiry of the Agreement on 15 April 2020 and Beijing Feiying had not been required to provide its services to Tencent since mid-June 2020. Nevertheless, Beijing Feiying is still negotiating the terms of renewal with Tencent. The Board considers the termination of services provided by Beijing Feiying may lead to the decrease in revenue of the Group if the Group's services to Tencent is no longer required.

But the outbreak of the COVID-19 in early 2020, the pessimistic sentiment is developing regarding the macroeconomic and the worldwide wholesale and retail environment, which would foreseeably have an adverse impact on our business. It has been intensifying and spreading across the PRC. Weighing on the PRC wholesale and retail markets. There is an ongoing concerns regarding the development of mobile phone markets, which hinders customers making sales order. Moreover, in view of the weakening wholesale and retail markets, customers would tend to make orders with lower average selling price, which would possibly lower our Group's gross profit.

The Group is actively looking for further opportunities which will further enhance the shareholders' value.

## OTHER INFORMATION

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

At 30 June 2020, 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%
		<u>448,296,298</u>	<u>48.85%</u>

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 2020.

## Share options

The Company adopted a share option scheme on 28 May 2014 which was effective at the same day and will expire on 28 May 2024.

The purpose of the 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 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 Share Option Scheme. Subject to the terms of the 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 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.

As at 30 June 2020 and 31 December 2019, there were no outstanding shares in respect of which options had been granted under the Share Option 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 2020, 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 the Company's listed securities

During the six months ended 30 June 2020, 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

The Company had complied with the code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2020, with deviations as stated below:

#### **Code Provision A.2.1**

Code Provision A.2.1 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.

#### **Code Provision A.4.1**

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All existing 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 established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. It comprises three members, namely Mr. Lam Man Kit (Chairman of the Audit Committee), Dr. Law Chun Kwan and Dr. Lo Wai Shun.

The Audit Committee has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and this report.

In addition, BDO Limited, the external auditor of the Company, has independently reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Securities Dealing Code on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules to regulate the Directors and employees' dealings in the Company's securities.

Having made specific enquiry to all the Directors, all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2020 to the date of this report.

No incident of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company.



**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 2020, 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 2020*

	Notes	Six months ended	
		30/6/2020 HK\$'000 (unaudited)	30/6/2019 HK\$'000 (unaudited)
Revenue	4	<b>21,414</b>	60,867
Cost of sales		<b>(20,686)</b>	(60,316)
Gross profit		<b>728</b>	551
Other income		<b>297</b>	256
Other gains and losses		<b>2,559</b>	143
Selling and distribution costs		<b>(304)</b>	(15)
Administrative expenses		<b>(8,437)</b>	(9,235)
Finance costs	5	<b>(458)</b>	(292)
Loss before income tax		<b>(5,615)</b>	(8,592)
Income tax expense	6	<b>—</b>	(95)
Loss for the period	7	<b>(5,615)</b>	(8,687)
Loss for the period attributable to:			
Owners of the Company		<b>(2,878)</b>	(6,384)
Non-controlling interests		<b>(2,737)</b>	(2,303)
		<b>(5,615)</b>	(8,687)
<b>Loss per share</b>			
Basic	8	<b>(0.31) cents</b>	(0.70) cents
Diluted	8	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<b>Six months ended</b>	
	<b>30/6/2020</b>	30/6/2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Loss for the period</b>	<b>(5,615)</b>	(8,687)
<b>Other comprehensive income that may be subsequently transferred to profit or loss</b>		
Exchange differences arising on translation from functional currency to presentation currency	<b>2,800</b>	(66)
<b>Total comprehensive income for the period</b>	<b>(2,815)</b>	(8,753)
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>(634)</b>	(6,661)
Non-controlling interests	<b>(2,181)</b>	(2,092)
	<b>(2,815)</b>	(8,753)



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2020

	Notes	30/6/2020 HK\$'000 (unaudited)	31/12/2019 HK\$'000 (audited)
<b>Non-current assets</b>			
Plant and equipment		67	82
Mining right		–	–
Right-of-use assets		320	1,176
Financial assets at fair value through profit or loss		4,831	4,691
Club memberships		870	874
		<u>6,088</u>	<u>6,823</u>
<b>Current assets</b>			
Inventories		29	26
Trade and other receivables	9	35,866	16,503
Amounts due from related parties		7,063	24,849
Amounts due from non-controlling shareholders of subsidiaries	14(a)	3,473	3,638
Financial assets at fair value through profit or loss		858	921
Cash and cash equivalents		19,721	18,177
		<u>67,010</u>	<u>64,114</u>
<b>Current liabilities</b>			
Trade and other payables	10	52,497	30,688
Amounts due to related parties	13	22,867	24,796
Amounts due to non-controlling shareholders of subsidiaries	14(a)	4,405	3,426
Tax payables		1,720	6,334
Bank borrowing		4,400	4,480
Lease liabilities		1,017	1,307
		<u>86,906</u>	<u>71,031</u>
<b>Net current liabilities</b>		<u>(19,896)</u>	<u>(6,917)</u>
<b>Total assets less current liabilities</b>		<u>(13,808)</u>	<u>(94)</u>

		<b>30/6/2020</b>	31/12/2019
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(audited)
<b>Capital and reserves</b>			
Share capital	11	<b>91,778</b>	91,778
Reserves		<b>(78,420)</b>	(77,786)
		<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>		<b>13,358</b>	13,992
<b>Non-controlling interests</b>		<b>(45,204)</b>	(32,617)
		<hr/>	<hr/>
		<b>(31,846)</b>	(18,625)
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Lease liabilities		<b>244</b>	707
Government grant	12	<b>5,500</b>	5,600
Amounts due to related parties	13	<b>12,294</b>	12,224
		<hr/>	<hr/>
		<b>18,038</b>	18,531
		<hr/>	<hr/>
		<b>(13,808)</b>	(94)
		<hr/> <hr/>	<hr/> <hr/>



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2020*

	Share capital	Share premium	Special reserve	Translation reserve	Statutory funds	Other reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
At 1 January 2020 (audited)	<b>91,778</b>	<b>417,391</b>	<b>2,481</b>	<b>66,523</b>	<b>30,132</b>	<b>1,814</b>	<b>(596,127)</b>	<b>13,992</b>	<b>(32,617)</b>	<b>(18,625)</b>
Loss for the period	-	-	-	-	-	-	(2,878)	(2,878)	(2,737)	(5,615)
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	2,244	-	-	-	2,244	556	2,800
Total comprehensive income for the period	-	-	-	2,244	-	-	(2,878)	(634)	(2,181)	(2,815)
Capital reduction of a subsidiary	-	-	-	-	-	-	-	-	(10,406)	(10,406)
At 30 June 2020 (unaudited)	<b>91,778</b>	<b>417,391</b>	<b>2,481</b>	<b>68,767</b>	<b>30,132</b>	<b>1,814</b>	<b>(599,005)</b>	<b>13,358</b>	<b>(45,204)</b>	<b>(31,846)</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2020*

	<b>Six months ended</b>	
	<b>30/6/2020</b>	30/6/2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(3,952)</b>	(11,962)
Net cash (used in)/generated from investing activities	<b>(2)</b>	560
Net cash generated from/(used in) financing activities	<b>5,841</b>	(2,165)
Net increase/(decrease) in cash and cash equivalents	<b>1,887</b>	(13,567)
Cash and cash equivalents at 1 January	<b>18,177</b>	26,563
Effect of foreign exchange rate changes	<b>(343)</b>	(509)
Cash and cash equivalents at 30 June	<b>19,721</b>	12,487



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 2020 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").

During the six months ended 30 June 2020, the Group has incurred a loss attributable to the owners of the Company of approximately HK\$2,878,000 for the six months ended 30 June 2020 and as at 30 June 2020 the Group was in net current liabilities position of approximately HK\$19,896,000.

In preparing the unaudited condensed consolidated interim financial statements, the directors have carefully considered to the current and anticipated future liquidity of the Group. The directors have prepared cash flow forecasts for the period up to August 2021 after taking into account of the measures below.

In order to strengthen the Group's capital base and liquidity in foreseeable future, the directors of the Company have taken the following measures:

- obtained the undertaking from Mr. Lau and Ms. Xiao for not requesting the Group to repay the amounts due to them of HK\$18,455,000 until the Group is in a good financial position to repay;
- obtained loan from Mr. Lau in July 2020 of approximately HK\$15,500,000 which is unsecured, non-interest bearing and repayable on 31 December 2021; and
- obtained the deed of undertaking from Mr. Lau that, upon the receipt of written demand issued by the board of directors of the Company, he would provide further financial support up to an aggregate sum of HK\$23 million.

Based on the Group's cash flow forecasts, the directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's 2019 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 interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new/revised standards effective as of 1 January 2020.

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

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The new/revised HKFRSs that are effective from 1 January 2020 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.

### 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 2020, 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 2020 (unaudited)**

	<b>Mobile phone business HK\$'000</b>	<b>Mining business HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment revenue from contracts with external customers within scope of HKFRS 15	<b>21,414</b>	–	<b>21,414</b>
Reportable segment loss	<b>(2,664)</b>	<b>(858)</b>	<b>(3,522)</b>
Depreciation of plant and equipment	<b>17</b>	–	<b>17</b>
Depreciation of right-of-use assets	<b>266</b>	–	<b>266</b>
Impairment loss recognised in respect of right-of-use assets	<b>431</b>	–	<b>431</b>
Reversal of impairment loss recognised in respect of trade and other receivables	<b>(6)</b>	–	<b>(6)</b>
<b>Revenue</b>			
Reportable segment revenue and consolidated revenue			<b>21,414</b>
<b>Loss before income tax</b>			
Reportable segment loss			<b>(3,522)</b>
Exchange loss			<b>(2,660)</b>
Fair value gain on financial assets at fair value through profit or loss			<b>174</b>
Write back of business tax payables			<b>891</b>
Write back of income tax payables			<b>4,574</b>
Interest income			<b>39</b>
Gain on disposal of a subsidiary			<b>1</b>
Miscellaneous income			<b>220</b>
Motor vehicle expenses			<b>(22)</b>
Staff costs (including directors' emoluments)			<b>(2,826)</b>
Rental expenses			<b>(14)</b>
Corporate expenses			<b>(2,012)</b>
Finance costs			<b>(458)</b>
Consolidated loss before income tax			<b>(5,615)</b>

**As at 30 June 2020 (unaudited)**

	<b>Mobile phone business HK\$'000</b>	<b>Mining business HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment assets	<b>54,667</b>	<b>3,612</b>	<b>58,279</b>
Reportable segment liabilities	<b>(59,692)</b>	<b>(13,779)</b>	<b>(73,471)</b>
<b>Assets</b>			
Reportable segment assets			<b>58,279</b>
Unallocated corporate assets			
– Financial assets at fair value through profit or loss			<b>5,689</b>
– Club memberships			<b>870</b>
– Cash and cash equivalents			<b>7,908</b>
– Others			<b>352</b>
Consolidated total assets			<b>73,098</b>
<b>Liabilities</b>			
Reportable segment liabilities			<b>73,471</b>
Unallocated corporate liabilities			
– Amount due to a related party, Mr. Lau			<b>25,799</b>
– Others			<b>5,674</b>
Consolidated total liabilities			<b>104,944</b>

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 of plant and equipment	1,132	–	1,132
Depreciation of right-of-use assets	31	–	31
Reversal of impairment loss recognised in respect of prepayment to a supplier	(120)	–	(120)
Recovery of write down of inventories	(22)	–	(22)
<b>Revenue</b>			
Reportable segment revenue and consolidated revenue			60,867
<b>Loss before income tax</b>			
Reportable segment loss			(3,524)
Fair value loss on financial assets at fair value through profit or loss			(1)
Interest income			46
Gain on deregistration of an associate			24
Miscellaneous income			210
Motor vehicle expenses			(116)
Staff costs (including directors' emoluments)			(3,024)
Rental expenses			(302)
Corporate expenses			(1,613)
Finance costs			(292)
Consolidated loss before income tax			(8,592)

As at 31 December 2019 (audited)

	Mobile phone business HK\$'000	Mining business HK\$'000	Total HK\$'000
Reportable segment assets	60,141	3,678	63,819
Additions to non-current assets	61	–	61
Reportable segment liabilities	(37,639)	(13,499)	(51,138)
<b>Assets</b>			
Reportable segment assets			63,819
Unallocated corporate assets			
– Financial assets at fair value through profit or loss			5,612
– Club memberships			874
– Cash and cash equivalents			232
– Others			400
Consolidated total assets			70,937
<b>Liabilities</b>			
Reportable segment liabilities			51,138
Unallocated corporate liabilities			
– Tax payables			4,574
– Amount due to a related party, Mr. Lau			27,568
– Others			6,282
Consolidated total liabilities			89,562

**(b) Geographical information**

During the six months ended 30 June 2020 and 2019, 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*

	<b>Trading of mobile phone</b>	
	<b>Six months ended</b>	
	<b>30/6/2020</b>	30/6/2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Primary geographical market		
PRC	<b>21,414</b>	60,867
	<b>=====</b>	<b>=====</b>
Major product		
Mobile phone	<b>21,414</b>	60,867
	<b>=====</b>	<b>=====</b>
Timing of revenue recognition		
At a point in time	<b>21,414</b>	60,867
	<b>=====</b>	<b>=====</b>

**5. Finance costs**

	<b>Six months ended</b>	
	<b>30/6/2020</b>	30/6/2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Imputed interest on loan from a related party	<b>290</b>	290
Interest on bank borrowing wholly repayable within one year	<b>134</b>	–
Interest on lease liabilities	<b>34</b>	2
	<b>=====</b>	<b>=====</b>
	<b>458</b>	292
	<b>=====</b>	<b>=====</b>

**6. Income tax expense**

For the six months ended 30 June 2020 and 2019, the Group's major operations are being carried out through its subsidiaries established in the PRC and subject to the Enterprises 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**  
**30/6/2020** 30/6/2019  
**HK\$'000** HK\$'000  
**(unaudited)** (unaudited)

Loss for the period has been arrived at

after charging:

Auditor's remuneration	<b>596</b>	583
Depreciation of plant and equipment	<b>18</b>	1,138
Depreciation of right-of-use assets	<b>266</b>	31
Staff costs		
– directors' emoluments	<b>1,843</b>	1,799
– salaries and allowances for other staff	<b>3,128</b>	2,573
– retirement benefit scheme contribution (excluding directors)	<b>134</b>	136
	<b>5,105</b>	4,508

and after crediting:

Interest income	<b>39</b>	46
Recovery of write down of inventories	<b>–</b>	22

## 8. Loss per share

The calculation of loss per share for the six months ended 30 June 2020 is based on the loss for the period attributable to owners of the Company of HK\$2,878,000 (30 June 2019: loss of HK\$6,384,000) and the weighted average number of 917,779,442 (30 June 2019: 917,779,442) shares in issue during the period.

No diluted loss per share is presented as the effect of any potential ordinary shares is anti-dilutive for the periods ended 30 June 2020 and 2019.



**9. Trade and other receivables**

	<b>30/6/2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2019 HK\$'000 (audited)
Trade receivables	<b>24,812</b>	8,379
Less: accumulated allowance	<b>(3,186)</b>	(3,250)
	<b>21,626</b>	5,129
Value-added-tax receivables	<b>411</b>	356
Prepayments to suppliers	<b>30,518</b>	27,708
Other receivables and deposits	<b>14,009</b>	14,509
Less: accumulated allowance	<b>(30,698)</b>	(31,199)
	<b>35,866</b>	16,503

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

	<b>30/6/2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2019 HK\$'000 (audited)
0 to 30 days	<b>21,523</b>	5,023
31 to 90 days	<b>–</b>	25
91 to 365 days	<b>103</b>	81
	<b>21,626</b>	5,129

**10. Trade and other payables**

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

	<b>30/6/2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2019 HK\$'000 (audited)
Trade payables:		
0 to 90 days	<b>21,204</b>	1,269
Over 90 days	<b>1,598</b>	349
	<b>22,802</b>	1,618
Value-added-tax payables	<b>73</b>	18
Prepayments from customers	<b>1,014</b>	1,033
Other payables and accruals	<b>28,608</b>	28,019
	<b>52,497</b>	30,688

**11. Share capital**

	<b>Number of ordinary shares</b>	<b>Share capital</b> HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 31 December 2019 and 30 June 2020	2,000,000,000	200,000
<i>Issued and fully paid:</i>		
At 31 December 2019 and 30 June 2020	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 payment during a period of three years up to 2021.

**13. Amounts due to related parties**

	<b>30/6/2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2019 HK\$'000 (audited)
Current Liabilities		
– Entities controlled by a non-controlling shareholder of a subsidiary (Note i)	<b>4,412</b>	4,412
– Mr. Lau Siu Ying (“Mr. Lau”) (Note i)	<b>13,505</b>	15,344
– Ms. Xiao (Note i and ii)	<b>4,950</b>	5,040
	<b>22,867</b>	24,796
Non-current Liability		
– Mr. Lau (Note iii)	<b>12,294</b>	12,224
	<b>35,161</b>	37,020

Notes:

- i) The balances are unsecured, non-interest bearing and repayable on demand.
- ii) Ms. Xiao is considered as a related party, because she is Mr. Lau’s spouse.
- iii) On 31 December 2018, Mr. Lau advanced HK\$13,680,000 (equivalent to RMB12,000,000) to the Group 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 was credited to other reserve under the equity attributable to owners of the Company.

**14. Related parties disclosures****(a) Amounts due from/to non-controlling shareholders of subsidiaries**

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

**(b) 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:

	<b>Six months ended</b> <b>30/6/2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	30/6/2019 HK\$'000 (unaudited)
Short-term benefits	<b>2,143</b>	2,109
Post-employment benefits	<b>33</b>	29
	<b>2,176</b>	2,138

## 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 2020.

	Level 1 (unaudited) HK\$'000	Level 2 (unaudited) HK\$'000	Level 3 (unaudited) HK\$'000	Total (unaudited) HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Unlisted fund investment	–	–	4,609	4,609
– Unlisted equity investments	–	–	222	222
– Listed equity investments	858	–	–	858
	<u>858</u>	<u>–</u>	<u>4,831</u>	<u>5,689</u>

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 2019.

	Level 1 (audited) HK\$'000	Level 2 (audited) HK\$'000	Level 3 (audited) HK\$'000	Total (audited) HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Unlisted fund investment	–	–	4,469	4,469
– Unlisted equity investments	–	–	222	222
– Listed equity investments	921	–	–	921
	<u>921</u>	<u>–</u>	<u>4,691</u>	<u>5,612</u>

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

As at 30 June 2020, the fair values of unlisted equity investments and 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:

	<b>30/06/2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2019 HK\$'000 (audited)
At the beginning of period/year	<b>4,691</b>	5,350
Disposal	–	(69)
Fair value change	<b>221</b>	(51)
Exchange adjustments	<b>(81)</b>	(80)
	<hr/> <b>4,831</b> <hr/>	<hr/> 4,691 <hr/>

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 fund investment, the fund invests substantially in a basket of investments, such as property development projects carried in Beijing.
- Market value was measured based on the underlying value of the assets and liabilities of the unlisted investments.

The carrying amounts of the Group's financial instruments carried at amortised cost approximated their fair values as at 30 June 2020 because of the short-term maturities nature.

## 16. Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2020 and 2019.

By Order of the Board

**China Fortune Holdings Limited**

**Lau Siu Ying**

*Chairman and Chief Executive Officer*

Hong Kong, 31 August 2020

*As at the date of this report, the Board comprises three executive directors, namely Mr. Lau Siu Ying, Mr. Wang Yu and Mr. Gao Fei; 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.*