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

(Incorporated in Bermuda with limited liability, carrying on business in H.K. as CFH Limited)

(Stock Code: 110)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024 (the "Reporting Period"), 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.

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

		Six months ended	
		30/6/2024	30/6/2023
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*5*	**34,506**	38,703
Cost of sales		**(34,411)**	(38,513)
Gross profit		**95**	190
Other income		**142**	1,428
Other gains and losses, net		**(273)**	22
Selling and distribution costs		**(13)**	(130)
Administrative expenses		**(8,673)**	(8,903)
Finance costs	*6*	**(49)**	(48)
Loss before income tax		**(8,771)**	(7,441)
Income tax expense	*7*	**–**	–
Loss for the period	*8*	**(8,771)**	(7,441)
Loss for the period attributable to:			
Owners of the Company		**(6,753)**	(5,332)
Non-controlling interests		**(2,018)**	(2,109)
		(8,771)	(7,441)
Loss per share			
Basic and diluted	*9*	**(3.13) cents**	(2.90) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended	
	30/6/2024	30/6/2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(8,771)**	(7,441)
Other comprehensive expenses that may be subsequently transferred to profit or loss		
Exchange differences arising on translation from functional currency to presentation currency	**(161)**	(36)
Total comprehensive expenses for the period	**(8,932)**	(7,477)
Total comprehensive expenses for the period attributable to:		
Owners of the Company	**(7,975)**	(6,442)
Non-controlling interests	**(957)**	(1,035)
	(8,932)	(7,477)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	**30/6/2024** *HK$'000* **(unaudited)**	31/12/2023 *HK$'000* (audited)
Non-Current Assets			
Plant and equipment		**27**	20
Mining right		**–**	–
Right-of-use assets		**1,079**	1,596
Interests in associates		**1,597**	1,015
Financial assets at fair value through profit or loss		**1,265**	1,300
Club membership		**680**	680
		4,648	4,611
Current Assets			
Inventories		**–**	1,964
Trade and other receivables	*10*	**35,876**	19,479
Amounts due from non-controlling shareholders of subsidiaries		**406**	340
Financial assets at fair value through profit or loss		**331**	642
Cash and cash equivalents		**7,475**	11,866
		44,088	34,291
Current Liabilities			
Trade and other payables	*11*	**55,742**	41,589
Amount due to a related party	*13*	**9,203**	11,663
Amount due to a non-controlling shareholder of a subsidiary		**27**	28
Tax payables		**1,662**	1,706
Lease liabilities		**850**	1,063
		67,484	56,049
Net Current Liabilities		**(23,396)**	(21,758)
Total Assets less Current Liabilities		**(18,748)**	(17,147)

	Note	**30/6/2024**	31/12/2023
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Capital and Reserves			
Share capital	*12*	**2,376**	2,116
Reserves		**24,414**	25,925
Equity attributable to owners of the Company		**26,790**	28,041
Non-controlling interests		**(45,746)**	(45,723)
		(18,956)	(17,682)
Non-Current Liabilities			
Lease liabilities		**208**	535
		208	535
Total equity and liabilities		**(18,748)**	(17,147)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended	
	30/6/2024	30/6/2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash (used in) generated from operating activities	**(7,759)**	1,116
Net cash (used in) generated from investing activities	**(611)**	34
Net cash generated from financing activities	**4,251**	2,759
Net (decrease) increase in cash and cash equivalents	**(4,119)**	3,909
Cash and cash equivalents at the beginning of the period	**11,866**	6,225
Effect of foreign exchange rate changes	**(272)**	(165)
Cash and cash equivalents at the end of the period	**7,475**	9,969

Notes:

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 phone and electronic products and mining and processing of celestite, zinc and lead minerals.

The functional currency of the Company is Renminbi ("RMB"). The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with the applicable disclosure requirements of Appendix D2 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 financial statements should be read in conjunction with the Group's 2023 annual report, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Going concern assessment

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

During the six months ended 30 June 2024, the Group incurred a loss attributable to the owner of the Company of approximately HK$6,753,000 (2023: HK$5,332,000). In addition, as at 30 June 2024, its current liabilities exceeded its current assets by approximately HK$23,396,000 (31 December 2023: its current liabilities exceeded its current assets by approximately HK$21,758,000).

The conditions described above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. The directors of the Company have reviewed the Group's cash flow projections prepared by the management of the Company. The cash flow projections cover a period of at least the next twelve months from 30 June 2024. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next twelve months from 30 June 2024, after taking into consideration of the measures and plans made by the Group as detailed below:

- The Company obtained a letter of undertaking (the "Letter of Undertaking") dated 28 March 2024 from Mr. Lau Siu Ying, the Chief Executive Officer, Executive Director and the controlling shareholder of the Company that he agrees to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for a period of at least the next twelve months;

- On 20 March 2024, 14 May 2024 and 22 May 2024, the Company entered into subscription agreements with independent third parties (the "2024 Subscribers"), pursuant to which the 2024 Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 26,000,000 shares of HK$0.26 each (the "2024 Subscription Shares") for a cash consideration of approximately HK$6.76 million (the "2024 Subscriptions"). On 3 June 2024, the 2024 Subscriptions have been completed;

- The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;

- The directors of the Company will consider to improve the financial position of the Group and to enlarge the capital base of the Company by further conducting fund raising exercises such as share placement, right issues or others as and when necessary; and

- The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

In light of the above measures and plans implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for a period of at least the next twelve months from 30 June 2024 after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its measures and plans as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its controlling shareholder.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the condensed consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The unaudited condensed consolidated 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 2023, except for the adoption of new/revised standards effective as of 1 January 2024.

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

(a) Adoption of new or revised HKFRSs — effective 1 January 2024

In the current period, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Disclosures: Supplier Finance Arrangements

The adoption of the above new standards and amendments to standards that are effective from 1 January 2024 does not have any significant impact to the results and financial position of the Group.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 21	Lack of Exchangeability[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[2]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2027.
3 The amendments should be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Directors anticipate that the application of new and amendments to HKFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

5. 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 2024 and 2023, the Group has two reportable segments: (i) mobile phone and electronic products business; and (ii) mining business. The following summary describes the operations in each of the Group's reportable segments:

- Mobile phone and electronic products business — Sales and marketing of mobile phone and electronic products and components.

- Mining business — Exploration, exploitation, refining and asset investment of mineral resources.

The Group is in considering to resubmit a new application on the extension of the mining operating permit for the Group's mine located in the PRC and hence, no revenue was generated from the Company's mining business during the six months ended 30 June 2024.

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 2024 (unaudited)

	Mobile phone and electronic products business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from contracts with external customers within scope of HKFRS 15	**34,506**	**–**	**34,506**
Reportable segment loss	**(1,145)**	**(413)**	**(1,558)**
Depreciation of right-of-use assets	**156**	**–**	**156**
Revenue			
Reportable segment revenue and consolidated revenue			**34,506**
Loss before income tax			
Reportable segment loss			**(1,558)**
Fair value loss on financial assets at fair value through profit or loss			**(296)**
Interest income			**43**
Miscellaneous income			**210**
Motor vehicle expenses			**(21)**
Staff costs (including directors' remunerations)			**(2,602)**
Corporate expenses			**(4,516)**
Finance costs			**(31)**
Consolidated loss before income tax			**(8,771)**

As at 30 June 2024 (unaudited)

	Mobile phone and electronic products business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment assets	**42,298**	**462**	**42,760**
Reportable segment liabilities	**(33,679)**	**(14,780)**	**(48,459)**

Assets	
Reportable segment assets	**42,760**
Unallocated corporate assets	
— Financial assets at fair value through profit or loss	**1,596**
— Club membership	**680**
— Cash and cash equivalents	**1,223**
— Others	**2,477**
Consolidated total assets	**48,736**
Liabilities	
Reportable segment liabilities	**48,459**
Unallocated corporate liabilities	
— Amount due to a related party	**9,203**
— Others	**10,030**
Consolidated total liabilities	**67,692**

For the six months ended 30 June 2023 (unaudited)

	Mobile phone and electronic products business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from contracts with external customers within scope of HKFRS 15	38,703	–	38,703
Reportable segment loss	(2,982)	(516)	(3,498)
Depreciation of right-of-use assets	333	–	333
Revenue			
Reportable segment revenue and consolidated revenue			38,703
Loss before income tax			
Reportable segment loss			(3,498)
Fair value gain on financial assets at fair value through profit or loss			17
Interest income			34
Miscellaneous income			212
Motor vehicle expenses			(8)
Staff costs (including directors' remunerations)			(2,548)
Corporate expenses			(1,607)
Finance costs			(48)
Gain on disposal of plant and equipment			5
Consolidated loss before income tax			(7,441)

As at 30 June 2023 (unaudited)

	Mobile phone and electronic products business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment assets	23,177	972	24,149
Additions to non-current assets	372	–	372
Reportable segment liabilities	(17,562)	(14,845)	(32,407)

Assets	
Reportable segment assets	24,149
Unallocated corporate assets	
— Financial assets at fair value through profit or loss	2,614
— Club memberships	870
— Cash and cash equivalents	180
— Others	495
Consolidated total assets	28,308
Liabilities	
Reportable segment liabilities	32,407
Unallocated corporate liabilities	
— Amount due to a related party	3,257
— Others	9,471
Consolidated total liabilities	45,135

(b) Geographical information

The following table sets forth the Group's revenue from customers by geographical location of customers:

	Six months ended	
	30/6/2024	30/6/2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong	**33,425**	34,695
PRC	**1,081**	4,008
	34,506	38,703

The information about the Group's non-current assets by location of assets are detailed below:

	30/6/2024	31/12/2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**1,114**	1,311
PRC	**2,269**	2,000
	3,383	3,311

(c) Revenue

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

Disaggregation of revenue from contracts with customers

	Trading of mobile phone and electronic products	
	Six months ended	
	30/6/2024	30/6/2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Geographical market		
Trading of mobile phone and electronic products		
Hong Kong	**33,425**	34,695
PRC	**1,081**	4,008
	34,506	38,703
Major product		
Trading of mobile phone and electronic products		
Mobile phone and electronic products	**34,506**	38,703
Timing of revenue recognition		
Trading of mobile phone and electronic products		
At a point in time	**34,506**	38,703

6. FINANCE COSTS

	Six months ended	
	30/6/2024	30/6/2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on lease liabilities	**47**	48
Other interest expense	**2**	–
	49	48

7. INCOME TAX EXPENSE

For the six months ended 30 June 2024 and 2023, the Group's certain 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 EIT has been made as the Group did not have any estimated assessable profits for both reporting periods.

8. LOSS FOR THE PERIOD

	Six months ended	
	30/6/2024	30/6/2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss before income tax is arriving at after charging (crediting):		
Staff costs		
Directors' emoluments	**1,637**	1,687
Other staff costs		
— Salaries and allowances for other staff	**2,421**	2,915
— Retirement benefit scheme contribution	**116**	84
	4,174	4,686
Auditor's remuneration	**545**	546
Cost of inventories recognised as expenses	**34,411**	38,513
Depreciation of plant and equipment	**5**	5
Depreciation of right-of-use assets	**493**	514
and after crediting:		
Interest income	**(43)**	(34)

9. LOSS PER SHARE

The calculation of the basic and diluted loss attributable to the owners of the Company for the six months ended 30 June 2024 is based on the loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share of HK$6,753,000 (30 June 2023: loss of HK$5,332,000).

The weighted average number of 215,555,888 ordinary shares for the purpose of calculating basic and diluted loss per share for the six months ended 30 June 2024 has been adjusted due to the subscription of new shares of the Company (30 June 2023: weighted average nummber of 183,555,888 ordinary shares).

No diluted loss per share is presented as there are no dilutive potential ordinary shares in issue for each of the six months ended 30 June 2024 and 2023.

10. TRADE AND OTHER RECEIVABLES

	30/6/2024	31/12/2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**34,530**	20,440
Less: Allowance for credit loss	**(3,080)**	(3,166)
	31,450	17,274
Value-added-tax recoverable	**319**	309
Prepayments to suppliers	**23,965**	23,493
Other receivables and deposits	**9,470**	8,464
	33,754	32,266
Less: Allowance for credit loss	**(29,328)**	(30,061)
	4,426	2,205
Total trade and other receivables (net of allowances for credit loss)	**35,876**	19,479

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:

	30/6/2024	31/12/2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 60 days	**31,450**	17,274

11. 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:

	30/6/2024	31/12/2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables:		
— 0 to 90 days	**31,411**	19,141
Value-added-tax payables	**7**	2
Prepayments from customers	**1,739**	1,025
Other payables and accruals	**11,124**	9,638
Provision for close down and restoration costs	**11,461**	11,783
	55,742	41,589

12. SHARE CAPITAL

	Number of ordinary shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2023 and 30 June 2024	20,000,000,000	200,000
Issued and fully paid:		
At 31 December 2023	211,555,888	2,116
Subscription of new shares *(note)*	26,000,000	260
At 30 June 2024	**237,555,888**	**2,376**

Note:

Pursuant to the Company's announcements dated 20 March 2024, 14 May 2024 and 22 May 2024, the Company entered into subscription agreements with the 2024 Subscribers, pursuant to which the 2024 Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 26,000,000 2024 Subscription Shares of HK$0.26 each for a cash consideration of approximately HK$6.76 million.

The 2024 Subscription Shares represent (i) approximately 12.29% of the issued share capital of the Company immediately before the completion; and (ii) approximately 10.94% of the issued share capital of the Company as enlarged by the issue and allotment of the 2024 Subscription Shares immediately following the completion on 3 June 2024. Further details were set out in the Company's announcements dated 20 March 2024, 14 May 2024, 22 May 2024 and 3 June 2024.

13. AMOUNT DUE TO A RELATED PARTY

	30/6/2024	31/12/2023
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Mr. Lau Siu Ying	**9,203**	11,663

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

14. DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2024 and 2023.

REVIEW AND OUTLOOK

Revenue

For the six months ended 30 June 2024, the Group recorded total revenue of HK$34.5 million, which was approximately HK$4.2 million or 10.9% lower than the revenue of HK$38.7 million reported for the six months ended 30 June 2023. The decrease in Group's revenue was solely due to the decrease in revenue from mobile phone and electronic products trading business in PRC and Hong Kong. The Group's revenue was derived from mobile phone and electronic products trading business in PRC and Hong Kong in both reporting periods.

During the six months ended 30 June 2024, revenue from mobile phone and electronic products trading business was HK$34.5 million, contribution from Hong Kong and Changsha, PRC was HK$33.4 million and HK$1.1 million respectively, representing 96.8% and 3.2% of the total revenue of the Group.

For the six months ended 30 June 2023, revenue from mobile phone and electronic products trading business was HK$38.7 million, contribution from Hong Kong and Shanghai, PRC was HK$34.7 million and HK$4.0 million respectively, representing 89.7% and 10.3% of the total revenue of the Group.

The lower level of revenue was due to global economic slowdown, which adversely impacted the wholesale and retail of mobile phone and electronic products markets in the PRC. Besides, the Group's sales shrank in both periods as the Chinese consumers cut back on spending, leading to a stagnant and declining retail market for mobile phones and electronic products in the PRC.

Compared with 2023, the Group's revenue contribution from the PRC decreased from 10.3% to 3.2%, Hong Kong increased from 89.7% to 96.8%. The main reason is the Group has adopted a supply chain diversification strategies to maintain and strengthen our mobile phone and electronic products business in the market and Group's performance.

The Group has adopted supply chain diversification strategies involve expanding the trade and distribution networks across various geographical locations and the supplier base. These strategies may enhance the Group's resilience and reduced risk concentration. Moreover, the diversified approach also enhances flexibility to respond quickly in changing the market, consumer demands or growth opportunities in the global marketplace.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin were HK$95 thousand or 0.3% and HK$0.2 million or 0.5% for the six months ended 30 June 2024 and 2023, respectively. The low gross profit and gross profit margin were due to the scaled back in Group's performance on mobile phone and electronic products trading business for both reporting periods.

The low gross profit margin was due to the increased bargaining power from telecommunications chain stores and mobile carriers which purchasing mobile phone and electronic products and underperformance of promotion of the mobile application to consumers business.

Other income

Other income was approximately HK$0.1 million for the six months ended 30 June 2024, as compared to approximately HK$1.4 million for the six months ended 30 June 2023.

The decrease in the Group's other income for the six months ended 30 June 2024 was mainly due to no other income was generated from database traffic monetisation of mobile applications business for the six months ended 30 June 2024 (2023: HK$1.2 million).

Other gains and losses, net

We had net other losses of HK$0.3 million for the six months ended 30 June 2024 and net other gains of HK$22 thousand for the six months ended 30 June 2023.

For the six months ended 30 June 2024, the net other losses mainly consisted of fair value loss on financial assets at fair value through profit or loss of HK$0.3 million (2023: fair value gain of HK$17 thousand).

Selling and distribution costs

Selling and distribution costs were approximately HK$13 thousand for the six months ended 30 June 2024, as compared to HK$0.1 million for the six months ended 30 June 2023.

The Group's selling and distribution costs primarily composed of logistics and transportation, rental expenses and travelling expenses.

Administrative expenses

The Group's administrative expenses decreased by HK$0.2 million or 2.2% from approximately HK$8.9 million for the six months ended 30 June 2023 to approximately HK$8.7 million for the six months ended 30 June 2024. The Group's administrative expenses mainly included salaries and allowances, rental expenses, legal and professional fees and travelling expenses.

The decrease of administrative expenses of HK$0.2 million was principally attributable to the decrease in salaries and allowances and promotion expenses incurred by Beijing Daizhangmen database traffic monetisation of mobile application business due to strict expenses policy implemented.

Finance costs

During the six months ended 30 June 2024 and 2023, finance costs were amounted to approximately HK$49 thousand and HK$48 thousand, respectively. The finance costs mainly represented interest on lease liabilities for both periods.

Income tax expense

No income tax expense was recorded for the six months ended 30 June 2024 and 2023.

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$6.8 million for the six months ended 30 June 2024, as compared to HK$5.3 million in previous corresponding period.

Loss per share

The basic loss per share was HK$3.13 cents for the six months ended 30 June 2024, as compared to the basic loss per share of HK$2.90 cents in previous corresponding period.

Financial assets at fair value through profit or loss

As at 30 June 2024 and 31 December 2023, the Group held an unlisted fund investment (30 June 2024: HK$1.3 million; 31 December 2023: HK$1.3 million) and listed equity investments in the PRC (30 June 2024: HK$0.3 million; 31 December 2023: HK$0.6 million) engaged in different business.

As at 30 June 2024, unlisted fund investment of approximately HK$1.3 million (31 December 2023: HK$1.3 million) represented the investment of 13.3% in the equity interest of a fund which focuses on the investment in the property market, including a property development project carried in PRC.

As at 30 June 2024, listed equity investments in the PRC of approximately HK$0.3 million (31 December 2023: HK$0.6 million) represented the Group's listed equity investments in the ordinary shares of entities listed on Shanghai/Shenzhen Stock Exchange.

Inventories

As at 30 June 2024, no inventories were recognised, while HK$2.0 million of inventories were recognised as at 31 December 2023. The decrease in inventories was due to the entire mobile phone and electronic products were delivered and recognised as revenue before 30 June 2024.

Trade and other receivables

Trade and other receivables of the Group increased by HK$16.4 million from approximately HK$19.5 million as at 31 December 2023 to approximately HK$35.9 million as at 30 June 2024. The increase in trade and other receivables was mainly due to the increase in trade receivables of HK$14.2 million as at 30 June 2024 (30 June 2024: HK$31.5 million; 31 December 2023: HK$17.3 million), due to sales of approximately HK$21.4 million before 30 June 2024.

Cash and cash equivalents

The total cash and cash equivalents amounted to approximately HK$7.5 million as at 30 June 2024 as compared to approximately HK$11.9 million as at 31 December 2023, without any deposit pledged to banks. The decrease of cash and cash equivalents was mainly attributable to the cash used in operating activities, net off the subscriptions of new shares under general mandate which have been completed in June 2024, which the net proceeds amounted to approximately HK$6.72 million. The Group is financed by a combination of its equity capital and cash flow generated from its operation.

The Group has adopted a prudent financial management approach towards its financial and treasury policies. During the period, the Group was on track with this approach to maintain a healthy liquidity position. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. The Group may utilise the balance of cash for appropriate investment in accordance with the Group's strategic direction and development.

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 Hong Kong dollars in Hong Kong and Renminbi in PRC. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group currently do not have a foreign currency hedging policy.

Trade and other payables

The trade and other payables of the Group increased by approximately HK$14.1 million from approximately HK$41.6 million as at 31 December 2023 to approximately HK$55.7 million as at 30 June 2024.

The increase in trade and other payables was mainly due to the increase in trade payables of HK$12.3 million as at 30 June 2024 (30 June 2024: HK$31.4 million; 31 December 2023: HK$19.1 million), due to purchases of approximately HK$21.4 million before 30 June 2024.

Balances also consisted of value-added-tax payables (30 June 2024: HK$7 thousand; 31 December 2023: HK$2 thousand), prepayment from customers (30 June 2024: HK$1.7 million; 31 December 2023: HK$1.0 million), other payables and accruals (30 June 2024: HK$11.1 million; 31 December 2023: HK$9.6 million) and provision for close down and restoration costs of Sifa mine (30 June 2024: HK$11.5 million; 31 December 2023: HK$11.8 million).

Other payables and accruals mainly consisted of accruals for directors' emoluments, staff costs, auditor's remuneration, legal and professional fees and rental payable.

Liquidity and gearing ratio

The net asset value of the Group attributable to owners of the Company as at 30 June 2024 amounted to HK$26.8 million or HK$0.11 per share when compared to HK$28.0 million or HK$0.14 per share as at 31 December 2023. As at 30 June 2024, the Group had net current liabilities of approximately HK$23.4 million when compared to net current liabilities of HK$21.8 million as at 31 December 2023.

As at 30 June 2024, the Group had a current ratio of 0.65 time (31 December 2023: 0.61 time). The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.01 and 0.02 as at 30 June 2024 and 31 December 2023, respectively.

Capital commitments

As at 30 June 2024, the Group did not have any capital expenditure contracted for but not provided in the unaudited consolidated financial statements in respect of leasehold improvements (31 December 2023: Nil).

Contingent liabilities

As at 30 June 2024, the Group did not have any contingent liabilities or guarantees (31 December 2023: Nil).

Material acquisitions and disposals of subsidiaries or associates

During the six months ended 30 June 2024, the Group did not have material acquisitions and disposals of subsidiaries or associates.

Employees and remuneration policies

As at 30 June 2024, the Group has in total 32 employees as compared to 34 employees as at 31 December 2023. All employees were remunerated according to the nature of their job duties and market trend. The Group provided staff welfare and fund contribution to its employees in accordance with the prevailing regulations in the PRC and Hong Kong.

During the period, there was no change in the remuneration policy, bonus scheme and share option scheme. The Group has a share option scheme which was expired on 28 May 2024 under which the Company may grant share options to the participants, including directors and employees, to subscribe for shares of the Company.

Significant investments held by the group

As at 30 June 2024, the Group maintained an unlisted fund investment and three listed equity investments in the PRC at fair value through profit and loss with a total fair value of approximately HK$1.6 million (31 December 2023: HK$1.9 million).

Subscriptions of new shares under general mandate

On 20 March 2024, 14 May 2024 and 22 May 2024, the Company entered into subscription agreements with the 2024 Subscribers, pursuant to which the 2024 Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 26,000,000 2024 Subscription Shares of HK$0.26 each for a cash consideration of approximately HK$6.76 million. The net proceeds (after deduction of all relevant expenses) from the 2024 Subscriptions were approximately HK$6.72 million, which will be applied as general working capital of the Group.

On 3 June 2024, the 2024 Subscriptions have been completed. Further details were set out in the Company's announcements dated 20 March 2024, 14 May 2024, 22 May 2024 and 3 June 2024.

Charge of assets

As at 30 June 2024, the Group had no charge on assets (31 December 2023: Nil).

DIVIDEND

The Board do not recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: 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 1.7 billion subscribers to mobile phone services in the PRC. 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 5G 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 5G mobile phones comes as China launched 5G commercialisation with the nation's telecom operators rolling out their 5G data plans. China has stepped up its pace of 5G development, telecom operators had deployed 3.4 million 5G base stations at the end of 2023. Over 800 million mobile phone users who have adopted 5G as of the end of 2023, represented over 50% of mobile phone users are adopting 5G services, forming the world's largest 5G network and accounting over 60 percent of the global 5G base stations. Moreover, China expected 600,000 5G base stations will be installed this year to step up expansion of the country's next-generation mobile network, while preparing for the development of the more advanced 6G wireless system in coming years, China will strive to maintain its leadership in 5G, while planning and laying the foundation for research and development on 6G technology.

6G represents the mobile network technology that will succeed 5G, which is still being rolled out in many countries. China, with the world's biggest internet population and largest smartphone market, has already deployed the biggest 5G mobile infrastructure in the industry. China plans to have 26 5G base stations for every 10,000 people by the end of 2025, as the nation works hard to build a new digital infrastructure that is intelligent, green, safe and reliable, based on an estimated national population, means that the nation aims to have about 3.64 million 5G base stations by the end of 2025.

Looking back at 2023 and first half of 2024, China's mobile phone market declined and scaled back due to the international trade conflicts escalated, the uncertainties of economic development and China's consumers pulling back on spending, the decline is expected to continue in the coming years but partially offset with the 5G and 6G development.

We are pleased and confident to rebuild our network, business strategy and development as well as improve the Group's financial performance.

Business Review

Mobile Phone and Electronic Products Business

Trading and distribution of mobile phone and electronic products continued to be the Group's core business during the current reporting period, which solely contributed to the Group's consolidated revenue. During the reporting period, the Group has successfully obtained the master distributorship of "PHILIPS" brand in the region of the People's Republic of China (the "PRC"), Hong Kong and Macau for routers and relevant electronic products. We expect the trading and distribution of mobile phone and electronic products business will record significant growth in coming years and it will continue to be a core business of the Group in the future.

On April 2024, Changsha Changyuan Angxun Shuangyu Network Technology Co., Ltd.* (長沙長遠昂訊雙漁網絡科技股份有限公司), an indirect 51% owned subsidiary of the Company incorporated in the PRC ("the Distributor"), entered into the master distribution agreement with TPV Audio and Visual Technology (Shenzhen) Co., Ltd. (冠捷視聽科技(深圳)有限公司) (the "Licensor"), pursuant to which the Licensor granted the Distributor an exclusive license to distribute "PHILIPS" brand routers and related electronic products in the channels including permitted digital channels in the region including the PRC, Hong Kong and Macau for a term of five years.

The Licensor is a company incorporated in the PRC with limited liability, a subsidiary of TPV Technology Co., Ltd., which was listed on the Shenzhen Stock Exchange. The Licensor is principally engaged in the research and development and sales of consumer electronic products.

As disclosed in the latest annual report of the Company, whilst the Group intends to maintain the continual operation of its existing principal businesses, the Company has recently been exploring and identifying other potential business and investment opportunities, aims in expanding and diversifying the Group's existing business portfolio in order to broaden its sources of income. By doing so, the Company aims to achieve sustainable growth in the long run, thereby maximising the shareholders' return.

* *For identification purpose only*

A suitable investment opportunity has arisen and the Group intends to expand its principal businesses by engaging in “PHILIPS” brand relevant electronic products distribution business in the aforesaid markets, through distribution and licensing collaboration. As of December 2023, the total number of fixed internet broadband access users of the three basic telecommunications companies in the PRC reached 636 million households, and the number of households with access above 100M data usage reached 601 million, represented 94.5% of total number of the PRC users. Moreover, the average household bandwidth reached 456.5Mbps/household, a year-on-year increase of 33.8%.

The edge cloud router industry is currently in a rapid development stage. Benefiting from the widespread application of technologies such as cloud computing, edge computing and the Internet of Things (“IoT”), the industry has broad prospects. Firstly, with the popularisation of cloud computing and the rise of edge computing technology, increasing of enterprises have begun to realise the importance of data processing and analysis tasks from the central cloud to the edge of the network.

It results improving response speed, but also reduce the load of the central cloud and improve the efficiency and performance of the overall system. Therefore, the demand for edge cloud routers continues to increase, and the market size is gradually expanding. Secondly, the explosive growth of IoT devices has also brought huge business opportunities to the edge cloud router industry. IoT devices have to connect and transmit data through the network, and edge cloud routers can provide efficient and stable network connection and data processing capabilities to meet the needs of IoT devices.

The Group estimate sales of approximately 50,000 “PHILIPS” routers from 2024 to 2025 with approximately 10% gross margin. We also estimate 20% increase annually in sales of units, which might also enhance the gross margin with the purchase orders increase and the productivity being more efficient.

Following with the exclusive license to distribute “PHILIPS” brand routers and related electronic accessories products in various regions, an indirect 51% owned subsidiary of the Company incorporated in the Hong Kong has also successfully obtained the master distributorship of “PHILIPS” brand in the region of Bangladesh for mobile device from the Licensor.

The Group is actively engaged in the trading, wholesaling and retailing of mobile phones and electronic products in the PRC and Hong Kong, and with the accelerated development of value-added business driven by the convergence of mobile telecommunication and internet, we intend to constantly realise business growth through broadening markets, products and distribution channels in a diversified manner.

Mining Business

The mining right represents the right of 黃石鍶發礦業有限公司 (Huangshi Sifa Mining Company, "Sifa Mining") to conduct mining activities in Huangshi City, Hubei Province, the PRC which was acquired during the year ended 31 December 2009. 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 deregister 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 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 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".

Though the DLR is unlikely to grant the mining operating permit extension to the Company nor mining operating permit to other market participants at this moment, management will continue to communicate with their lawyers in the future to resubmit a new application on the extension of the mining operating permit in the future.

During the six months ended 30 June 2024, there has been no exploration, development or production activity under Sifa Mining.

Prospects and Outlook

The China economy is still showing a sign of slowdown resulting from the US-China trade war that has simmered in current period. The Group expect the consumption and retail segment will continue to be affected from the blow of the US-China trade war facing an uncertain future in the coming years. 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 1.7 billion handset subscribers in the PRC which benefit from preferential mobile internet traffic policies. The significant increase in 5G users and internet users implies that there are huge business opportunities in both mobile application and mobile commerce. 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.

With 5G Technology becoming an everyday reality soon, it will also impact customer experience. With a ten times faster than 4G, it will be able to fetch real-time intelligence or data, which 5G might revamp certain customer experience such as smart homes, smart cars and smart retail. As a result, 5G augments digitalisation enabled the launch of many new software, applications and related products.

There is an ongoing concern 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.

Furthermore, the Group has expanded the trading market in Hong Kong since 2022. Our teams have been making excellent progress in explore various electronic products for trading. In 2024, we intend to continue growth by diversifying the trading markets, products and distribution channels in various overseas countries.

Increase efforts to promote environmental friendly bag automatic bag taking machine and relevant database traffic monetisation business ("Daizhangmen")

"Daizhangmen" business is an integration of intelligent Internet of Things ("IoT") terminal that distributes environmentally friendly bags for free to customers. By cutting into the demand of offline environmental protection bags, using the IoT system plus free model to obtain offline traffic, and completing the traffic matching of advertisers, so as to realise the commercial closed loop of database traffic monetisation. That is to complete the social value of environmental protection, and realise the huge commercial value under the new economic industry of environmental protection.

In 2020, the PRC Environmental Protection Bureau issued a new policy on strengthening the control of plastic pollution, which made it clear that non-degradable plastic bags will be completely banned by the end of 2025. It has issued several notices to promote the implementation of local plastic ban orders, and various places have issued plastic ban orders one after another, demonstrating the confidence and determination of the PRC government in plastic pollution control from the central to the local level.

In September 2021, the Group tap into environmental friendly bag automatic bag taking machine and relevant database traffic monetisation business to cope with the environmental policy, the new business has cope with various hospitals, supermarkets, shopping malls, hotels, clubhouses, residential areas, scenic spots and pharmacy in the PRC to install such environmental friendly bags taking machines, in order to generate income from database traffic monetisation, advertising fees, trading of relevant machines or maintenance operations.

In July 2022, we have set up own technical team to lay out bag taking machines to test the new bag picking process, bag delivery data, consumer feedback and revenue model through our own technical team, as to set out an efficient bag picking process.

In 2023, Daizhangmen will be the stage of refining and deepening the market, target to integrate with various environmental friendly bags brand agents and environmental friendly bags taking machine manufacturers. We strongly believe providing free products to consumers with generating revenue business model enables us to accumulate greater competitiveness in coming years.

In 2024, Daizhangmen developed a new database traffic monetisation business model through private community e-commerce, that is, to retain the users of the environmental friendly bags in the WeChat community groups, which mainly provide users with domestic consumables with a high repurchase rate. In such way, users in the groups are able to complete the e-commerce platform purchases. In terms of the commercial value generated from users, the private e-commerce can realise a higher return on users compared to advertisement monetisation. At the same time, Daizhangmen also developed the desktop power bank mobile recharging services to provide restaurants' consumers with free fast-charging services to gain a new user base.

We will continue to make pioneering efforts and pursue new achievements and innovations in such areas as to seek for new opportunities and more extensive strategic cooperation and lay a solid foundation for the stable growth and performance of the Company in the future. In the long-run, the Group remains optimistic on the development of environmental related products and services sector in the PRC.

Lastly, to prepare for future challenges, the Group will stay vigilant and continue to maintain its prudent financial position and lean operation. The Group will also keep a close eye on new business initiatives and other opportunities in order to enhance business growth and deliver long-term value to its shareholders.

USE OF PROCEEDS

The 2023 Subscriptions

Subscriptions of new shares under general mandate (the "2023 Subscription Shares")

On 27 March 2023 and 30 March 2023, the Company entered into subscription agreements with independent third parties (the "2023 Subscribers"), pursuant to which the 2023 Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 28,000,000 2023 Subscription Shares of HK$0.26 each for a cash consideration of approximately HK$7.3 million ("the 2023 Subscriptions").

The closing price per Share as quoted on the Stock Exchange on 27 March 2023 and 30 March 2023, being the date of the subscription agreements, were HK$0.295 and HK$0.295, respectively. The net proceeds from the 2023 Subscriptions, after deduction of relevant costs and expenses, is estimated to be approximately HK$7.2 million. The net subscription price per subscription share, after deduction of relevant costs and expenses, is estimated to be approximately HK$0.256 per subscription share.

On 4 July 2023, the 2023 Subscriptions have been completed. The net proceeds (after deduction of all relevant expenses) from the 2023 Subscriptions of approximately HK$7.2 million will be applied as general working capital of the Group.

During the six months ended 30 June 2024 and up to the date of this announcement, there is no change to the intended use of the net proceeds disclosed as above.

The table below sets out the net proceeds and the actual usage up to 30 June 2024:

	Allocation of net proceeds as disclosed in the 2023 Subscriptions	**Unutilised amount as at 31 December 2023**	**Utilised amount during the six months ended 30 June 2024**	**Utilised amount up to 30 June 2024**	**Unutilised amount as at 30 June 2024**	**Expected timeline for using the unutilised proceeds**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
General working capital *(Note)*	7,160	3,901	800	4,059	3,101	Before 31 December 2024

Note: A further breakdown of the proceeds applied to general working capital is as follows:

	Utilised amount as at 31 December 2023	**Utilised amount during the six months ended 30 June 2024**	**Utilised amount up to 30 June 2024**
	HK$'000	*HK$'000*	*HK$'000*
— Audit fees	618	–	618
— Salaries and allowances	1,117	186	1,303
— Office expenses	326	162	488
— Professional fees	881	267	1,148
— Rental expenses	289	178	467
— Utilities	7	–	7
— Others	21	7	28
Total	3,259	800	4,059

The 2024 Subscriptions

Subscriptions of new shares under general mandate

On 20 March 2024, 14 May 2024 and 22 May 2024, the Company entered into subscription agreements with the 2024 Subscribers, pursuant to which the 2024 Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 26,000,000 2024 Subscription Shares of HK$0.26 each for a cash consideration of approximately HK$6.76 million.

The closing price per Share as quoted on the Stock Exchange on 20 March 2024, being the date of the subscription agreements, was HK$0.235. The net proceeds from the 2024 Subscriptions, after deduction of relevant costs and expenses, is estimated to be approximately HK$6.72 million. The net subscription price per subscription share, after deduction of relevant costs and expenses, is estimated to be approximately HK$0.259 per subscription share.

On 3 June 2024, the 2024 Subscriptions have been completed. The net proceeds (after deduction of all relevant expenses) from the 2024 Subscriptions of approximately HK$6.72 million will be applied as general working capital of the Group. Further details were set out in the Company's announcements dated 20 March 2024, 14 May 2024, 22 May 2024 and 3 June 2024.

Up to the date of this announcement, there is no change to the intended use of the net proceeds disclosed as above.

The table below sets out the net proceeds and the actual usage up to 30 June 2024:

	Allocation of net proceeds as disclosed in the 2024 Subscriptions	**Utilised amount during the six months ended 30 June 2024**	**Unutilised amount as at 30 June 2024**	**Expected timeline for using the unutilised proceeds**
	HK$'000	*HK$'000*	*HK$'000*	
General working capital *(Note)*	6,720	3,499	3,221	Before 31 December 2025

Note: A further breakdown of the proceeds applied to general working capital is as follows:

	HK$'000
— Audit fees	726
— Salaries and allowances	1,044
— Office expenses	792
— Professional fees	679
— Rental expenses	231
— Utilities	8
— Others	19
Total	3,499

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2024 and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Material Events after the Reporting Period

Save as disclosed in this announcement and up to the date of this announcement, there were no material events after the reporting period.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 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 2024, with deviations as stated below:

Code Provision C.2.1 and B.2.2

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual but Mr. Lau Siu Ying ("Mr. Lau") currently assumes both roles of the Chairman and the Chief Executive Officer of the Company.

Code Provision B.2.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, Mr. Lau, being the Chairman of the Board, does not need to retire by rotation. Mr. Lau has been in charge of the overall management of the Company since its incorporation.

As a result, although Mr. Lau 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.

AUDIT COMMITTEE

The Company has formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. As at the date of this announcement, the Audit Committee comprises three Independent Non-executive Directors, Mr. Leung Wai Hung (Chairman of the Audit Committee), Dr. Law Chun Kwan and Dr. Lo Wai Shun.

The primary responsibilities of the Audit Committee include reviewing the reporting of financial and other information to the shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the auditors of the Company in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors. The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 and this announcement.

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 C3 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 2024 to the date of this announcement. No incident of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement was published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.chinafortune.com. The interim report of the Company for the six months ended 30 June 2024 containing all the information required by Appendix D2 of the Listing Rules is expected to be published in September 2024 on the same websites and will be despatched to the shareholders of the Company by no later than 30 September 2024.

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

Hong Kong, 27 August 2024

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Lau Siu Ying, Ms. Lau Zi Yin, Michelle and Mr. Li Jianwu; and three independent non-executive directors, namely Dr. Law Chun Kwan, Dr. Lo Wai Shun and Mr. Leung Wai Hung.