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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the "Board") of China Fortune Holdings Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023, together with the comparative figures as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Revenue	*4*	**81,542**	80,576
Cost of sales		**(81,166)**	(80,273)
Gross profit		**376**	303
Other income		**2,297**	2,385
Other gains and losses, net	*5*	**569**	(1,687)
Selling and distribution costs		**(179)**	(405)
Administrative expenses		**(17,675)**	(20,829)
Finance costs	*6*	**(103)**	(160)
Share of results of an associate		**(362)**	7
Loss before income tax	*8*	**(15,077)**	(20,386)
Income tax expense	*7*	**(22)**	(3)
Loss for the year		**(15,099)**	(20,389)
Other comprehensive (expenses)/income that may be subsequently transferred to profit or loss			
Exchange differences arising on translation from functional currency to presentation currency		**(4)**	(722)
Share of exchange differences of an associate		**(65)**	(198)
Release of translation reserve upon disposal of a subsidiary		**(1,130)**	148
Total comprehensive expenses for the year		**(16,298)**	(21,161)

	Note	2023 HK$'000	2022 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(12,616)**	(14,372)
Non-controlling interests		**(2,483)**	(6,017)
		(15,099)	(20,389)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(14,855)**	(18,166)
Non-controlling interests		**(1,443)**	(2,995)
		(16,298)	(21,161)
LOSS PER SHARE			
Basic and diluted (HK cent)	*9*	**(6.39)**	(7.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-Current Assets			
Plant and equipment		**20**	49
Mining right		**–**	–
Right-of-use assets		**1,596**	980
Interests in associates		**1,015**	2,566
Financial assets at fair value through profit or loss		**1,300**	2,109
Club memberships		**680**	875
		4,611	6,579
Current Assets			
Inventories		**1,964**	924
Trade and other receivables	*10*	**19,479**	1,278
Amounts due from non-controlling shareholders of subsidiaries		**340**	184
Financial assets at fair value through profit or loss		**642**	557
Cash and cash equivalents		**11,866**	6,225
		34,291	9,168
Current Liabilities			
Trade and other payables	*11*	**41,589**	21,051
Amounts due to a related party		**11,663**	313
Amounts due to non-controlling shareholders of subsidiaries		**28**	973
Tax payables		**1,706**	1,759
Lease liabilities		**1,063**	535
		56,049	24,631
Net Current Liabilities		**(21,758)**	(15,463)
Total Assets less Current Liabilities		**(17,147)**	(8,884)

	2023	2022
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**2,116**	1,836
Reserves	**25,925**	33,852
Equity attributable to owners of the Company	**28,041**	35,688
Non-controlling interests	**(45,723)**	(45,038)
	(17,682)	(9,350)
Non-Current Liabilities		
Lease liabilities	**535**	466
	535	466
Total equity and liabilities	**(17,147)**	(8,884)

Notes:

1. CORPORATE INFORMATION

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has a subsidiary operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 Employee Benefits to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 Employee Benefits is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19 Employee Benefits.

The directors of the Company consider that the changes in the Group's accounting policy in the current year had no material impact on the consolidated financial statements.

(b) New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) [2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if participants would take those characteristics into account when pricing the asset or liability market at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity liability can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Going concern assessment

The directors of the Company have, at the time of approving the 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 consolidated financial statements.

During the year ended 31 December 2023, the Group incurred a loss attributable to the owners of the Company of approximately HK$12,616,000 (2022: HK$14,372,000) and a net operating cash outflow of approximately HK$11,220,000 (2022: HK$15,398,000). In addition, as at 31 December 2023, its current liabilities exceeded its current assets by approximately HK$21,758,000 (2022: its current liabilities exceeded its current assets by approximately HK$15,463,000).

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 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 31 December 2023. 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 31 December 2023, after taking into consideration of the measures and plans made by the Group as detailed below:

- On 20 March 2024, the Company entered into subscription agreements with certain subscribers, pursuant to which the subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 30,000,000 shares of HK$0.26 each for a gross proceeds of approximately HK$7.8 million. 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;

- The Company obtained a letter of undertaking (the "Letter of Undertaking") dated 28 March 2024 from Mr. Lau, the Chief Executive Officer, Executive Director and the controlling shareholder of the Company that he agreed 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 from 31 December 2023;

- 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; 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 31 December 2023 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 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 consolidated financial statements.

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"), being the executive directors of the Company throughout the year that are used to make strategic decisions.

Prior to 31 December 2022, the Group has two reportable segments: (i) Mobile phone business; and (ii) Mining business. The segments are managed separately as each business offers different products and services and requires different business strategies.

During the year ended 31 December 2023, the Group has also engaged in the sales of electronic products and components and thus, the Group has two reportable segments for the year: (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 thus, no revenue was generated from the Company's Mining Business during the year ended 31 December 2023.

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 year ended 31 December 2023

	Mobile phone and electronic products business *HK$'000*	Mining business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Reportable segment revenue	**81,542**	**–**	**–**	**81,542**
Reportable segment loss	**(1,633)**	**(937)**	**–**	**(2,570)**
Unallocated corporate income				**4,707**
Unallocated corporate expense				**(17,214)**
Loss before tax				**(15,077)**
Reportable segment assets	**27,686**	**475**	**–**	**28,161**
Corporate and unallocated assets				**10,741**
Total assets				**38,902**
Reportable segment liabilities	**(20,560)**	**(14,773)**	**–**	**(35,333)**
Corporate and unallocated liabilities				**(21,251)**
Total liabilities				**(56,584)**
Other segment information				
Depreciation of plant and equipment	**–**	**2**	**9**	**11**
Depreciation of right-of-use assets	**326**	**–**	**690**	**1,016**
Impairment loss recognised in respect of trade and other receivables, net	**13**	**–**	**6**	**19**
Reversal of impairment loss in respect of amounts due from non-controlling shareholders of subsidiaries	**(31)**	**–**	**–**	**(31)**
Share of results of an associate	**362**	**–**	**–**	**362**
Gain on disposal of a subsidiary	**(1,919)**	**–**	**–**	**(1,919)**
Loss on termination of lease contract	**–**	**–**	**78**	**78**
Additions to non-current assets	**–**	**–**	**1,756**	**1,756**

Notes:

(a) The unallocated and corporate income mainly included miscellaneous income and other corporate income.

(b) The unallocated and corporate expenses mainly included fair value loss on financial assets at fair value through profit or loss, salaries and allowances and other corporate expenses.

(c) The unallocated corporate assets mainly included plant and equipment and deposits for the headquarter in Hong Kong.

(d) The unallocated corporate liabilities mainly included lease liabilities for the headquarter in Hong Kong, accrued salaries, professional fee and audit fee.

(e) Additions to non-current assets consists of additions to plant and equipment and right-of-use assets.

For the year ended 31 December 2022

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Reportable segment revenue	80,576	–	–	80,576
Reportable segment loss	(5,791)	(1,018)	–	(6,809)
Unallocated corporate income				2,496
Unallocated corporate expense				(16,073)
Loss before tax				(20,386)
Reportable segment assets	10,422	999	–	11,421
Corporate and unallocated assets				4,326
Total assets				15,747
Reportable segment liabilities	(4,737)	(14,734)	–	(19,471)
Corporate and unallocated liabilities				(5,626)
Total liabilities				(25,097)
Other segment information				
Depreciation of plant and equipment	–	2	7	9
Depreciation of right-of-use assets	368	–	992	1,360
Impairment loss recognised in respect of trade and other receivables, net	305	–	10	315
Share of results of an associate	(7)	–	–	(7)
Loss on disposal of a subsidiary	942	–	–	942
Loss on termination of lease contract	153	–	–	153
Additions to non-current assets	1,031	–	1,227	2,258

Notes:

(a) The unallocated and corporate income mainly included miscellaneous income and other corporate income.

(b) The unallocated and corporate expenses mainly included fair value loss on financial assets at fair value through profit or loss, salaries and allowances and other corporate expenses.

(c) The unallocated corporate assets mainly included plant and equipment and deposits for the headquarter in Hong Kong.

(d) The unallocated corporate liabilities mainly included lease liabilities for the headquarter in Hong Kong, accrued salaries, professional fee and audit fee.

(e) Additions to non-current assets consists of additions to plant and equipment and right-of-use assets.

(b) Geographical information

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

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**1,311**	919
PRC	**2,000**	3,551
	3,311	4,470

(c) Information about major customers

Revenue from major customers, where each of them accounted for 10% or more of the Group's revenue, are set out below:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**66,666**	39,522
Customer B	**14,876**	N/A*
Customer C	N/A#	21,698
Customer D	N/A#	10,935

* The corresponding revenue in the year for this customer did not contribute over 10% of the total revenue of the Group.

\# The revenue in the year for this customer did not contribute over 10% of total revenue of the Group.

(d) Revenue

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

Disaggregation of revenue from contracts with customers

	Trading of mobile phone and electronic products	
	2023	2022
	HK$'000	*HK$'000*
Geographical market		
PRC	**14,876**	41,054
Hong Kong	**66,666**	39,522
	81,542	80,576
Major product		
Mobile phone and electronic products	**81,542**	80,576
Timing of revenue recognition		
At a point in time	**81,542**	80,576

5. OTHER GAINS AND LOSSES, NET

	2023	2022
	HK$'000	*HK$'000*
Exchange gains	**19**	51
Fair value loss on financial assets at fair value through profit or loss	**(593)**	(375)
Impairment loss recognised in respect of trade and other receivables, net	**(19)**	(315)
Reversal of impairment loss recognised in respect of amounts due from non-controlling shareholders of subsidiaries	**31**	–
Impairment loss recognised in respect of interests in associates	**(1,124)**	–
Loss on termination of lease contract	**(78)**	(153)
Gain/(loss) on disposal of a subsidiary	**1,919**	(942)
Loss on disposal of financial assets at fair value through profit or loss	**(65)**	–
Gain on disposal of plant and equipment	**5**	–
Others	**474**	47
	569	(1,687)

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on lease liabilities	**103**	160

7. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and comprehensive income represents:

	2023	2022
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
— Tax for the year	**22**	3

Hong Kong

Under the Hong Kong two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%.

PRC

The Group's major operations are being carried out through its subsidiaries established in the PRC and subject to the Enterprises Income Tax ("EIT") rate of 25% (2022: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

No PRC EIT has been provided for the year ended 31 December 2023 (2022: Nil) as there was no assessable profits incurred by the Group's subsidiaries established in the PRC for the year.

8. LOSS BEFORE INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Loss before income tax is arriving at after charging/(crediting):		
Staff costs		
— Directors' emoluments	**3,370**	3,388
— Other Staff costs		
— Salaries and allowances for other staffs	**5,504**	8,346
— Performance bonus	**–**	–
— Retirement benefit scheme contribution (excluding directors)	**139**	176
	9,013	11,910
Auditor's remuneration	**1,386**	979
Cost of inventories recognised as expenses	**81,166**	80,273
Depreciation of plant and equipment	**11**	9
Depreciation of right-of-use assets	**1,016**	1,360
and after crediting:		
Interest income	**(82)**	(98)

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the year is based on the loss for the year attributable to owners of the Company of HK$12,616,000 (2022: HK$14,372,000) divided by 197,440,820 (2022: 183,555,888) ordinary shares in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as there are no dilutive potential ordinary shares in issue for each of the years ended 31 December 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**20,440**	3,272
Less: Allowance for credit loss	**(3,166)**	(3,272)
	17,274	–
Value-added-tax recoverable	**309**	269
Prepayments to suppliers	**23,493**	24,024
Other receivables and deposits	**8,464**	8,697
	32,266	32,990
Less: Allowance for credit loss	**(30,061)**	(31,712)
	2,205	1,278
	19,479	1,278

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 for credit loss) presented based on the invoice date at the end of reporting period:

	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**17,274**	–

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group does not hold any collateral over its trade debts.

Movement in the allowance for doubtful debts in respect of trade and other receivables

	2023	2022
	HK$'000	*HK$'000*
Balance at the beginning of year	**34,984**	41,297
Impairment losses recognised during the year	**30**	325
Reversal of impairment loss recognised	**(11)**	(10)
Written off	**(908)**	(3,499)
Exchange adjustments	**(868)**	(3,129)
Balance at the end of year	**33,227**	34,984

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:

	2023	2022
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**19,141**	924
Over 90 days	**–**	30
	19,141	954
Value-added-tax payables	**2**	22
Prepayments from customers	**1,025**	1,204
Other payables and accruals	**9,638**	7,100
Provision for close down and restoration costs	**11,783**	11,771
	41,589	21,051

12. EVENT AFTER THE END OF THE REPORTING PERIOD

On 20 March 2024, the Company entered into subscription agreements with independent third parties (the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 30,000,000 shares of HK$0.26 each for a cash consideration of approximately HK$7.8 million ("the 2024 Subscriptions"). At the date of approval of these consolidated financial statements, the Subscriptions have not yet been completed. Further details were set out in the Company's announcement dated 20 March 2024.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Below is an extract of the report by Yongtuo Fuson CPA Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2023.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3(b) to the consolidated financial statements. For the year ended 31 December 2023, the Group recorded a loss attributable to owners of the Company of approximately HK$12,616,000, and as at 31 December 2023, its current liabilities exceeded its current assets by approximately HK$21,758,000. These conditions, along with other matters as set forth in note 3(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures and plans being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND OUTLOOK

Revenue

For the year ended 31 December 2023, the Group recorded total revenue of HK$81.5 million, which was approximately HK$0.9 million or 1.1% higher than the revenue of HK$80.6 million reported in 2022. The increase in Group's revenue was solely due to the increase 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 years.

During the year ended 31 December 2023, revenue from mobile phone and electronic products trading business was HK$81.5 million, contribution from Shanghai and Hong Kong was HK$14.9 million and HK$66.6 million respectively, representing 18.3% and 81.7% of the total revenue of the Group.

For the year ended 31 December 2022, revenue from mobile phone and electronic products trading business was HK$80.6 million, contribution from Shanghai and Hong Kong was HK$41.1 million and HK$39.5 million respectively, representing 51.0% and 49.0% of the total revenue of the Group.

The low level of revenue was due to global economic slowdown, which adverse impact the wholesale and retail of mobile phone and electronic products markets in the PRC. Besides, China's consumers pulling back on spending have taken a toll on its mobile phone retail market which is stalled and declining, the sales of the Group were scaled back in both years.

Compared with 2022, the Group's revenue contribution from Shanghai decreased from 51.0% to 18.3%, Hong Kong increased from 49.0% to 81.7%. 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.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin were HK$0.4 million or 0.5% and HK$0.3 million or 0.4% for the year ended 31 December 2023 and 2022, 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 years.

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$2.3 million for the year ended 31 December 2023, as compared to approximately HK$2.4 million for the year ended 31 December 2022.

The Group's other income mainly attributable to HK$1.8 million of database traffic monetisation generated from our mobile applications business for the year ended 31 December 2023 (2022: HK$1.6 million).

Other gains and losses, net

We had a net gains of HK$0.6 million for the year ended 31 December 2023 and a net losses of HK$1.7 million for the year ended 31 December 2022.

For the year ended 31 December 2023, the net gains mainly consisted of gain on disposal of a subsidiary of HK$1.9 million, fair value loss on financial assets at fair value through profit or loss of HK$0.6 million and impairment loss recognised in respect of interests in associates of HK$1.1 million.

For the year ended 31 December 2022, the net losses mainly consisted of loss on disposal of a subsidiary of HK$0.9 million, fair value loss on financial assets at fair value of through profit or loss of HK$0.4 million and impairment loss recognised in respect of trade and other receivables of HK$0.3 million.

Selling and distribution costs

Selling and distribution costs were approximately HK$0.2 million for the year ended 31 December 2023, as compared to HK$0.4 million for the year ended 31 December 2022.

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

Administrative expenses

The Group's administrative expenses decreased by HK$3.1 million or 14.9% from approximately HK$20.8 million for the year ended 31 December 2022 to approximately HK$17.7 million for the year ended 31 December 2023. Balance mainly included salaries and allowances, rental expenses, legal and professional fees and travelling expenses.

The decrease of administrative expenses of HK$3.1 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 year ended 31 December 2023 and 2022, finance costs were amounted to approximately HK$0.1 million and HK$0.2 million, respectively. The finance costs solely represented interest on lease liabilities for both years.

Income tax expense

As set out in Note 7 of this announcement, income tax expense amounted to approximately HK$22 thousand for the year ended 31 December 2023, as compared to income tax expense of HK$3 thousand in last year.

Loss for the year attributable to owners of the Company

As a result of the factors set out above, the Group's loss for the year attributable to owners of the Company amounted to approximately HK$12.6 million for the year ended 31 December 2023, as compared to loss for the year attributable to owners of the Company of approximately HK$14.4 million in last year.

Loss per share

The basic loss per share was HK$6.39 cents in current year as compared to the basic loss per share of HK$7.83 cents in last year.

Financial assets at fair value through profit or loss

As at 31 December 2023 and 2022, 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

As at 31 December 2023, HK$2.0 million of inventories were recognised, while HK$0.9 million of inventories were recognised as at 31 December 2022. The increase in inventories were due to purchases of mobile phone and electronic products approximately HK$2.0 million before the year ended 31 December 2023.

Trade and other receivables

Trade and other receivables of the Group increased by HK$18.2 million from approximately HK$1.3 million as at 31 December 2022 to approximately HK$19.5 million as at 31 December 2023. The increase in trade and other receivables was mainly due to the increase in trade receivables of HK$17.3 million as at 31 December 2023 (2023: HK$17.3 million; 2022: nil), due to sales of approximately HK$32.0 million before the year ended of 31 December 2023.

The entire trade receivables balances of HK$17.3 million have been subsequently settled as at this announcement date.

Cash and cash equivalents

The total cash and cash equivalents amounted to approximately HK$11.9 million as at 31 December 2023 as compared to approximately HK$6.2 million as at 31 December 2022, without any deposit pledged to banks. The increase of cash and cash equivalents mainly attributable to the subscriptions of new shares under general mandate have been completed in July 2023, which the net proceeds amounted to approximately HK$7.2 million. The Group is financed by a combination of its equity capital, cash flow generated from its operation.

During the year, 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.

Trade and other payables

The trade and other payables of the Group increased by approximately HK$20.5 million from approximately HK$21.1 million as at 31 December 2022 to approximately HK$41.6 million as at 31 December 2023.

The increase in trade and other payables was mainly due to the increase in trade payables of HK$18.1 million as at 31 December 2023 (2023: HK$19.1 million; 2022: HK$1.0 million), due to purchases of approximately HK$31.8 million before the year ended 31 December 2023.

Balances also consisted of value-added-tax payables (2023: HK$2 thousand; 2022: HK$22 thousand), prepayment from customers (2023: HK$1.0 million; 2022: HK$1.2 million), other payables and accruals (2023: HK$9.6 million; 2022: HK$7.1 million) and provision for close down and restoration costs of Sifa mine (2023: HK$11.8 million; 2022: 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 31 December 2023 amounted to HK$28.0 million or HK$0.14 per share when compared to HK$35.7 million or HK$0.19 per share as at 31 December 2022. As at 31 December 2023, the Group had net current liabilities of approximately HK$21.8 million when compared to net current liabilities of HK$15.5 million as at 31 December 2022.

As at 31 December 2023, the Group had a current ratio of 0.61 times (31 December 2022: 0.37 times). The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the equity attributable to owners of the Company, was 0.02 and 0.01 as at 31 December 2023 and 2022.

Capital commitments

As at 31 December 2023, the Group did not have any capital expenditure contracted for but not provided in the consolidated financial statements in respect of leasehold improvements (31 December 2022: Nil).

Contingent liabilities

As at 31 December 2023, the Group did not have any contingent liabilities or guarantees (31 December 2022: Nil).

Material acquisitions and disposals of subsidiaries or associates

On 30 June 2023, Fortune Wayal Holdings Limited (formerly known as Fortune Telecom Retail Chain Holdings Limited, "Fortune Wayal"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with a non-controlling shareholder of 珠海市雷鳴達通訊設備有限公司 ("Zhuhai Reminda"), pursuant to which Fortune Wayal agreed to sell the entire equity interest of Zhuhai Reminda for a total consideration of RMB1 (the "Disposal"). The Disposal was completed on 6 July 2023.

Other than the disposal of Zhuhai Reminda, the Group did not have any material acquisitions and disposals of subsidiaries or associates during the year.

Employees and remuneration policies

As at 31 December 2023, the Group has in total 34 employees as compared to 38 employees as at 31 December 2022. 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 year, there was no change in the remuneration policy, bonus scheme and share option scheme. 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.

Subscriptions of new shares under general mandate

On 27 March 2023 and 30 March 2023, the Company entered into subscription agreements with independent third parties (the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 28,000,000 shares of HK$0.26 each for a cash consideration of approximately HK$7.3 million ("the Subscriptions"). On 4 July 2023, the Subscriptions have been completed. The net proceeds (after deduction of all relevant expenses) from the Subscriptions of approximately HK$7.2 million will be applied as general working capital of the Group as disclosed in the Announcements.

Subsequent events

On 20 March 2024, the Company entered into subscription agreements with independent third parties (the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 30,000,000 shares of HK$0.26 each for a cash consideration of approximately HK$7.8 million ("the 2024 Subscriptions"). At the date of approval of these consolidated financial statements, the 2024 Subscriptions have not been completed. Further details were set out in the Company's announcement dated 20 March 2024.

Save as disclosed above, there is no other significant events subsequent to the reporting period.

FINAL DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year (2022: 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, 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

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 unstable to weak consumer demand. Yet, the continuous development of mobile phone and electronic products 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 5G 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. Furthermore, we intend to continue growth by diversify the trading markets, products and distribution channels.

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 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.

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.

Starting from June 2022, the database traffic monetisation business have rebounded and has been growing steadily. In mid-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. When this model runs through, our own technical team in Beijing will be responsible for the layout of bag taking machines in the future.

In 2023, Daizhangmen was in 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. As the company's database traffic monetisation business is developing in a positive direction as a whole, which we strongly believe providing free products to consumers with generating revenue business model enables us to accumulate greater competitiveness in coming years.

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

Subscriptions of New Shares under General mandate

On 27 March 2023 and 30 March 2023, the Company entered into subscription agreements with independent third parties, pursuant to which the Subscribers have conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 28,000,000 shares of HK$0.26 each for a cash consideration of approximately HK$7.3 million ("the Subscriptions"). On 4 July 2023, the Subscriptions have been completed. The net proceeds (after deduction of all relevant expenses) from the Subscriptions of approximately HK$7.2 million will be applied as general working capital of the Group as disclosed in the Announcements.

Up to 31 December 2023, approximately HK$3.3 million of the net proceeds had been utilised by the Group, with breakdown as follows:

	Allocation of net proceeds as disclosed in the Subscriptions	**Utilised amount for the year ended 31 December 2023**	**Unutilised amount as at 31 December 2023**
	HK$'000	*HK$'000*	*HK$'000*
General working capital *(Note)*	7,160	3,259	3,901

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

	HK$'000
— Audit fees	618
— Salaries and allowances	1,117
— Office expenses	326
— Professional fees	881
— Rental expenses	289
— Utilities	7
— Others	21
Total	3,259

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023 and 2022, 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 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") for the time being in force throughout the year ended 31 December 2023, 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 reviewed and approved this announcement.

SCOPE OF WORK OF YONGTUO FUSON CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Yongtuo Fuson CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Yongtuo Fuson CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by Yongtuo Fuson CPA Limited on the preliminary announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report for the year ended 31 December 2023 containing all the information required by Appendix D2 of the Listing Rules is expected to be published in April 2024 on the same websites and will be despatched to the shareholders of the Company by no later than 30 April 2024.

APPRECIATION

The Board would like to express its sincere appreciation to the Company's shareholders, customers, suppliers and staff for their continued support to the Group.

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

Hong Kong, 28 March 2024

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