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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Fortune Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**CONNECTED TRANSACTION AND
VERY SUBSTANTIAL ACQUISITION —
ACQUISITION OF INTEREST IN AN ASSOCIATE**

Terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the special general meeting of the Company to be held at Room 1505–06, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong on Friday, 31 May 2024 at 11:45 a.m. is set out on pages 109 to 110 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

* *For identification purposes only*

28 March 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2018 First Capital Subscription”	the subscription for RMB2,000,000 (equivalent to approximately HK\$2,300,000) of the increased registered capital in Beijing Feiying in cash by Shanghai Yuanjia on 8 January 2018;
“2018 Second Capital Subscription”	the subscription for RMB3,000,000 (equivalent to approximately HK\$3,450,000) of the increased registered capital in Beijing Feiying in cash by Shanghai Yuanjia on 8 June 2018;
“Acquisition”	the acquisition of the 13.5% equity interest in Beijing Feiying by Shanghai Yuanjia from the Vendor;
“Acquisition Completion”	completion of the Acquisition;
“Acting-in-Concert Agreement”	the acting-in-concert agreement that Shanghai Yuanjia and Mr. Gao entered into on 27 December 2019 pursuant to which Shanghai Yuanjia and Mr. Gao confirm to have been obligated to vote unanimously in the board meetings for Beijing Feiying since 27 December 2019. Therefore, the Group would have control of 3 members out of the total of 5 directors in the board of Beijing Feiying, representing a majority;
“Announcement”	the announcement of the Company dated 27 December 2019 in relation to the Acquisition;
“Beijing Feiying”	北京飛鷹暢遊科技有限公司 (Beijing Feiying Changyou Technology Co., Ltd.*), an associate of the Company, which will change to be a non-wholly-owned subsidiary of the Company after entering into the Acting-in-Concert Agreement;
“Board”	the board of directors of the Company;
“Capital Subscriptions”	the 2018 First Capital Subscription and the 2018 Second Capital Subscription;
“Company”	China Fortune Holdings Limited, a company incorporated in Bermuda with limited liability, carrying on business in H.K. as CFH Ltd. and the shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;

DEFINITIONS

“Corporate Action”	proposed change of Beijing Feiying from an associate to a non-wholly-owned subsidiary of the Company by allowing the Group to control the majority of the directors in Beijing Feiying by the signing of Acting-in-Concert Agreement;
“Director(s)”	the director(s) of the Company;
“Executive Director(s)”	the executive director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Latest Practicable Date”	25 March 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange;
“Mr. Gao”	高飛 (Gao Fei*), a PRC natural person holding 32.4% interests in Beijing Feiying;
“Mr. Hu”	胡兵 (Hu Bing*), a PRC natural person holding 4.8% interests in Beijing Feiying;
“Mr. Lau”	Lau Siu Ying, chairman, chief executive officer, Executive Director and a PRC natural person who is beneficially interested in 48.85% of the Company;
“Other Beijing Feiying Shareholders”	the shareholders of Beijing Feiying (including Mr. Gao, Mr. Hu, 郭紅偉 (Guo Hongwei*), 重慶易一天使投資有限公司 (Chongqing Yitianshi Investment Co., Ltd.*), 北京老鷹創新投資中心 (有限合夥) (Beijing Eagle Innovation Investment Center (Limited Partnership)*), 北京迪信通商貿股份有限公司 (Beijing Dixintong Trading Co., Ltd.*), 北京鷹飛長空管理諮詢中心 (有限合夥) (Beijing Eagle FlyingSky Management Consulting Center (Limited Partnership)*) other than Shanghai Yuanjia;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

DEFINITIONS

“Relevant Directors”	(i) Mr. Gao; (ii) Mr. Lau; (iii) Mr. Wang Yu, Executive Director of the Company; (iv) Mr. Bao Kang Rong, former non-executive Director of the Company; (v) Dr. Law Chun Kwan, independent non-executive Director of the Company; (vi) Dr. Lo Wai Shun, independent non-executive Director of the Company; (vii) Mr. Lam Man Kit, former independent non-executive Director of the Company; and (viii) Mr. Chang Wing Seng Victor, former independent non-executive Director of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interest”	13.5% of the equity interests in Beijing Feiyang;
“SGM”	the special general meeting of the Company to be convened and held to consider, and if though fit, approve the Acquisition and the transactions contemplated thereunder;
“Shanghai Yuanjia”	上海遠嘉國際貿易有限公司 (Shanghai Yuanjia International Trade Co., Ltd.), an indirect wholly-owned subsidiary of the Company;
“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the issued shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Stock Exchange (stock code: 700);
“Vendor”	上海長鷹投資管理有限公司 (Shanghai Changying Investment Management Co., Ltd.*), which is held as to 100% by 趙克明 (Zhao Keming*), and to the best knowledge of the Directors, is an Independent Third Party;
“Zhejiang Aoying”	浙江澳英信息科技有限公司 (Zhejiang Aoying Information Technology Co., Ltd.*), an indirect 70% owned subsidiary of the Company; and
“%”	per cent.

* *In this circular, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lau Siu Ying (*Chairman and C.E.O.*)

Mr. Wang Yu

Mr. Li Jianwu

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Dr. Law Chun Kwan

Dr. Lo Wai Shun

Mr. Leung Wai Hung

Principal Office in Hong Kong:

Room 1505–6, Tower A

Regent Centre

63 Wo Yi Hop Road

Kwai Chung

Hong Kong

28 March 2024

To the Shareholders

Dear Sir/Madam,

**CONNECTED TRANSACTION AND
VERY SUBSTANTIAL ACQUISITION —
ACQUISITION OF INTEREST IN AN ASSOCIATE**

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Capital Subscriptions and the Acquisition.

On 8 January 2018, Shanghai Yuanjia and Other Beijing Feiying Shareholders agreed that the registered capital in Beijing Feiying shall be increased by RMB10,000,000 (equivalent to approximately HK\$11,500,000) and Shanghai Yuanjia shall subscribe for a further RMB2,000,000 (equivalent to approximately HK\$2,300,000) of the increased registered capital in Beijing Feiying in cash, based on Shanghai Yuanjia's pro-rata interest in Beijing Feiying. Upon completion of the 2018 First Capital Subscription, the registered capital of

* *For identification purposes only*

LETTER FROM THE BOARD

Beijing Feiying increased to RMB25,000,000 (equivalent to approximately HK\$28,750,000) and Shanghai Yuanjia continued to hold 20.0% of Beijing Feiying, equivalent to approximately RMB5,000,000 (equivalent to approximately HK\$5,750,000).

On 8 June 2018, Shanghai Yuanjia, an indirect wholly-owned subsidiary of the Company, and Other Beijing Feiying Shareholders agreed that the registered capital in Beijing Feiying shall be further increased by RMB15,000,000 (equivalent to approximately HK\$17,250,000) and Shanghai Yuanjia shall subscribe for RMB3,000,000 (equivalent to approximately HK\$3,450,000) of the increased registered capital in Beijing Feiying in cash, based on Shanghai Yuanjia's pro-rata interest in Beijing Feiying. Upon completion of the 2018 Second Capital Subscription, the registered capital of Beijing Feiying increased to RMB40,000,000 (equivalent to approximately HK\$46,000,000) and Shanghai Yuanjia continued to hold 20.0% of Beijing Feiying, equivalent to approximately RMB8,000,000 (equivalent to approximately HK\$9,200,000).

On 27 September 2018, Shanghai Yuanjia, an indirect wholly-owned subsidiary of the Company, purchased and the Vendor sold 13.5% issued share capital of Beijing Feiying. Following Acquisition Completion, Shanghai Yuanjia held 33.5% of Beijing Feiying. The total consideration for the Acquisition was approximately RMB5,400,000 (equivalent to approximately HK\$6,210,000), which was the Vendor's agreed subscription amount of Beijing Feiying's registered capital and the payment obligation for paid-up capital of Beijing Feiying has been transferred to Shanghai Yuanjia upon the Acquisition Completion. The consideration of the Acquisition will be settled by cash by Shanghai Yuanjia on or before 21 October 2033 when the paid up of registered capital of Beijing Feiying becomes due. The consideration of the Acquisition was determined based on the amount of registered capital of Beijing Feiying and arm's length negotiation between Shanghai Yuanjia and the Vendor.

The purpose of this circular is to provide you with the information, among other things, (i) further details of the Acquisition and the transactions contemplated thereunder; (ii) the notice of SGM; and (iii) other information required under the Listing Rules.

THE CAPITAL SUBSCRIPTIONS

The 2018 First Capital Subscription

Date

8 January 2018

Party

Shanghai Yuanjia

Consideration

RMB2,000,000 (equivalent to approximately HK\$2,300,000)

LETTER FROM THE BOARD

On 8 January 2018, Shanghai Yuanjia, an indirect wholly-owned subsidiary of the Company, Mr. Gao, 重慶易一天使投資有限公司 (Chongqing Yitianshi Investment Co., Ltd.*), 北京老鷹創新投資中心(有限合夥)(Beijing Eagle Innovation Investment Center (Limited Partnership)*), 北京迪信通商貿股份有限公司 (Beijing Dixintong Trading Co., Ltd.*), 上海長鷹投資管理有限公司 (Shanghai Changying Investment Management Co., Ltd.*), and 上海長鷹創業投資中心(有限合夥) (Shanghai Changying Venture Capital Center (Limited Partnership)*) agreed that the registered capital in Beijing Feiying shall be increased by RMB10,000,000 (equivalent to approximately HK\$11,500,000) and Shanghai Yuanjia shall subscribe for RMB2,000,000 (equivalent to approximately HK\$2,300,000) of the increased registered capital in Beijing Feiying in cash, based on Shanghai Yuanjia's pro-rata interest in Beijing Feiying. Upon completion of the 2018 First Capital Subscription on 8 January 2018, the registered capital of Beijing Feiying increased to RMB25,000,000 (equivalent to approximately HK\$28,750,000), and Shanghai Yuanjia continued to hold 20.0% of Beijing Feiying. The consideration of the 2018 First Capital Subscription of RMB2,000,000 (equivalent to approximately HK\$2,300,000) has not been settled and shall be settled by cash by Shanghai Yuanjia on or before 21 October 2033 when the paid-up capital of Beijing Feiying becomes due. There is no estimated payment schedule for the outstanding consideration for the 2018 First Capital Subscription and the Directors confirm that the 2018 First Capital Subscription has been completed upon filing of the relevant documents to the relevant PRC regulatory body. The 2018 First Capital Subscription was completed on 8 January 2018. Beijing Feiying was accounted for as an associate in the Company's consolidated accounts upon the completion of the 2018 First Capital Subscription. The Company has not paid any consideration for the 2018 First Capital Subscription as at the Latest Practicable Date.

The 2018 Second Capital Subscription

Date

8 January 2018

Party

Shanghai Yuanjia

Consideration

RMB3,000,000 (equivalent to approximately HK\$3,450,000)

On 8 June 2018, Shanghai Yuanjia, an indirect wholly-owned subsidiary of the Company, 郭紅偉 (Guo Hongwei*), Mr. Hu, Mr. Gao, 重慶易一天使投資有限公司 (Chongqing Yitianshi Investment Co., Ltd.*), 北京老鷹創新投資中心(有限合夥) (Beijing Eagle Innovation Investment Center (Limited Partnership)*), 北京迪信通商貿股份有限公司 (Beijing Dixintong Trading Co., Ltd.*), 北京鷹飛長空管理諮詢中心(有限合夥)(Beijing Eagle Flying Sky Management Consulting Center (Limited Partnership)*) and 上海長鷹投資管理有限公

LETTER FROM THE BOARD

司(Shanghai Changying Investment Management Co., Ltd.*) agreed that the registered capital in Beijing Feiying shall be increased by RMB15,000,000 (equivalent to approximately HK\$17,250,000) and Shanghai Yuanjia shall subscribe for RMB3,000,000 (equivalent to approximately HK\$3,450,000) of the increased registered capital in Beijing Feiying in cash, based on Shanghai Yuanjia's pro-rata interest in Beijing Feiying. Upon completion of the 2018 Second Capital Subscription on 8 June 2018, the registered capital of Beijing Feiying increased to RMB40,000,000 (equivalent to approximately HK\$46,000,000), upon completion, Shanghai Yuanjia continued to hold 20.0% of Beijing Feiying. The consideration of the 2018 Second Capital Subscription of RMB3,000,000 (equivalent to approximately HK\$3,450,000) has not been settled and shall be settled by cash by Shanghai Yuanjia on or before 21 October 2033 when the paid-up capital of Beijing Feiying becomes due. There is no estimated payment schedule for the outstanding consideration for the 2018 Second Capital Subscription and the Directors confirm that the 2018 Second Capital Subscription has been completed upon filing of the relevant documents to the relevant PRC regulatory body. The 2018 Second Capital Subscription was completed on 8 June 2018. Beijing Feiying was accounted for as an associate in the Company's consolidated accounts upon the completion of the 2018 Second Capital Subscription. The Company has not paid any consideration for the 2018 Second Capital Subscription as at the Latest Practicable Date.

THE ACQUISITION

The principal terms of the Acquisition are set out as follows:

Date

27 September 2018

Parties

- (1) the Vendor; and
- (2) Shanghai Yuanjia.

To the best of the knowledge and information of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are independent third parties of the Company and not connected persons of the Company. There is no other relationship and arrangements between the Vendor and the Company and its connected persons.

Assets Acquired

Pursuant to the Acquisition, Shanghai Yuanjia has purchased from the Vendor and the Vendor has sold the Sale Interest. The Sale Interest represents 13.5% of the equity interest in Beijing Feiying. The Acquisition was completed on 27 September 2018.

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Immediately before the date of the Acquisition, Shanghai Yuanjia was holding 20.0% of the equity interest in the Beijing Feiyong. Upon Acquisition Completion, Shanghai Yuanjia held 33.5% of the equity interests in Beijing Feiyong.

Consideration

The total consideration for the Acquisition was approximately RMB5,400,000 (equivalent to approximately HK\$6,210,000), which was the Vendor's agreed subscription amount of Beijing Feiyong's registered capital and the payment obligation for paid-up capital of Beijing Feiyong has been transferred to Shanghai Yuanjia upon the Acquisition Completion. The consideration of the Acquisition has not been settled and will be settled by cash by Shanghai Yuanjia on or before 21 October 2033 when the paid up of registered capital of Beijing Feiyong becomes due. The Company has not paid any consideration for the Acquisition as at the Latest Practicable Date and will not pay any consideration for the Acquisition until the paid up of the registered capital of Beijing Feiyong becomes due. As at the Latest Practicable Date, since the paid up of the registered capital of Beijing Feiyong not yet becomes due, the Company has not paid any consideration for the Acquisition as mentioned above. If the condition set out above is fulfilled, the Company will settle the consideration in cash. Beijing Feiyong was accounted for as an associate in the Company's consolidated accounts upon the completion of the Acquisition. There is no estimated payment schedule for the outstanding consideration for the Acquisition and the Directors confirm that the Acquisition has been completed upon filing of the relevant documents to the relevant PRC regulatory body. The consideration was determined based on the amount of registered capital of Beijing Feiyong and arm's length negotiation between Shanghai Yuanjia and the Vendor. When determining whether to further invest in Beijing Feiyong and the consideration for the Acquisition, the Company has taken into account that Beijing Feiyong has improving financial performance during year 2018 and has turned from net liabilities position to net asset position during year 2018. The Company has also taken into account the great potential of Beijing Feiyong's used mobile phone business and cooperation with Tencent. Beijing Feiyong has turned profitable after it started its cooperation with Tencent in 2018 and the Directors believe that Beijing Feiyong's business cooperation with Tencent has great potentials for growth. The Board is of the view that the consideration of the Acquisition is fair and reasonable. The consideration of the Acquisition will be satisfied by internal resources of the Group.

INFORMATION OF THE GROUP

The Group is principally engaged in distribution and trading of mobile phones and related accessories, development of marketing and after-sales service network and mining and processing of celestite, zinc and lead minerals.

INFORMATION ON BEIJING FEIYONG

Beijing Feiyong is a limited liability company established in the PRC with a registered capital of RMB41,379,310 (equivalent to approximately HK\$47,586,000) and paid-up capital of RMB29,329,310 (equivalent to approximately HK\$33,729,000). As at the Latest Practicable

LETTER FROM THE BOARD

Date, Mr. Gao holds 32.4% of the equity interests in Beijing Feiying. Beijing Feiying is engaged in the recycling of used mobile phones, Beijing Feiying will pay a fee to consumers who bring their used mobile phones for recycling, Beijing Feiying will then assess the quality of the used mobile phone. If the phone is deemed to be in good condition, Beijing Feiying would sell such phones to online platforms such as JD.com or Taobao for a profit. If the phones are deemed to be in poor condition, they can be sent to factories for recycling or taken apart for electronic parts where they can be used for making of other electronic accessories. In addition, Beijing Feiying has also entered into a cooperation agreement with the mobile and internet conglomerate, Tencent, on 9 May 2019 (a renewal of the previous cooperation agreement signed on 30 May 2018), for Tencent's new mobile application, which helps users introduced by Beijing Feiying transfer data from old phones to newer ones. Beijing Feiying will recommend Tencent's mobile application to end-users who have sold their old phones and bought new phones through Beijing Feiying. Beijing Feiying's staff will also assist end-users introduced by Beijing Feiying how to use the mobile application, help end-users introduced by Beijing Feiying to install the mobile application and help end-users introduced by Beijing Feiying transfer data from old phones to new phones. The mobile application was developed and owned by Tencent. When users download and install the mobile application through Beijing Feiying, they would need to pay a subscription fee and Tencent would be able to detect the downloading and installation of the mobile application of users through Beijing Feiying and Tencent would then share 70% of the revenue from subscription fees from users to Beijing Feiying for users solicited by Beijing Feiying.

The major cost to be borne by Beijing Feiying in the cooperation are cost for hiring and training staff of Beijing Feiying to learn about Tencent's mobile application and marketing costs. The cost currently borne by Beijing Feiying is approximately RMB800,000 per month. The cooperation period under the current cooperation agreement would be from 16 April 2019 to 15 April 2020 and the agreement and cooperation period is expected to be renewed on a yearly basis. The cooperation agreement will be terminated if either party becomes bankrupt or wound-up or when regulations changes and affect the legality of the cooperation model or when both parties agree to terminate the agreement. Under the cooperation agreement, Beijing Feiying receives 70% of revenue generated from the mobile application by users. As stipulated in the cooperation agreement, Beijing Feiying is to assist in the promotion of the mobile application to consumers. Through discussion between the Beijing Feiying management and Tencent, there is great demand for services currently provided by the mobile application. The Beijing Feiying management believes that such business provides it with an additional channel in which it can generate revenue and such cooperation with Tencent is of great benefit to Beijing Feiying. The gross profit margin for the year recorded by Beijing Feiying for the years ended 31 December 2016 and 2018 was relatively higher compared to the year ended 31 December 2017 due to most of the revenue generated in the years 2016 and 2018 were services provided by Beijing Feiying, which has a higher gross profit margin. In 2016, Beijing Feiying started its recycling of mobile phones business in an online platform and this platform mostly provided online services for the recycling of mobile phones, in 2017, Beijing Feiying began its brick and mortar business of recycling of mobile phones physically. Beijing Feiying then started the mobile app business in May 2018 and the performance of the

LETTER FROM THE BOARD

mobile app business is reflected in the historical financial information of Beijing Feiying since May 2018. The fluctuation in the profitability of Beijing Feiying was mainly due to the commencement of the mobile app business which increased Beijing Feiying's profitability.

According to the audited reports of Beijing Feiying (prepared under PRC accounting rules), the net profit (before taxation and extraordinary items) for the four financial years ended 31 December 2016, 2017, 2018 and 2019 are as follows:

	For the year ended 31 December			
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited*)</i>	<i>(audited*)</i>	<i>(audited*)</i>	<i>(audited*)</i>
Revenue	2,065	12,512	25,724	25,098
Gross profit	1,989	830	20,498	8,421
(Loss)/profit before income tax	(4,800)	(10,122)	7,074	(21,028)

* Audited and prepared under PRC accounting rules

According to the accountants' report of Beijing Feiying, the net profit (before taxation and extraordinary items) for the three financial years ended 31 December 2020, 2021 and 2022 and the net asset value as at 31 December 2020, 2021 and 2022 of the Beijing Feiying are as follows:

	For the year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	2,038	—	—
Gross profit	14	—	—
(Loss)/profit before income tax	<u>(1,618)</u>	<u>(137)</u>	<u>4</u>

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-current assets	4	2	2
Current assets	14,341	14,039	13,553
Current liabilities	15,278	15,111	14,621
Net (liabilities)	<u>(933)</u>	<u>(1,070)</u>	<u>(1,066)</u>

LETTER FROM THE BOARD

As set out in the financial information for the three financial years ended 31 December 2020, 2021 and 2022 above, it is noted that Beijing Feiying was not generating revenue since the financial year ended 31 December 2021. The major reason was the combined effect of (i) Tencent ceased the cooperation with Beijing Feiying since second quarter of 2020; and (ii) the outbreak of the COVID-19 resulting in adverse impact on wholesale and retail of mobile phone markets.

REASONS AND BENEFITS FOR THE ACQUISITION

The principal activities of the Group are distribution and trading of mobile phones and related accessories, development of marketing and after-sales service network and mining and processing of celestite, zinc and lead minerals. Beijing Feiying is principally engaged in the recycling of used mobile phones. In addition, Beijing Feiying has also entered into a cooperation agreement with the mobile and internet conglomerate, Tencent, for Tencent's new mobile application, which helps users transfer data from old phones to newer ones. Under the cooperation agreement, Beijing Feiying receives 70% of revenue generated from the mobile application by users. As stipulated in the cooperation agreement, Beijing Feiying is to assist in the promotion of the mobile application to consumers. Through discussion between the Beijing Feiying management and Tencent, there is great demand for services currently provided by the mobile application. The Beijing Feiying management believes that such business provides an additional channel in which it can generate revenue and such cooperation with Tencent is of great benefit to Beijing Feiying. The Directors have been devising plans to venture into the recycling of used mobile phones, which the Directors believe will experience significant growth in terms of revenue and overall market size in the near future. Since Beijing Feiying is engaged in the recycling of used mobile phones and is a profit making and growing business, the Directors believe that through the 2018 First Capital Subscription and 2018 Second Capital Subscription, the Acquisition and Corporate Action, the Group can tap into the used mobile phones and mobile apps market and could also share a greater profit of Beijing Feiying and this would be reflected in the accounts of the Group. Even though Beijing Feiying has recorded losses and generated net liabilities for the two years ended 31 December 2017, Beijing Feiying has turned profitable in 2018 since it started cooperation with Tencent, and the Directors believe that Beijing Feiying will have good profit generating ability through its cooperation with Tencent in the future.

The Directors consider that the Acquisition and the Corporate Action are on normal commercial terms after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors consider that the Corporate Action will be beneficial to the Company and is on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as the Company can exert more control on Beijing Feiying, which has turned profitable in 2018 and is a growing business through its cooperation with Tencent and also the Company can consolidate Beijing Feiying's profitable results into the Group's accounts.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITION

Assets and liabilities

As set out in Appendix V to this circular is the unaudited pro forma statement of financial information of the Group which illustrates the financial effects of the Acquisition assuming Acquisition Completion has taken place. Pro forma adjustments were made for both assets and liabilities assuming Acquisition Completion has taken place.

Earnings

According to the accountants' report of Beijing Feiying as set out in Appendix II to this circular, Beijing Feiying did not record any profit or loss for the period for the nine months ended 30 September 2023. The Acquisition would have no impact on the Group's earnings due to the reasons mentioned below in the section "DEVELOPMENT OF BEIJING FEIYING".

DEVELOPMENT OF BEIJING FEIYING

In 2019, Beijing Feiying accounted for as a subsidiary of the Company and can consolidate Beijing Feiying's results into the Group's accounts due to the corporate action and acting-in-concert as set out in the annual report of the Company for the year ended 31 December 2019. The Group tap into the used mobile phones and mobile app market in the PRC.

Relevant information was extracted from the annual report as follows:

"Shanghai Yuanjia, and indirect wholly-owned subsidiary of the Company, and Other Beijing Feiying Shareholders started contemplating on implementing change in control of the board of Beijing Feiying in March 2019. Pursuant to the change in control of the board of Beijing Feiying which became effective on 27 December 2019, the board of directors of Beijing Feiying shall comprise five members, of which two had been appointed by Shanghai Yuanjia, Mr. Gao Fei has undertaken to vote in concert with Shanghai Yuanjia by virtue of a signed Acting-in Concert Agreement entered into between Shanghai Yuanjia and Mr. Gao Fei, and two which had been appointed by the Other Beijing Feiying Shareholders. As a result of the change in control of the board of Beijing Feiying, Shanghai Yuanjia shall be able to control the respective board of directors of Beijing Feiying. As such, Beijing Feiying shall be accounted for as a subsidiary of the Company."

For further details, please refer to the annual report of the Company for the year ended 31 December 2019.

In 2020, the Group has stripped off the used mobile phones and mobile app market in the PRC since (i) Tencent ceased the cooperation with Beijing Feiying since second quarter of 2020; and (ii) the outbreak of the COVID-19 resulting in adverse impact on wholesale and retail of mobile phone markets. On 1 September 2020, Shanghai Yuanjia and Mr. Gao has resolved to terminate the Acting-in-Concert Agreement entered into between. Upon the

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termination of the Acting-in-Concert Agreement with Mr. Gao, the Group no longer has the control of the Board of Beijing Feiying and the Group deemed disposal of Beijing Feiying from a subsidiary to an associate during the year ended 31 December 2020. The Group commenced to share the results of Beijing Feiying under equity method since 1 September 2020 accordingly. In view of the Group's share of losses of Beijing Feiying exceeded its interest in Beijing Feiying and thus, the Group discontinued to share of the losses of Beijing Feiying. Beijing Feiying no longer be accounted for as a subsidiary of the Company and account for it as an associate of the Company.

In addition, as at 31 December 2020, the Group had an amount due from Beijing Feiying of HK\$224,000 (equivalent to RMB200,000) which was unsecured, interest free and repayable on demand. During the year ended 31 December 2020, the amount due from Beijing Feiying was fully impaired based on the accounting policy stated in note 4 to the consolidated financial statements of the annual report for the year ended 31 December 2021. There were no movements of the amount due from Beijing Feiying and the related impairment loss recognised during the year ended 31 December 2021.

As at 31 December 2022 and 2021, there were no movements of the amount due from Beijing Feiying and the related impairment loss recognised during the year ended 31 December 2022.

On 14 April 2023, Beijing Feiying received an administrative penalty decision from Beijing Municipal Bureau of Market Supervision and Administration in relation to the suspension of business license due to the on-site inspections conducted by the relevant government department considering that Beijing Feiying had no operations for a consecutive period of six months. After preliminary negotiations with the relevant government departments, Beijing Feiying and the Company was given notice that the suspension was not able to be revoked at current stage, Beijing Feiying and the Company are conducting further negotiations with the relevant government departments.

During the year, management of Beijing Feiying submitted the application to the relevant PRC government authorities to deregister Beijing Feiying given the relevant projects were ceased, thus, relevant operations were also ceased. Up to the Latest Practicable Date, the deregistration procedures have not yet been completed.

DISCIPLINARY ACTION

Reference is made to the statement of disciplinary action dated 31 October 2023, following the 2018 First Capital Subscription, the 2018 Second Capital Subscription and the Acquisition, Shanghai Yuanjia came to hold 33.5% of the registered capital of Beijing Feiying. The subscriptions and acquisition as mentioned above, on an aggregated basis, constituted a connected transaction and a very substantial acquisition, and the Company was required to comply with announcement, circular and shareholders' approval requirements

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under the Listing Rules. The Company did not comply with the relevant requirements. The subscriptions and acquisition were announced by the Company on 27 December 2019. In the announcement, the Company admitted breaching the relevant Listing Rule requirements.

The Listing Committee of the Stock Exchange found that the Company breached Rules 14.34, 14.38A, 14.48, 14.49 and 14A.35 in respect of the subscriptions and acquisition. The Company and the Relevant Directors agreed to settle this disciplinary action. They admitted their respective breaches as set out above, and accepted the sanctions and directions imposed on them by the Listing Committee of the Stock Exchange. The Listing Committee of the Stock Exchange has directed, among other things: (1) Mr. Lau, Mr. Wang Yu, Dr. Law Chun Kwan and Dr. Lo Wai Shun to attend 24 hours of training on regulatory and legal topics including compliance with the Listing Rules; and (2) Mr. Bao Kang Rong and Mr. Lam Man Kit to attend 24 hours and Mr. Chang Wing Seng Victor to attend 18 hours of training on regulatory and legal topics including compliance with the Listing Rules as a pre-requisite of any future appointment as director (collectively, the “**Training Directions**”).

Due to the outbreak of the COVID-19 in early 2020, the operation of Beijing Feiyong was heavily affected and the relevant employees had resigned during the period mentioned above, thus, the operation had been affected and leading to difficulties in obtaining relevant financial or other documents in preparing this circular.

Reference is made to the announcement of the Company dated 29 January 2024, the Company confirmed that the Training Directions have been fully complied with by each of the Relevant Directors, and that written certification of full compliance with the Training Directions has been provided to the Stock Exchange.

Given (i) the Company and the Relevant Directors had to re-comply the Listing Rules for the Acquisition as mentioned above; and (ii) the Acquisition was fair and reasonable at the relevant time considering profit was generated for Beijing Feiyong in the first year after the Acquisition, the Directors considered that it is meaningful for Shareholders to vote on the resolution regarding the Acquisition and the Acquisition was fair and reasonable and in the interest of the Company and its Shareholders at the relevant time. In the event that the resolution is voted down, since the Company is re-complying the Listing Rules for the Acquisition, there will not be material adverse impact to the operation of the Company.

IMPLICATION UNDER THE LISTING RULES

The 2018 First Capital Subscription would not constitute a notifiable transaction both on a stand-alone or aggregated basis since all of applicable percentage rates calculated pursuant to Rule 14.07 of the Listing Rules are below 5%.

The 2018 Second Capital Subscription would constitute a discloseable transaction both on a stand-alone or aggregated basis since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are more than 5% but less than 25%.

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The 2018 First Capital Subscription on an aggregate basis would constitute non-exempt connected transaction for the Company and was subject to the reporting and announcement requirements pursuant to Rule 14A.35, but was exempted from independent shareholders' approval requirement pursuant to Rule 14A.76 under Chapter 14A of the Listing Rules.

The Acquisition would constitute a major transaction on a stand-alone basis since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are more than 25% but less than 100%. When aggregated with previous transactions, the Acquisition would constitute very substantial acquisition of the Company as one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 100%, therefore, it is subject to the reporting, announcement and shareholders' approval requirements set out in Chapter 14 of the Listing Rules. At the time of the Acquisition, Beijing Feiying has become a connected person of the Company at subsidiary level due to the Company's shareholding in another subsidiary, Zhejiang Aoying. Through the Group's purchase of shares of Zhejiang Aoying from Mr. Gao and Mr. Hu on 7 November 2017, the Group obtained a shareholding of 70% in Zhejiang Aoying with the remaining 12%, 10% and 8% held by Mr. Gao, Mr. Hu and Mr. Hou. The total consideration for the Zhejiang Aoying Acquisition was approximately RMB7,000,000 (equivalent to approximately HK\$8,050,000), which was the Mr. Gao's agreed subscription amount of RMB6,500,000 (equivalent to approximately HK\$7,475,000) and Mr. Hu's agreed subscription amount of RMB500,000 (equivalent to approximately HK\$575,000) of Zhejiang Aoying's registered capital and the payment obligations for paid-up capital of Zhejiang Aoying have been transferred to Shanghai Yuanjia upon the completion of the acquisition of Zhejiang Aoying. Zhejiang Aoying is principally engaged in trading of mobile phones. By virtue of Rule 14A.101 of the Listing Rules, since (1) Beijing Feiying was a connected person at the subsidiary level, (2) the Board has approved the Acquisition; and (3) the independent non-executive Directors have confirmed that the terms of the Acquisition were fair and reasonable and the Acquisition was on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

A notice convening the SGM is set out on pages 109 to 110 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. If you are not able to attend and/or vote at the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case

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may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

VOTING BY POLL AT THE SGM

Pursuant to Rules 13.39(4) and (5) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll (except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands), and an announcement on the poll results of the general meeting must be made by the Company after the general meeting as soon as possible. Accordingly, the resolution to be proposed at the SGM as set out in the notice of the SGM will be voted by poll and an announcement on the poll results of the SGM will be made by the Company as soon as possible after conclusion of the SGM.

RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed “REASONS AND BENEFITS FOR THE ACQUISITION” above, the Directors believe that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholder to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition and the transactions contemplated thereunder.

MISCELLANEOUS

To the best of the Director’s knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder is required to abstain from voting under the Listing Rules on any of the proposed resolution as set out in the notice of the SGM. None of the Directors have any material interest for which they would be required to abstain from voting at the board resolutions. Your attention is also drawn to the additional information as set out in the appendices to this circular.

The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in case of inconsistency.

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

FINANCIAL INFORMATION

Details of the financial information of the Group for the six months ended 30 June 2023 and each of the financial years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinafortune.com>):

- (i) the interim report of the Company for the six months ended 30 June 2023 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0919/2023091900293.pdf>);
- (ii) the annual report of the Company for the financial year ended 31 December 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900687.pdf>);
- (iii) the annual report of the Company for the financial year ended 31 December 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601474.pdf>);
and
- (iv) the annual report of the Company for the financial year ended 31 December 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042601413.pdf>).

1. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2024, being the latest practicable date for the purpose of the indebtedness statement, the Group had amounts to related parties and amounts due to non-controlling shareholders of subsidiaries amounted to HK\$11.66 million and HK\$0.03 million, respectively, which were unsecured, non-interest bearing and repayable on demand.

The Group entered into several lease agreements for leasing of offices located in Hong Kong and PRC recognised as right-of-use assets and lease liabilities for the above-mentioned leases. Such lease liabilities amounted to approximately HK\$1.60 million as at 31 January 2024, which were classified as to approximately HK\$1.06 million as current liabilities and approximately HK\$0.54 million as non-current liabilities.

Apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, as at 31 January 2024, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured or unsecured, any mortgages and charges, or any contingent liabilities or guarantees.

2. WORKING CAPITAL

As at 31 January 2024, the Group's current liabilities exceeded current assets by approximately HK\$21.75 million while it had cash and cash equivalents of approximately HK\$12.10 million only.

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 view of these circumstances, the Directors 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 the Latest Practicable Date. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next twelve months from the date of this circular, 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, 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, the Company entered into subscription agreements with independent third parties (the “**Subscribers**”), pursuant to which the Subscribers has 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 “**Subscriptions**”). As at the Latest Practicable Date, the Subscriptions have not yet been completed and details of which are set out in the Company's announcement dated 20 March 2024. 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 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 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 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 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 the Latest Practicable Date 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.

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 successfully implement the plans and measures as mentioned above, the Group may not have sufficient working capital for its requirements within the next 12 months from the Latest Practicable Date.

3. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group are (i) distribution and trading of mobile phones and related accessories; and (ii) mining and processing of celestite, zinc and lead minerals.

To enhance the development of the Group, the Group will (i) closely monitor changes in the economic environment; and (ii) be proactive and seize opportunities in Hong Kong and ASEAN trading markets, in relation to mobile phone industry. The Group has been in the mobile phone industry for decades, the Group will continue to identify potential suitable projects in relation to big data, mobile phone operating system and mobile internet which is in line with the key business areas that the Group is interested in. As regards the abovementioned, to achieve growth of the Group in relation to the electronic industry, the Group has been actively expanded the trading market in Hong Kong since 2022 and the Group intends to continue growth by diversifying the trading markets, products and distribution channels.

To accumulate greater competitiveness in coming years, the Group will continue to make efforts and pursue new achievements and innovations in environment related products and services sector in the PRC. The Group has (i) tapped into environmental friendly bag automatic bag taking machine and relevant database traffic monetization business, the new business has cope with various hospitals, supermarkets, shopping malls, hotels, clubhouses, residential areas, scenic spots and pharmacy in the PRC in September 2021 to install such environmental friendly bags taking machines, in order to generate income from database traffic monetization, advertising fees, trading or relevant machines or maintenance operations; and (ii) set up own technical team to lay bag taking machine to test the new bag packing process, bag delivery data, consumer feedback and revenue model through own technical team, as to set out an effective bag picking process. As regards the abovementioned, to further enhance the performance of the Group, the Group plans to start the national investment promotion in the future in relation to the abovementioned business.

The Group will (i) continue to maintain prudent financial position and lean operation; and (ii) keep a close eye on new business opportunities to enhance business growth and bring long-term returns to Shareholders while remaining cautious in a changing business environment in the PRC. The Group will continue its effort in the current and upcoming financial years.

The following is the text of a report in relation to Beijing Feiyong Changyou Technology Limited received from the independent reporting accountants, Yongtuo Fuson CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.



永拓富信會計師事務所有限公司
YONGTUO FUSON CPA LIMITED

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF BEIJING FEIYING CHANGYOU TECHNOLOGY LIMITED TO THE DIRECTORS OF CHINA FORTUNE HOLDINGS LIMITED

Introduction

We were engaged to report on the historical financial information of Beijing Feiyong Changyou Technology Limited (“**Beijing Feiyong**”, formerly known as Beijing Yi Dong Yun Shang Technology Limited) and its subsidiaries (together, the “**Beijing Feiyong Group**”) set out on pages 27 to 65, which comprises the consolidated statements of financial position of the Beijing Feiyong Group as at 31 December 2020, 2021 and 2022 and 30 September 2023, the statements of financial position of Beijing Feiyong as at 31 December 2020, 2021 and 2022 and 30 September 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Beijing Feiyong Group for the three years ended 31 December 2020, 2021 and 2022 and for the nine months ended 30 September 2023 (the “**Beijing Feiyong Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Beijing Feiyong Historical Financial Information**”). The Beijing Feiyong Historical Financial Information set out on pages 27 to 65 forms an integral part of this report, which has been prepared for inclusion in the circular of China Fortune Holdings Limited (the “**Company**”) dated 28 March 2024 (the “**Circular**”) in connection with the connected transactions and very substantial acquisition in relating to the acquisition of the Beijing Feiyong Group (the “**Acquisition**”).

Responsibilities of the directors of Beijing Feiyong and the Company for the Beijing Feiyong Historical Financial Information

The directors of Beijing Feiyong are responsible for the preparation of Beijing Feiyong Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Beijing Feiyong Historical Financial Information, and for such internal control as the directors of Beijing Feiyong determine is necessary to enable the preparation of Beijing Feiyong Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Beijing Feiyong Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to conduct our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and to report to you. However, because of the matters described in the "*Basis for disclaimer of opinion on the Beijing Feiyong Historical Financial Information*" section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for an opinion on the Beijing Feiyong Historical Financial Information.

We complied with ethical standards as required by this standard.

Disclaimer of opinion on the Beijing Feiyong Historical Financial Information

We do not express an opinion on the Beijing Feiyong Historical Financial Information. Because of the significance of the matters described in the "*Basis for disclaimer of opinion on the Beijing Feiyong Historical Financial Information*" section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the Beijing Feiyong Historical Financial Information.

Basis for disclaimer of opinion on the Beijing Feiyong Historical Financial Information/ disclaimer of conclusion on the Beijing Feiyong Stub-Period Comparative Financial Information

(1) Scope limitation due to incomplete books and records

As described in Note 2 to the Beijing Feiyong Historical Financial Information, given the incomplete books and records and serious doubts over the Beijing Feiyong Group's accounting and other records, the current directors of Beijing Feiyong believe that it is almost impossible, and not practical, to ascertain the correct financial position and performance of the Beijing Feiyong Group during the Beijing Feiyong Track Record Period for inclusion in the Beijing Feiyong Historical Financial Information. Thus, we were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the historical transactions and balances of assets and liabilities, trading and financial position, contingent liabilities, commitments and reserves of the Beijing Feiyong Group and Beijing Feiyong during the Beijing Feiyong Track Record Period.

Given these circumstances, which are more fully described in Note 2 to the Beijing Feiyong Historical Financial Information, there were no practicable audit procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Beijing Feiyong Group's and Beijing Feiyong's financial information

As a result, in performing our audit on the Beijing Feiyong Historical Financial Information during the Beijing Feiyong Track Record Period, there were no practicable audit procedures that we could perform to satisfy ourselves whether the historical transactions and balances of assets and liabilities, trading and financial position, contingent liabilities, commitments and reserves of the Beijing Feiyong Group and Beijing Feiyong as of and for the three years ended 31 December 2020, 2021 and 2022 and for the nine months ended 30 September 2023 were fairly stated.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net liabilities of the Beijing Feiyong Group and Beijing Feiyong as of and for the three years ended 31 December 2020, 2021 and 2022 and for the nine months ended 30 September 2023, and the related disclosures thereof in the Beijing Feiyong Historical Financial Information.

(2) Non-compliance with HKFRSs and omission of disclosures

As explained in Note 2 to the Beijing Feiyong Historical Financial Information, the Beijing Feiyong Historical Financial Information of the Beijing Feiyong Group and Beijing Feiyong has been prepared based on the information provided by the current directors of Beijing Feiyong and they have prepared the Beijing Feiyong Historical Financial Information based on incomplete books and records, the current directors of Beijing Feiyong believe it is almost impossible, and not practicable, to ascertain the correct amounts of transactions and balances of assets and liabilities, trading and financial position, contingent liabilities, commitments and reserves of the Beijing Feiyong Group and Beijing Feiyong as of and for the three years ended 31 December 2020, 2021 and 2022 and for the nine months ended 30 September 2023. Consequently, the current directors of Beijing Feiyong were unable to confirm that the Beijing Feiyong Historical Financial Information comply with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by HKICPA, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") have been complied with.

Given these circumstances, which are more fully described in Note 2 to the Beijing Feiyong Historical Financial Information, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Beijing Feiyong Historical Financial Information.

(3) Scope limitation relating to going concern basis of preparation of the Beijing Feiyong Historical Financial Information

As at 30 September 2023, Beijing Feiyong Group had a net current liabilities and a net deficiency of shareholders' equity of RMB1,068,000 and RMB1,066,000, respectively.

These conditions, together with other matters described in Note 2 to the Beijing Feiyong Historical Financial Information indicate the existence of a material uncertainty which may cast significant doubt on the Beijing Feiyong 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.

Despite the above, the directors of Beijing Feiyong have reviewed the Beijing Feiyong Group's cash flow forecast prepared by management, which covers a period of at least twelve months from the date of this report. The directors of Beijing Feiyong have, at the time of this report, implemented certain measures and plans which are described in Note 2 to the Beijing Feiyong Historical Financial Information and thus, the directors of Beijing Feiyong have a reasonable expectation that the Beijing Feiyong Group has adequate resources to finance its operations and to meet its financial obligations as and when need and also is able to continue in operational existence for the foreseeable future. Accordingly, the directors of Beijing Feiyong continue to adopt the going concern basis of accounting in preparing the Beijing Feiyong Historical Financial Information.

The Beijing Feiyong Historical Financial Information does not incorporate any adjustments that would result from a failure to attain favourable results in respect of the above matters. If the outcome in respect of any of the above matters turns to be unfavourable, the going concern basis might not be appropriate and, in such event, adjustments would have to be made to the Beijing Feiyong Historical Financial Information to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

Any adjustments to the figures as described above might have significant consequential effects on the financial position of Beijing Feiyong as at 31 December 2020, 2021 and 2022 and 30 September 2023 and the consolidated financial position of the Beijing Feiyong Group as at 31 December 2020, 2021 and 2022 and 30 September 2023 and of its consolidated financial performance and its consolidated cash flows for the Beijing Feiyong Track Record Period in accordance with the basis of preparation set out in Note 2 to the Beijing Feiyong Historical Financial Information.

Review of stub-period comparative financial information

We were engaged to review the stub-period comparative financial information of the Beijing Feiyong Group, which comprises the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2022 and other explanatory information (the “**Beijing Feiyong Stub-Period Comparative Financial Information**”).

The directors of Beijing Feiyong are responsible for the preparation and presentation of the Beijing Feiyong Stub-Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Beijing Feiyong Historical Financial Information.

Our responsibility is to conduct our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA and to report to you. However, because of the matters described in the “*Basis for disclaimer of conclusion on the Beijing Feiyong Stub-Period Comparative Financial Information*” section of our report, we were not able to carry out sufficient review procedures to provide a basis for a conclusion on the Beijing Feiyong Stub-Period Comparative Financial Information.

Disclaimer of conclusion on the Beijing Feiyong Stub-Period Comparative Financial Information

Because of the significance of the matters described in the “*Basis for disclaimer of conclusion on the Beijing Feiyong Stub-Period Comparative Financial Information*” section of our report, we were unable to carry out sufficient review procedures to provide a basis for a conclusion on the Beijing Feiyong Stub-Period Comparative Financial Information. Accordingly, we do not express a conclusion on the Beijing Feiyong Stub-Period Comparative Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Beijing Feiyong Historical Financial Information, no adjustments to the Beijing Feiyong Underlying Financial Statements as defined on page 23 have been made.

Dividends

We refer to Note 12 to the Beijing Feiying Historical Financial Information, which states that no dividends have been paid or declared by Beijing Feiying in respect of the Beijing Feiying Track Record Period.

Yongtuo Fuson CPA Limited

Certified Public Accountants

Fok Tat Choi

Practising Certificate Number: P06895

Hong Kong, 28 March 2024

HISTORICAL FINANCIAL INFORMATION

Preparation of the Beijing Feiyong Historical Financial Information

Set out below is the Beijing Feiyong Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Beijing Feiyong Group for the Beijing Feiyong Track Record Period, on which the Beijing Feiyong Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Beijing Feiyong Underlying Financial Statements") on which our auditors' report contained a disclaimer opinion on those statements.

The Beijing Feiyong Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Beijing Feiyong Group, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Nine months ended 30 September	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Revenue	6	2,038	—	—	—	—
Cost of sales		<u>(2,024)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Gross profit		14	—	—	—	—
Other income, other gains and losses, net	7	110	—	9	7	—
Administrative expenses		(1,514)	(37)	(5)	(4)	—
Finance costs	8	<u>(228)</u>	<u>(100)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss before income tax	9	(1,618)	(137)	4	3	—
Income tax expense	10	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss and total comprehensive expense for the year/period		<u><u>(1,618)</u></u>	<u><u>(137)</u></u>	<u><u>4</u></u>	<u><u>3</u></u>	<u><u>—</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2020	2021	2022	30 September
		RMB'000	RMB'000	RMB'000	2023 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	4	2	2	2
Current assets					
Inventories	14	578	578	578	578
Trade and other receivables	15	11,036	10,487	10,487	10,487
Prepayments		2,512	2,277	2,277	2,277
Cash and cash equivalents	16	197	678	192	192
Income tax recoverable		18	19	19	19
		<u>14,341</u>	<u>14,039</u>	<u>13,553</u>	<u>13,553</u>
Current liabilities					
Trade and other payables	17	14,836	14,669	14,179	14,179
Deposit received		<u>442</u>	<u>442</u>	<u>442</u>	<u>442</u>
		<u>15,278</u>	<u>15,111</u>	<u>14,621</u>	<u>14,621</u>
Net current liabilities		<u>(937)</u>	<u>(1,072)</u>	<u>(1,068)</u>	<u>(1,068)</u>
Net liabilities		<u>(933)</u>	<u>(1,070)</u>	<u>(1,066)</u>	<u>(1,066)</u>
Capital and reserves					
Share capital	18	11,412	11,412	11,412	11,412
Reserves	19	<u>(12,345)</u>	<u>(12,482)</u>	<u>(12,478)</u>	<u>(12,478)</u>
Equity attributable to owners of Beijing Feiyang		<u>(933)</u>	<u>(1,070)</u>	<u>(1,066)</u>	<u>(1,066)</u>

STATEMENTS OF FINACIAL POSITION

	Notes	As at 31 December			As at
		2020	2021	2022	30 September
		RMB'000	RMB'000	RMB'000	2023
				RMB'000	
ASSESTS					
Non-current assets					
Property, plant and equipment	13	4	2	2	2
Current assets					
Inventories	14	27	27	27	27
Trade and other receivables	15	9,070	8,688	8,688	8,688
Prepayments		2,402	2,168	2,168	2,168
Cash and cash equivalents	16	111	595	109	109
Income tax recoverable		16	16	16	16
		<u>11,626</u>	<u>11,494</u>	<u>11,008</u>	<u>11,008</u>
Current liabilities					
Trade and other payables	17	11,781	11,781	11,291	11,291
Deposit received		900	900	900	900
		<u>12,681</u>	<u>12,681</u>	<u>12,191</u>	<u>12,191</u>
Net current liabilities		<u>(1,055)</u>	<u>(1,187)</u>	<u>(1,183)</u>	<u>(1,183)</u>
Net liabilities		<u>(1,051)</u>	<u>(1,185)</u>	<u>(1,181)</u>	<u>(1,181)</u>
Capital and reserves					
Share capital	18	26,419	26,419	26,419	26,419
Reserves	19	<u>(27,470)</u>	<u>(27,604)</u>	<u>(27,600)</u>	<u>(27,600)</u>
Equity attributable to owners of					
Beijing Feiyang		<u>(1,051)</u>	<u>(1,185)</u>	<u>(1,181)</u>	<u>(1,181)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Registered Capital RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000 <i>(note below)</i>	Accumulated losses RMB'000	Total RMB'000
<i>Years ended 31 December 2020, 2021 and 2022 and nine months ended 30 September 2023</i>					
Balance as at 1 January 2020	11,412	21,538	—	(32,265)	685
Loss and total comprehensive expense for the year	—	—	—	(1,618)	(1,618)
Balance as at 31 December 2020 and 1 January 2021	11,412	21,538	—	(33,883)	(933)
Loss and total comprehensive expense for the year	—	—	—	(137)	(137)
Balance as at 31 December 2021 and 1 January 2022	11,412	21,538	—	(34,020)	(1,070)
Loss and total comprehensive expense for the year	—	—	—	4	4
Balance as at 31 December 2022 and 1 January 2023	11,412	21,538	—	(34,016)	(1,066)
Loss and total comprehensive expense for the period	—	—	—	—	—
Balance as at 30 September 2023	<u>11,412</u>	<u>21,538</u>	<u>—</u>	<u>(34,016)</u>	<u>(1,066)</u>
<i>Nine months ended 30 September 2022 (Unaudited)</i>					
Balance as at 1 January 2022	11,412	21,538	—	(34,020)	(1,070)
Loss and total comprehensive expense for the period	—	—	—	3	3
Balance as at 30 September 2022	<u>11,412</u>	<u>21,538</u>	<u>—</u>	<u>(34,017)</u>	<u>(1,067)</u>

Note: Statutory reserves:

Pursuant to the relevant PRC rules and regulations, Beijing Feiyong which is incorporated in the PRC, is required to transfer no less than 10% of its profits after taxation, after offsetting any prior years' loss as determined under the Chinese Company Law, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders of Beijing Feiyong.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Loss before income tax	(1,618)	(137)	4	3	—
Adjustments for:					
Depreciation of property, plant and equipment	23	—	—	—	—
Finance costs	220	—	—	—	—
Allowance for credit losses of trade and other receivables	15,188	—	—	—	—
Operating cash flows before working capital changes	13,813	(137)	4	3	—
Changes in working capital:					
Increase in inventories	(555)	—	—	—	—
(Increase) decrease in trade and other receivables	(19,302)	549	—	1	—
(Increase) decrease in prepayments	(1,313)	235	—	—	—
Decrease in amount due from a related party	13,074	—	—	—	—
Decrease in amounts due from non- controlling shareholders	235	—	—	—	—
Decrease in trade and other payables	(1,341)	(167)	(490)	(490)	—
Decrease in deposit received	(458)	—	—	—	—
Cash generated from (used in) operations	4,153	480	(486)	(486)	—
Income taxes refund	(18)	(1)	—	—	—
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	4,135	479	(486)	(486)	—

	Year ended 31 December			Nine months ended 30 September	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment	<u>28</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET CASH GENERATED FROM INVESTING ACTIVITIES	<u>28</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bank and other borrowings	(4,000)	—	—	—	—
Interest paid	<u>(220)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(4,220)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(57)	197	(486)	(486)	—
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR/ PERIOD	<u>254</u>	<u>481</u>	<u>678</u>	<u>678</u>	<u>192</u>
CASH AND CASH EQUIVALENT AT END OF THE YEAR/PERIOD, represented by cash and cash equivalents	<u>197</u>	<u>678</u>	<u>192</u>	<u>192</u>	<u>192</u>

NOTES TO THE BEIJING FEIYING HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

Beijing Feiyong was incorporated in the People's Republic of China (the "PRC") with limited liability on 22 October 2013. The address of its registered office and principal place of business is Room 1016-2, Unit 1, 11th Floor, Building 7, West District, No. 9 Linglong Road, Haidian District, Beijing, the PRC.

Beijing Feiyong is an investment holding company. Beijing Feiyong Group is principally engaged in trading in second-hand mobile phones and provision of marketing services.

During the year, management of Beijing Feiyong submitted the application to the relevant PRC government authorities to deregister Beijing Feiyong and up to the date of this report, the deregistration procedures have not yet been completed (the "Deregistration").

The English names of all the companies established in the PRC presented in this Beijing Feiyong Historical Financial Information represent the best efforts made by the directors of Beijing Feiyong for the translation of the Chinese names of these companies to English names as they do not have official English names.

The Beijing Feiyong Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Beijing Feiyong Group.

2. BASIS OF PREPARATION AND PRESENTATION OF BEIJING FEIYONG HISTORICAL FINANCIAL INFORMATION

The Beijing Feiyong Historical Financial Information has been prepared for inclusion in the Circular of the Company in connection with the connected transactions and very substantial acquisition in relating to the acquisition of the Beijing Feiyong Group.

The Beijing Feiyong Historical Financial Information has been prepared based on the accounting policies set out in Note 4 to the Beijing Feiyong Historical Financial Information which conforms with HKFRSs and are materially consistent with those of the Company. For the purpose of preparation of the Beijing Feiyong Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The Beijing Feiyong Stub-Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Beijing Feiyong Historical Financial Information.

The Beijing Feiyong Historical Financial Information has been prepared based on the books and records maintained by the Beijing Feiyong Group. In view of the resignation of the relevant senior management and accounting staff and the Deregistration of Beijing Feiyong, the books and records of the Beijing Feiyong Group available at the material time which were retained by the Beijing Feiyong Group were not found to be of a sufficient level for audit purposes. Despite the current directors of Beijing Feiyong have taken all reasonable steps and have used their best endeavors to resolve the matter, they are unable to determine whether the books and records retained by the Beijing Feiyong Group might not be updated, complete and sufficient to establish an accurate and reliable view of the historical transactions and balances, trading and financial position and may contain errors.

Due to the limited information available as mentioned above, the current directors of Beijing Feiyong were unable to obtain sufficient documentary information regarding the completeness of books and records and the treatment of various historical transactions and balances of assets and liabilities, trading and financial position, contingent liabilities, commitments and reserves as included in the Beijing Feiyong Historical Financial Information during the Beijing Feiyong Track Record Period.

Since the Beijing Feiyong Historical Financial Information has been prepared based on the incomplete books and records available to Beijing Feiyong, the directors of Beijing Feiyong is unable to represent that all historical transactions and balances of assets and liabilities, trading and financial position, contingent liabilities, commitments and reserves entered into by the Beijing Feiyong Group for the Beijing Feiyong Track Record Period have been properly reflected in the Beijing Feiyong Historical Financial Information. As such, the current directors of Beijing Feiyong are also unable to represent as to the completeness, accuracy, existence, valuation, classification and disclosures of the Beijing Feiyong Historical Financial Information in accordance with the HKFRSs and the applicable disclosures required by the Hong Kong Companies Ordinance and by the Listing Rules.

As at 30 September 2023, Beijing Feiyong Group had a net current liabilities and a net deficiency of shareholders' equity of RMB1,068,000 and RMB1,066,000, respectively.

The current financial condition, the Deregistration and other conditions regarding the Beijing Feiyong Group described above indicate the existence of a material uncertainty which may cast significant doubt on the Beijing Feiyong 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.

Despite the above, the directors of Beijing Feiyong have reviewed the Beijing Feiyong Group's cash flow forecast prepared by management, which covers a period of at least twelve months from the date of this report. The directors of Beijing Feiyong have, at the time of this report, implemented certain measures and plans, such as to take active measures to manage its operations and to control administrative costs and thus, the directors of Beijing Feiyong have a reasonable expectation that the Beijing Feiyong Group has adequate resources to finance its operations and to meet its financial obligations as and when need and also to continue in operational existence for the foreseeable future. Accordingly, the directors of Beijing Feiyong continue to adopt the going concern basis of accounting in preparing the Beijing Feiyong Historical Financial Information.

Should Beijing Feiyong be unable to continue in business as a going concern, adjustments would have to be made in the financial information to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of such adjustments has not yet been reflected in the Beijing Feiyong Historical Financial Information.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

For the purpose of preparing the Beijing Feiyong Historical Financial Information for the Beijing Feiyong Track Record Period, the Beijing Feiyong Group has consistently adopted accounting policies which conform with the Hong Kong Accounting Standards ("HKASs"), the HKFRSs, amendments to HKFRSs and the related interpretations issued by the HKICPA that are effective for annual periods beginning on 1 January 2023 throughout the Beijing Feiyong Track Record Period.

New and amendments to HKFRSs in issue but not yet effective

The Beijing Feiyong Group has not early applied the following new and amendments to HKFRSs and interpretations 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, Statement of cash flows and HKFRS 7	Disclosures of Supplier finance arrangements ²
Amendments to HKAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability ³
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹

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 Beijing Feiyong anticipate that the application of these new and amendments to HKFRSs that have been issued but are not yet effective will have no material impact on the Beijing Feiyong Historical Financial Information in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Beijing Feiyong Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA during the Beijing Feiyong Track Record Period:

Basis of consolidation

The Beijing Feiyong Historical Financial Information incorporates the financial statements of Beijing Feiyong and entities controlled by Beijing Feiyong and its subsidiaries. Control is achieved when Beijing Feiyong:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Beijing Feiyong Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Beijing Feiyong Group obtains control over the subsidiary and ceases when the Beijing Feiyong Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Beijing Feiyong Group gains control until the date when the Beijing Feiyong Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of Beijing Feiyong and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Beijing Feiyong and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Beijing Feiyong Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Beijing Feiyong Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Beijing Feiyong Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Beijing Feiyong Group's interests in existing subsidiaries

Changes in the Beijing Feiyong Group's interests in subsidiaries that do not result in the Beijing Feiyong Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Beijing Feiyong Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Beijing Feiyong Group and the non-controlling interests according to the Beijing Feiyong Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Beijing Feiyong.

When the Beijing Feiyong Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of Beijing Feiyong. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Beijing Feiyong Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

Revenue from contracts with customers

The Beijing Feiyong Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Beijing Feiyong Group's performance as the Beijing Feiyong Group performs;
- the Beijing Feiyong Group's performance creates or enhances an asset that the customer controls as the Beijing Feiyong Group performs; or
- the Beijing Feiyong Group's performance does not create an asset with an alternative use to the Beijing Feiyong Group and the Beijing Feiyong Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Beijing Feiyong Group's right to consideration in exchange for goods or services that the Beijing Feiyong Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments. In contrast, a receivable represents the Beijing Feiyong Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Beijing Feiyong Group's obligation to transfer goods or services to a customer for which the Beijing Feiyong Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Beijing Feiyong Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Beijing Feiyong Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Beijing Feiyong Group is an agent).

The Beijing Feiyong Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Beijing Feiyong Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Beijing Feiyong Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Beijing Feiyong Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue for trading of mobile phones and related accessories

Revenue for trading of mobile phones and related accessories generally includes only one performance obligation. The Beijing Feiyong Group has concluded that revenue from trading of mobile phones should be recognised at the point in time when control of the products is transferred to the customer, generally when the products are delivered to and the risks of obsolescence and loss have been transferred to customer.

Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Beijing Feiyong Historical Financial Information, the assets and liabilities of the Beijing Feiyong Group's operations are translated into the presentation currency of the Beijing Feiyong Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Beijing Feiyong Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Beijing Feiyong are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Beijing Feiyong Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Beijing Feiyong Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Beijing Feiyong Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Beijing Feiyong Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Beijing Feiyong Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Beijing Feiyong Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are recognised as other revenue, rather than reducing the related expenses.

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and other PRC state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Beijing Feiyong Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Beijing Feiyong Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Beijing Feiyong Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Beijing Feiyong Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Beijing Feiyong Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Plant and equipment

Plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Beijing Feiyong Group 's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Construction in progress represents plant and equipment under construction or pending installation and is stated at cost less any impairment losses. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. Construction in progress is classified to the appropriate category of plant and equipment when completed and ready for use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The items of plant and equipment are depreciated on a straight-line basis at the following useful lives after taking into account the residual value:

Furniture, fixtures and equipment 20% — 33%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on plant and equipment

At the end of the reporting period, the Beijing Feiyong Group reviews the carrying amounts of its plant and equipment with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, the Beijing Feiyong Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Beijing Feiyong Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Beijing Feiyong Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Beijing Feiyong Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Beijing Feiyong Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Beijing Feiyong Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Beijing Feiyong Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Beijing Feiyong Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Beijing Feiyong Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, amounts due from non-controlling shareholders of subsidiaries and cash and cash equivalents which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Assessments are done based on the Beijing Feiyong Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Beijing Feiyong Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Beijing Feiyong Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Beijing Feiyong Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Beijing Feiyong Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Beijing Feiyong Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Beijing Feiyong Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Beijing Feiyong Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Beijing Feiyong Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Beijing Feiyong Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Beijing Feiyong Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Beijing Feiyong Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Beijing Feiyong Group, in full (without taking into account any collaterals held by the Beijing Feiyong Group).

Irrespective of the above, the Beijing Feiyong Group considers that default has occurred when a financial asset is more than 180 days past due unless the Beijing Feiyong Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Beijing Feiyong Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Beijing Feiyong Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Beijing Feiyong Group in accordance with the contract and the cash flows that the Beijing Feiyong Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Beijing Feiyong Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Beijing Feiyong Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Beijing Feiyong are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Beijing Feiyong Group derecognises financial liabilities when, and only when, the Beijing Feiyong Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties

- (a) A person or a close member of that person's family is related to the Beijing Feiyong Group if that person:
 - (i) has control or joint control over the Beijing Feiyong Group;
 - (ii) has significant influence over the Beijing Feiyong Group; or
 - (iii) is a member of key management personnel of the Beijing Feiyong Group or Beijing Feiyong's parent.
- (b) An entity is related to the Beijing Feiyong Group if any of the following conditions apply:
 - (i) The entity and the Beijing Feiyong Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Beijing Feiyong Group or an entity related to the Beijing Feiyong Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Beijing Feiyong Group or to the Beijing Feiyong Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Beijing Feiyong Group's accounting policies, which are described in note 4, the directors of Beijing Feiyong are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of Beijing Feiyong have made in the process of applying the Beijing Feiyong Group's accounting policies and that have the most significant effect on the amounts recognised in the Beijing Feiyong Historical Financial Information.

Going concern consideration

As explained in Note 2 to the Beijing Feiyong Historical Financial Information, the Beijing Feiyong Historical Financial Information has been prepared on a going concern basis and have not included any adjustments that would be required should the Beijing Feiyong Group fail to continue as a going concern since the directors of Beijing Feiyong are satisfied that the liquidity of the Beijing Feiyong Group can be maintained in the coming year after taking into the considerations as detailed in Note 2 to the Beijing Feiyong Historical Financial Information. The directors of Beijing Feiyong also believe that the Beijing Feiyong Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for a period of at least the next twelve months from the date of this report.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(i) Provision for expected credit loss of trade and other receivables

The Beijing Feiyong Group's management determines the provision for expected credit loss of trade and other receivables based on the expected credit losses which uses a lifetime expected loss allowance. The loss allowances are based on assumptions about risk of default and expected loss rates. The Beijing Feiyong Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Beijing Feiyong Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(ii) Income taxes and deferred income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Disaggregation of revenue from contracts with customers by the Beijing Feiyang Group during the Beijing Feiyang Track Record Period

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from contracts with customers:					
— Trading in second-hand mobile phones and provision of marketing services	2,038	—	—	—	—
Timing of revenue recognition					
— Recognised at a point of time	2,038	—	—	—	—

(b) Segment information

The board of directors of Beijing Feiyang has been identified as the chief operating decision-maker. For the purposes of resources allocation and performance assessment, the chief operating decision-maker reviews the overall results and financial position of the Beijing Feiyang Group as a whole prepared based on same accounting policies set out in Note 4. The Beijing Feiyang Group's operations are principally engaged in the business of trading in second-hand mobile phones and provision of marketing services in PRC during the Beijing Feiyang Track Record Period. Accordingly, the directors of Beijing Feiyang Group consider there to be only one single operating segment under the requirements of HKFRS 8 "Segment Information". In this regard, no further analysis of this single segment information is presented.

Geographical information

No geographical segment information is presented as the Beijing Feiyang Group's operation is mainly in the PRC and all its non-current assets are situated in the PRC.

All of the Beijing Feiyang Group's revenue from external customers is attributable to the group entities' place of domicile (i.e., the PRC).

Unsatisfied performance obligations

During the Beijing Feiyong Track Record Period, all performance obligations not yet satisfied by the Beijing Feiyong Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under IFRS 15 “*Revenue from Contracts with Customers*”, the transaction price allocated to these unsatisfied performance obligations was not disclosed.

Information about major customers

Revenue from customers during the Beijing Feiyong Track Record Period contributing for 10% or more of the total revenue of the Beijing Feiyong Group are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Customer A	713	— ¹	— ¹	— ¹	— ¹
Customer B	305	— ¹	— ¹	— ¹	— ¹
Customer C	244	— ¹	— ¹	— ¹	— ¹
Customer D	203	— ¹	— ¹	— ¹	— ¹

¹ No revenue was generated from this customer for the relevant year/period.

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other income					
Bank interest income	—	—	—	—	—
Other gains and losses, net					
Others	110	—	9	—	7
	<u>110</u>	<u>—</u>	<u>9</u>	<u>—</u>	<u>7</u>

8. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Finance costs:					
Interest on bank and other borrowings	220	—	—	—	—
Other finance charges	8	100	—	—	—
	<u>228</u>	<u>100</u>	<u>—</u>	<u>—</u>	<u>—</u>

9. LOSS BEFORE INCOME TAX

Loss before income tax for the Beijing Feiyong Track Record Period has been arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Staff costs (including directors' remuneration)					
Salaries and other benefits	786	—	—	—	—
Performance bonus	—	—	—	—	—
Retirement benefits scheme contribution	—	—	—	—	—
	<u>786</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Auditors' remuneration	—*	—*	—*	—*	—*
Depreciation of property, plant and equipment	23	—	—	—	—

* The auditors' remuneration were borne by the shareholders of Beijing Feiyong during the Beijing Feiyong Track Record Period.

10. INCOME TAX EXPENSE

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

No PRC EIT has been provided for the year/period ended 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 as there was no assessable profits incurred by the Beijing Feiyong Group's subsidiaries established in PRC for the year/period.

No deferred tax assets or liabilities has been recognised in the Beijing Feiyong Historical Financial Information as Beijing Feiyong did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
<i>For the year ended 31 December 2020</i>					
Executive directors					
劉小鷹 (Lau Siu Ying)	—	—	—	—	—
高飛 (Gao Fei)	—	—	—	—	—
鮑康榮 (Bao Kangrong)	—	—	—	—	—
胡兵 (Hu Bing)	—	—	—	—	—
郭紅偉 (Guo Hongwei)	—	—	—	—	—
Supervisor					
張亞君 (Zhang Yajun)	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
<i>For the year ended 31 December 2021</i>					
Executive directors					
劉小鷹 (Lau Siu Ying)	—	—	—	—	—
高飛 (Gao Fei)	—	—	—	—	—
鮑康榮 (Bao Kangrong)	—	—	—	—	—
胡兵 (Hu Bing)	—	—	—	—	—
郭紅偉 (Guo Hongwei)	—	—	—	—	—
Supervisor					
張亞君 (Zhang Yajun)	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
<i>For the year ended 31 December 2022</i>					
Executive directors					
劉小鷹 (Lau Siu Ying)	—	—	—	—	—
高飛 (Gao Fei)	—	—	—	—	—
鮑康榮 (Bao Kangrong)	—	—	—	—	—
胡兵 (Hu Bing)	—	—	—	—	—
郭紅偉 (Guo Hongwei)	—	—	—	—	—
Supervisor					
張亞君 (Zhang Yajun)	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
<i>For the nine months ended 30 September 2022</i>					
Executive directors					
劉小鷹 (Lau Siu Ying)	—	—	—	—	—
高飛 (Gao Fei)	—	—	—	—	—
鮑康榮 (Bao Kangrong)	—	—	—	—	—
胡兵 (Hu Bing)	—	—	—	—	—
郭紅偉 (Guo Hongwei)	—	—	—	—	—
Supervisor					
張亞君 (Zhang Yajun)	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<i>For the nine months ended 30 September 2023 (unaudited)</i>					
Executive directors					
劉小鷹 (Lau Siu Ying)	—	—	—	—	—
高飛 (Gao Fei)	—	—	—	—	—
鮑康榮 (Bao Kangrong)	—	—	—	—	—
胡兵 (Hu Bing)	—	—	—	—	—
郭紅偉 (Guo Hongwei)	—	—	—	—	—
Supervisor					
張亞君 (Zhang Yajun)	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the Beijing Feiyong Track Record Period, no remuneration was paid by the Beijing Feiyong Group to any directors or supervisors of Beijing Feiyong as an inducement to join or upon joining the Beijing Feiyong Group or as compensation for loss of office. None of the directors or supervisors of Beijing Feiyong has waived any remuneration during the Beijing Feiyong Track Record Period.

(b) Five highest paid employees

The five highest paid employees of the Beijing Feiyong Group included one, one, one, one and two directors during the year ended 31 December 2020, 31 December 2021, 31 December 2022 and the nine months ended 30 September 2022 (unaudited) and 30 September 2023, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining highest paid employees during the Beijing Feiyong Track Record Period, who were neither a director nor supervisor of Beijing Feiyong are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other benefits	786	—	—	—	—
Performance bonus	—	—	—	—	—
Retirement benefits scheme contribution	—	—	—	—	—
	<u>786</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the Beijing Feiyong Track Record Period, no emoluments were paid by the Beijing Feiyong Group to the directors or supervisors or the five highest paid individuals of Beijing Feiyong as an inducement to join or upon joining the Beijing Feiyong Group or as compensation for loss of office.

The remunerations of each of the highest paid employees who are neither directors nor chief executive officer are all within RMB1,000,000.

12. DIVIDEND

No dividend has been paid or proposed by Beijing Feiyong or companies comprising the Beijing Feiyong Group during the Beijing Feiyong Track Record Period.

13. PROPERTY, PLANT AND EQUIPMENT

	The Beijing Feiyang Group and Beijing Feiyang Plant and machinery <i>RMB'000</i>
Cost	
At 1 January 2020	131
Disposals	<u>(117)</u>
At 31 December 2020	14
Disposals	<u>(12)</u>
At 31 December 2021 and 31 December 2022	<u>2</u>
At 30 September 2023	<u>2</u>
Accumulated depreciation and impairment	
At 1 January 2020	76
Provided for the year	23
Eliminated on disposals	<u>(89)</u>
At 31 December 2021	10
Eliminated on disposals	<u>(10)</u>
At 31 December 2022	—
At 30 September 2023	<u>—</u>
Carrying amounts	
At 31 December 2020	<u><u>4</u></u>
At 31 December 2021	<u><u>2</u></u>
At 31 December 2022	<u><u>2</u></u>
At 30 September 2023	<u><u>2</u></u>

14. INVENTORIES

The Beijing Feiyong Group and Beijing Feiyong

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Finished goods	<u>578</u>	<u>578</u>	<u>578</u>	<u>578</u>

15. TRADE AND OTHER RECEIVABLES

The Beijing Feiyong Group

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade receivables	127	127	127	127
Other receivables	<u>10,909</u>	<u>10,360</u>	<u>10,360</u>	<u>10,360</u>
	<u>11,036</u>	<u>10,487</u>	<u>10,487</u>	<u>10,487</u>

Beijing Feiyong

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade receivables	33	33	33	33
Other receivables	<u>24,225</u>	<u>23,842</u>	<u>23,842</u>	<u>23,842</u>
	<u>24,258</u>	<u>23,875</u>	<u>23,875</u>	<u>23,875</u>

An ageing analysis of the Beijing Feiyong Group's trade receivables at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 1 year	—	—	—	—
1 to 2 years	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>
	<u>127</u>	<u>127</u>	<u>127</u>	<u>127</u>

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, the Beijing Feiyong Group does not hold any collateral over its trade debts.

The carrying amounts of trade receivables approximately their fair values and all were dominated in RMB at the end of each reporting period during the Beijing Feiyong Track Record Period.

16. CASH AND CASH EQUIVALENTS

Beijing Feiyong Group

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
Cash and bank balances	<u>197</u>	<u>678</u>	<u>192</u>	<u>192</u>

Beijing Feiyong

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
Cash and bank balances	<u>110</u>	<u>595</u>	<u>109</u>	<u>109</u>

The Beijing Feiyong Group's cash and bank balances was denominated in RMB. The cash and cash equivalents denominated in RMB are mainly deposited with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

During the Beijing Feiyong Track Record Period, bank balances carry interest at market rates which range from 0.001% to 0.52% as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, respectively. There is no restricted bank balance as at 31 December 2020, 2021 and 2022 and 30 September 2023.

17. TRADE AND OTHER PAYABLES

The Beijing Feiyong Group

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
Trade payables	1,509	1,509	1,509	1,509
Other payables and accruals	<u>13,327</u>	<u>13,160</u>	<u>12,670</u>	<u>12,670</u>
	<u>14,836</u>	<u>14,669</u>	<u>14,179</u>	<u>14,179</u>

Beijing Feiyong

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade payables	1,077	1,077	1,077	1,077
Other payables and accruals	<u>7,297</u>	<u>7,297</u>	<u>6,807</u>	<u>6,807</u>
	<u>8,374</u>	<u>8,374</u>	<u>7,884</u>	<u>7,884</u>

An ageing analysis of the Beijing Feiyong Group's trade payables at the end of each reporting period during the Beijing Feiyong Track Record Period, based on the transaction date were as follows:

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 1 year	1,506	—	—	—
Between 1 year and 2 years	3	1,509	—	—
Between 2 years and 3 years	—	—	1,509	1,509
Over 3 years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,509</u>	<u>1,508</u>	<u>1,509</u>	<u>1,509</u>

The trade and other payables are non-interest-bearing and are normally settled within one to six months.

The carrying amounts of trade and other payables approximated their fair values as at the end of each reporting period during the Beijing Feiyong Track Record Period.

18. SHARE CAPITAL

RMB'000

Registered capital

Balance as at 31 December 2020, 1 January 2021 and 31 December 2021, 1 January 2022
and 31 December 2022, and 30 September 2023

11,412

There were no movement of the registered capital of Beijing Feiyong during the Beijing Feiyong Track Record Period.

19. RESERVES

Reserves of Beijing Feiyong

	Share Premium <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
Balance as at 1 January 2020	21,538	(32,265)	(10,727)
Loss and total comprehensive expense for the year	<u>—</u>	<u>(1,618)</u>	<u>(1,618)</u>
Balance as at 31 December 2020 and 1 January 2021	21,538	(33,883)	(12,345)
Loss and total comprehensive expense for the year	<u>—</u>	<u>(137)</u>	<u>(137)</u>
Balance as at 31 December 2021 and 1 January 2022	21,538	(34,020)	(12,482)
Profit and total comprehensive expense for the year	<u>—</u>	<u>4</u>	<u>4</u>
Balance as at 31 December 2022 and 1 January 2023	21,538	(34,016)	(12,478)
Profit and total comprehensive expense for the period	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 30 September 2023	<u><u>21,538</u></u>	<u><u>(34,016)</u></u>	<u><u>(12,478)</u></u>

20. CAPITAL RISK MANAGEMENT

The Beijing Feiyong Group's objective of managing capital is to safeguard the Beijing Feiyong Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The directors of Beijing Feiyong consider that the capital structure of the Beijing Feiyong Group mainly equity attributable to owners of Beijing Feiyong, comprising issued registered capital and reserves.

The directors of Beijing Feiyong review the capital structure periodically. As part of their review, the directors of Beijing Feiyong consider the cost of capital and the risks associates thereto.

Based on recommendations of the directors of Beijing Feiyong, the of Beijing Feiyong Group will maintain its overall capital structure through the payment of dividends, new share issues as well as issue of new debt or the redemption of existing debt.

The Beijing Feiyong Group's overall strategy remains unchanged from prior years.

21. FINANCIAL INSTRUMENTS

Financial instruments by category

	As at 31 December			As at
	2020	2021	2022	30 September
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Financial assets at amortised costs				
Trade and other receivables	11,036	10,487	10,487	10,487
Cash and cash equivalents	<u>197</u>	<u>678</u>	<u>192</u>	<u>192</u>
Total financial assets	<u>11,233</u>	<u>11,165</u>	<u>10,679</u>	<u>10,679</u>
Financial liabilities at amortised costs				
Trade and other payables	<u>14,836</u>	<u>14,669</u>	<u>14,179</u>	<u>14,179</u>
Total financial liabilities	<u>14,836</u>	<u>14,669</u>	<u>14,179</u>	<u>14,179</u>

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

HKFRS 13 requires disclosures for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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 for the asset or liability that are not based on observable market data.

The directors of Beijing Feiyong consider that the carrying amounts of the Beijing Feiyong Group's financial assets and financial liabilities approximate their fair values.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Beijing Feiyong Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Beijing Feiyong Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Beijing Feiyong Group's financial performance.

The Beijing Feiyong Group's financial instruments are summarised in Note 21 to the Beijing Feiyong Historical Financial Information. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The management of the Beijing Feiyong Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Financial risk factors**(a) Market risk****(i) Foreign exchange risk**

The Beijing Feiyong Group mainly operates in the PRC with functional currency as RMB.

The Beijing Feiyong Group and Beijing Feiyong has no significant exposure to currency risk as substantially all of the Beijing Feiyong Group's transactions are denominated in RMB.

(ii) Cash flow and fair value interest rate risk

The Beijing Feiyong Group is exposed to cash flow interest rate risk in relation to floating-rate bank balances (Note 16 Beijing Feiyong Historical Financial Information). The Beijing Feiyong Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The management considered that the Beijing Feiyong Group's exposure to the interest rate risk on financial assets is not significant due to short-term maturities. Accordingly, no sensitivity analysis is presented.

(b) Credit risk

The Beijing Feiyong Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables and other receivables. The carrying amounts of cash and cash equivalents, trade and other receivables represent the Beijing Feiyong Group's maximum exposure to credit risk in relation to financial assets.

Credit risk on trade debtors is managed by the management of the individual business units and monitored by the Beijing Feiyong Group's management on a group basis. Management assesses the credit quality of smaller customers by considering their financial position, past experience therewith and other relevant factors. The utilisation of credit limits is regularly monitored.

(i) Credit risk of cash and cash equivalents

To manage this risk arising from bank balances, the Beijing Feiyong Group primarily transacts with reputable banks which are all high-credit-quality financial institutions. There has no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade and other receivables

The Beijing Feiyong Group has trade and bills receivables for provision of services or sales of goods subject to the expected credit loss model on adoption of IFRS 9.

The Beijing Feiyong Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Management assessed the impairment of trade receivables based on expected credit losses methodology. The impairment of individually significant trade receivables and contract assets were assessed on an individual basis based on management's estimates of the discounted future cash flows. Individual insignificant trade receivables and contract assets balances were grouped based on their credit risk characteristics for overall evaluation. The collective impairment provision was determined by management based on historical loss experience, taking into considerations of forward-looking macroeconomic data, industry risk and other circumstances.

To measure the expected credit losses, trade and other receivables have been grouped based on their credit risk characteristics for overall evaluation.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before the end of reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Beijing Feiyong Group has identified the CPI and GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the Beijing Feiyong Group had trade and other receivables amounting to approximately RMB26,225,000, RMB25,675,000, RMB25,675,000 and RMB25,675,000, respectively and provisions for impairment of approximately Nil, Nil, Nil and Nil were recognised on the trade and bills receivables, respectively.

On that basis, the loss allowance as at 31 December 2020, 2021 and 2022 and 30 September 2023 was determined as follows for trade and bills receivables:

	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>	Net amount <i>RMB'000</i>
Balance as at 31 December 2020			
Within 1 year	—	—	—
1 to 2 years	<u>127</u>	<u>—</u>	<u>127</u>
Total	<u><u>127</u></u>	<u><u>—</u></u>	<u><u>127</u></u>
Balance as at 31 December 2021			
Within 1 year	—	—	—
1 to 2 years	<u>127</u>	<u>—</u>	<u>127</u>
Total	<u><u>127</u></u>	<u><u>—</u></u>	<u><u>127</u></u>
Balance as at 31 December 2022			
Within 1 year	—	—	—
1 to 2 years	<u>127</u>	<u>—</u>	<u>127</u>
Total	<u><u>127</u></u>	<u><u>—</u></u>	<u><u>127</u></u>
Balance as at 30 September 2023			
Within 1 year	—	—	—
1 to 2 years	<u>127</u>	<u>—</u>	<u>127</u>
Total	<u><u>127</u></u>	<u><u>—</u></u>	<u><u>127</u></u>

Beijing Feiyong has no concentration of credit risk on the trade receivables as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 (2019: included a major counterparty accounting for 100%) of the trade receivables from these counterparties and taken effective measures to ensure timely collection of outstanding balances. Beijing Feiyong has not obtained collateral from customers.

(c) Liquidity risk

Despite uncertainties mentioned in Note 2 to the Beijing Feiyong Historical Financial Information, the directors of Beijing Feiyong are of the opinion that the Beijing Feiyong Group will have sufficient working capital to meet its cash flow requirements in the next twelve months. The directors of Beijing Feiyong are satisfied that it is appropriate to prepare the Beijing Feiyong Historical Financial Information on a going concern basis.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and the availability of funding through an adequate amount of committed credit facilities. The Beijing Feiyong Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Beijing Feiyong Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Beijing Feiyong Group's financial liabilities into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	1 to 2 years	Over 3 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2020				
Trade and other payables	<u>1,506</u>	<u>3</u>	<u>—</u>	<u>1,509</u>
As at 31 December 2021				
Trade and other payables	<u>—</u>	<u>1,509</u>	<u>—</u>	<u>1,509</u>
As at 31 December 2022				
Trade and other payables	<u>—</u>	<u>1,509</u>	<u>—</u>	<u>1,509</u>
As at 30 September 2023				
Trade and other payables	<u>—</u>	<u>1,509</u>	<u>—</u>	<u>1,509</u>

23. RETIREMENT BENEFIT SCHEME

The employees of the Beijing Feiyong Group are members of a state-managed retirement benefits scheme operated by the PRC Government. The Beijing Feiyong Group is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Beijing Feiyong Group with respect to the retirement benefits scheme is to make the specified contributions.

Details of the Beijing Feiyong Group's retirement benefit scheme contributions are set out in Note 9 to the Beijing Feiyong Historical Financial Information. No forfeited contributions have been used to reduce the level of contributions during the Beijing Feiyong Track Record Period.

24. RELATED PARTIES TRANSACTIONS**(a) Significant transactions and balances with related parties**

Other than as disclosed elsewhere in the Beijing Feiyong Historical Financial Information, the Beijing Feiyong Group did not have any significant transactions and balances with related parties:

(b) Key management compensation

Details of the remuneration paid or payable to the key management personnels during the Beijing Feiyong Track Record Period are set out in Note 11 “Directors’ and chief executive’s emoluments and five highest paid employees” to the Beijing Feiyong Historical Financial Information.

25. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF BEIJING FEIYING

Details of the principal subsidiaries directly and indirectly held by Beijing Feiyong are set out below:

Name of subsidiary	Place of incorporation/ registration and business	Registered capital	Equity interest attributable to owners of Beijing Feiyong				At the date of this report	Principal activities
			As at 31 December			As at 30		
			2020	2021	2022	September 2023		
			%	%	%	%	%	
浙江長遠飛鷹科技有限公司 (Zhejiang Changyuan Feiyong Technology Co., Ltd.) (Note (1) below)	The PRC	RMB 20,000,000	100	100	100	—	—	Scientific research and technical services industry
江蘇飛鷹暢遊資訊有限公司 (Jiangsu Feiyong Changyou Information Co., Ltd.)	The PRC	RMB 20,000,000	100	100	100	100	100	Scientific research and technical services industry
北京百菲德科技有限公司 (Beijing Baifeide Technology Co., Ltd.)	The PRC	RMB 20,000,000	100	100	100	100	100	Scientific research and technical services industry
浙江紅炎科技有限公司 (Zhejiang Hongyan Technology Co., Ltd.) (Note (2) below)	The PRC	RMB 10,000,000	100	100	100	—	—	Scientific research and technical services industry

Notes:

1. The company has completed its deregistration on 19 December 2022.
2. The company has completed its deregistration on 4 January 2023.

26. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements of the Beijing Feiyong Group, Beijing Feiyong or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2023 and up to the date of this report.

27. EVENT AFTER THE REPORTING PERIOD

There are no significant subsequent events subsequent to 30 September 2023.

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, as extracted from the relevant sections in the annual reports of the Company for each of the three years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023 respectively. The extracted information below were prepared prior to the Latest Practicable Date and represents the opinions and beliefs made by the then Directors at such time when the relevant reports were issued.

FOR THE YEAR ENDED 31 DECEMBER 2020

Business Review

In 2020, the international political and economic environment was complicated and changeable, the outbreak and spread of the COVID-19 epidemic brought unprecedented impact upon global economic and social activities, the pandemic also struck a heavy blow to the production and operation of various industries, as well as to the global economy. Benefiting from the effective pandemic prevention and control policies of the government of PRC, the pandemic had been well controlled in PRC, and the PRC's economy had gradually come out of the trough with unchanged long-term economic favorable fundamentals.

Looking back to 2020, the global economy has been in deep recession. Apart from COVID-19 epidemic, the economy of PRC was also suffered from international trade plunged and financial market fluctuated. The mobile phone market in PRC was undoubtedly been hit hard, fortunately, the government of PRC responded appropriately with prompt timely prevention and control measures and quickly brought the pandemic under control. During 2020, the sales of consumer products market gradually picked up in the second half of the year. However, due to the suspension of production and operation and lockdown measures across the nation in respond to the pandemic during the plum rain season in the first half of the year and the lagged recovery of prices and sales, the revenue still showed a decrease as compared to 2019.

Customer's focus is expected to shift gradually from the functionality of mobile phone to the shopping experience and, in this regard, the large mobile telecommunication chain stores have advantages under the high internal consumption. In order to diversify the business of the Group, we have been actively looking for opportunities which will further enhance the shareholders' value. Since we have been in the mobile phone industry for decades, and the potential for mobile phone related business development is surely enormous and sustainable. The Group will continue to strengthen its major business area including big data, mobile phone operating system and mobile internet.

Financial Review

Revenue

For the year ended 31 December 2020, the Group recorded total revenue of HK\$80.9 million, which was approximately HK\$27.6 million or 25.4% lower than the revenue of HK\$108.5 million reported in 2019. The decrease in Group's revenue was mainly due to the decrease in revenue from mobile phone trading business in PRC.

The Group's revenue was derived from mobile phone trading business in PRC and promotion of the mobile application to consumers in current year while revenue was entirely derived from mobile phone trading business in PRC in previous year.

During the year ended 31 December 2020, revenue contribution from promotion of the mobile application to consumers was HK\$1.2 million, representing 1.5% of the total revenue of the Group, whereas mobile phone trading business contributed HK\$79.7 million or 98.5% of the total revenue of the Group. For the mobile phone trading business, revenue contribution from Shanghai, Hong Kong and Zhejiang was HK\$66.6 million, HK\$9.2 million and HK\$3.9 million respectively, representing 82.3%, 11.4% and 4.8% of the total revenue of the Group.

The decrease in revenue was due to the outbreak of the COVID-19 in early 2020, it has been intensifying and spread across the PRC and have an adverse impact on wholesale and retail of mobile phone markets. The COVID-19 outbreak results global economic slowdown and sluggish consumer spending resulted in slower sales in 2020. Besides, PRC'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 2020.

Gross profit and gross profit margin

The Group's gross profit decreased by 61.3%, from HK\$1.0 million for the year ended 31 December 2019 to HK\$0.4 million for the year ended 31 December 2020. The decrease of gross profit was due to the scaled back in Group's performance on mobile phone trading business and promotion of the mobile application to consumers business in 2020.

Due to outbreak of COVID-19 which resulted PRC's consumers pulling back on spending and the keen competition in the mobile phone retail market, the Group's gross profit margin was decreased from 0.9% for the year ended 31 December 2019 to 0.5% for the year ended 31 December 2020. Such decrease was due to the increased bargaining power from telecommunications chain stores and mobile carriers which purchasing mobile phone and underperformance of promotion of the mobile application to consumers business which led to a lower gross profit margin.

Other income

Other income was approximately HK\$0.8 million for the year ended 31 December 2020, representing an increase of HK\$0.3 million or 56.1% when compared to approximately HK\$0.5 million for the year ended 31 December 2019. The increase was mainly due to increase of interest income and other miscellaneous income.

Other gains and losses

The Group had a net gain of HK\$11.0 million for the year ended 31 December 2020. For the year ended 31 December 2020, the net gain mainly consisted of gain on deemed disposal of subsidiaries of HK\$6.3 million, gain on disposal of subsidiaries of HK\$3.1 million, write back of business tax payables upon deregistration of a subsidiary of HK\$0.9 million and recovery of impairment loss on trade and other receivables of HK\$1.2 million. The turnaround from net loss to net gain in current year was mainly due to an impairment loss recognised in respect of plant and equipment of HK\$5.2 million, impairment loss on goodwill of HK\$6.0 million were recognised in 2019, while no such loss was recognised in 2020.

Selling and distribution costs

Selling and distribution costs were approximately HK\$0.3 million for the year ended 31 December 2020, significant increase when compared to HK\$20 thousand for the year ended 31 December 2019. The increase was mainly due to the increase in salaries and allowances and transportation expenses during the current year.

Administrative expenses

The Group's administrative expenses decreased by 10.3% to HK\$15.5 million for the year ended 31 December 2020 when compared to last year of HK\$17.3 million, which was mainly attributable to the decrease in depreciation and rental expenses.

Finance costs

During the year ended 31 December 2020, finance costs amounted to HK\$1.2 million, while HK\$0.6 million of finance costs was recorded during the year ended 31 December 2019. The increase of finance costs was due to the imputed interest on loan from a related party, interest on bank borrowing wholly repayable within one year and interest on lease liabilities in current year.

Income tax (credit)/expense

As set out in Note 12 to the consolidated financial statements, income tax credit amounted to HK\$4.5 million for the year ended 31 December 2020, as compared to income tax expense of HK\$35 thousand in 2019. The turnaround of tax expense to tax credit in current year was mainly due to the release of provisional tax liabilities upon deregistration of a subsidiary of HK\$4.6 million.

Profit/(loss) for the year attributable to owners of the Company

As a result of the factors set out above, the Group's profit for the year attributable to owners of the Company amounted to HK\$0.2 million for the year ended 31 December 2020, as compared to loss for the year attributable to owners of the Company of HK\$26.1 million in 2019.

Earnings/(loss) per share

The basic earnings per share was HK\$0.23 cents in current year as compared to the basic loss per share of HK\$26.98 cents (Restated) in 2019.

Financial assets at fair value through profit or loss

As at 31 December 2020, the Group held various unlisted equity investments and unlisted fund investment engaged in developing mobile devices and operating system, manufacturing, distribution of mobile devices and property development in different jurisdictions.

Inventories

No inventory was recognised as at 31 December 2020. The Group will continue to apply strict policy in inventory control in the future.

Trade and other receivables

Trade and other receivables of the Group decreased by 80.1% from approximately HK\$16.5 million as at 31 December 2019 to approximately HK\$3.3 million as at 31 December 2020, primarily due to settlement of trade receivables and other receivables.

Cash and cash equivalents

The total cash and cash equivalents amounted to HK\$30.1 million as at 31 December 2020 as compared to HK\$18.2 million as at 31 December 2019, without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation. During the 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 Renminbi in the PRC. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

Trade and other payables

The trade and other payables of the Group decreased by 28.2% from approximately HK\$30.7 million as at 31 December 2019 to approximately HK\$22.0 million as at 31 December 2020, mainly due to decreased in accrued salaries, prepayments from customers and other payables to third parties along with its business.

Bank borrowing

No bank borrowing was recorded as at 31 December 2020, while bank borrowing amounted to HK\$4.5 million as at 31 December 2019.

Liquidity and gearing ratio

The net asset value of the Group attributable to owners of the Company as at 31 December 2020 amounted to HK\$16.8 million or HK\$0.17 per share when compared to HK\$14.0 million or HK\$0.14 per share (restated due to the number of ordinary shares has been adjusted for the share consolidation under capital reorganisation and the rights issue completed in 2021) as at 31 December 2019. As at 31 December 2020, the Group had net current liabilities of approximately HK\$1.9 million when compared to net current liabilities of HK\$6.9 million as at 31 December 2019. As at 31 December 2020, the Group had a current ratio of 0.95 times (31 December 2019: 0.90 times). The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 1.70 and 1.32 as at 31 December 2020 and 2019.

Capital commitments

As at 31 December 2020, the Group did not have any capital expenditure contracted for but not provided in the consolidated financial statements in respect of leasehold improvements.

Contingent liabilities

As at 31 December 2020, the Group did not have any contingent liabilities or guarantees.

Final Dividend

The Board do not recommend the payment of any dividend in respect of the year.

*Material acquisitions and disposals of subsidiaries or associates***The Corporate Action, the Acting-In-Concert and the deconsolidation**

Shanghai Yuanjia, an indirect wholly-owned subsidiary of the Company, and Other Beijing Feiyong Shareholders started contemplating on implementing change in control of the board of Beijing Feiyong in March 2019. Pursuant to the change in control of the board of Beijing Feiyong which became effective on 27 December 2019, the board of directors of Beijing Feiyong shall comprise five members, of which two had been appointed by Shanghai Yuanjia, Mr. Gao has undertaken to vote in concert with Shanghai Yuanjia by virtue of a signed Acting-in-Concert Agreement entered into between Shanghai Yuanjia and Mr. Gao, and two which had been appointed by the Other Beijing Feiyong Shareholders. As a result of the change in control of the board of Beijing Feiyong, Shanghai Yuanjia shall be able to control the respective board of directors of Beijing Feiyong. As such, Beijing Feiyong shall be accounted for as a subsidiary of the Company. No consideration has been paid or is payable by the Company for the change in control of the board of Beijing Feiyong and there has not been any changes to the respective equity interest held by Shanghai Yuanjia and the Other Beijing Feiyong Shareholders. The change in control of the board of Beijing Feiyong were agreed between Shanghai Yuanjia and Mr. Gao after arm's length negotiations and allow the Group to step up its participation in the operations and strengthen the corporate governance of Beijing Feiyong.

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

On 1 September 2020, Shanghai Yuanjia and Mr. Gao has resolved to terminate the Acting-in-Concert Agreement entered into between Shanghai Yuanjia and Mr. Gao. The decision was made after careful decision by the Board in consideration of (i) the uncertainty of the renewal of a new agreement between Beijing Feiyong and Tencent after the expiration of the last agreement as disclosed in the announcement of the Company dated 10 June 2020; and (ii) the uncertain prospects of Beijing Feiyong after the expiration of the agreement with Tencent. Furthermore, upon termination of the Acting-in-Concert Agreement with Mr. Gao and the resignation of Mr. Bao as the non-executive Director of the Company, Shanghai Yuanjia no longer has control of the Board of Beijing Feiyong. As such, Beijing Feiyong can no longer be accounted for as a subsidiary of the Company and will account for it as an associate of the Company.

Beijing Feiying has been reclassified as an associate of the Group's consolidated accounts from 1 September 2020 onwards. Beijing Feiying did not record significant revenue for the year ended 31 December 2020 and the deconsolidation will not have material impact on the net financial position of the Group as both the assets and liabilities of Beijing Feiying will be deconsolidated from the Group's financial statements simultaneously.

Disposal of Chongqing Yuanjia Communication Equipment Company Limited (“Chongqing Yuanjia”)

On 29 September 2020, Shanghai Yuanjia, an indirect wholly owned subsidiary of the Company, entered into the Agreement with Guangzhou Wanchuang Electronics Co., Ltd. (“**Guangzhou Wanchuang**”), pursuant to which Shanghai Yuanjia has agreed to sell and Guangzhou Wanchuang has agreed to acquire the 51.0% of the share capital of Chongqing Yuanjia for a total consideration of approximately RMB5.8 million (equivalent to approximately HK\$6.5 million).

As Guangzhou Wanchuang have agreed to waive the balance of approximately RMB2.6 million (equivalent to approximately HK\$2.8 million) owed by Shanghai Yuanjia to Chongqing Yuanjia, the Group have record gain on disposal of subsidiaries of approximately HK\$3.1 million.

FOR THE YEAR ENDED 31 DECEMBER 2021

Business Overview

In 2021, the international political and economic environment was complicated and changeable, the continuing outbreak and spread of the COVID-19 epidemic brought unprecedented impact upon global economic and social activities, the pandemic also struck a heavy blow to the production and operation of various industries, as well as to the global economy. Benefiting from the effective pandemic prevention and control policies of the government of PRC, the pandemic had been well controlled in PRC, and the economy of PRC had gradually come out of the trough with unchanged long-term economic favorable fundamentals.

Looking back to 2021, the global economy has been in deep recession. Apart from COVID-19 epidemic, the economy of PRC was also suffered from international trade plunged and financial market fluctuated. The mobile phone market in PRC was undoubtedly been hit hard, fortunately, the government of PRC responded appropriately with prompt timely prevention and control measures and quickly brought the pandemic under control. During 2021, the sales of consumer products market gradually picked up in the first half of the year. However, due to the suspension of production and operation and lockdown measures across the nation in respond to the pandemic during the plum rain season in the second half of the year and the lagged recovery of prices and sales, the revenue still showed a decrease as compared to 2020.

Customer's focus is expected to shift gradually from the functionality of mobile phone to the shopping experience and, in this regard, the large mobile telecommunication chain stores have advantages under the high internal consumption. In order to diversify the business of the Group, we have been actively looking for opportunities which will further enhance the shareholders' value. Since we have been in the mobile phone industry for decades, and the potential for mobile phone related business development is surely enormous and sustainable. The Group will continue to strengthen its major business area including big data, mobile phone operating system and mobile internet.

Financial Review

Revenue

For the year ended 31 December 2021, the Group recorded total revenue of HK\$79.2 million, which was approximately HK\$1.8 million or 2.2% lower than the revenue of HK\$80.9 million reported in 2020. The decrease in Group's revenue was solely due to the decrease in revenue from mobile phone trading business in PRC and Hong Kong.

The Group's revenue was derived from mobile phone trading business in PRC and Hong Kong in current year while revenue was derived from mobile phone trading business in PRC and promotion of the mobile application to consumers in previous year.

During the year ended 31 December 2021, revenue from mobile phone trading business was HK\$79.2 million, contribution from Shanghai and Hong Kong was HK\$70.3 million and HK\$8.9 million respectively, representing 88.8% and 11.2% of the total revenue of the Group.

The low level of revenue was due to the outbreak of the COVID-19 in early 2020, it has been intensifying and spread across the PRC and have an adverse impact on wholesale and retail of mobile phone markets. The COVID-19 outbreak results global economic slowdown and sluggish consumer spending resulted in slower sales in both years. Besides, PRC'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 2021.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin were HK\$0.1 million or 0.2% and HK\$0.4 million or 0.5% for the year ended 31 December 2021 and 2020, respectively. The low gross profit and gross profit margin were due to the scaled back in Group's performance on mobile phone trading business and promotion of the mobile application to consumers business for both years.

Due to outbreak of COVID-19 which resulted PRC's consumers pulling back on spending and the keen competition in the mobile phone retail market, the Group's gross profit margin was 0.2% for the year ended 31 December 2021. The low gross profit margin was due to the

increased bargaining power from telecommunications chain stores and mobile carriers which purchasing mobile phone and underperformance of promotion of the mobile application to consumers business which led to a lower gross profit margin.

Other income

Other income was approximately HK\$1.0 million for the year ended 31 December 2021, as compared to approximately HK\$0.8 million for the year ended 31 December 2020.

The Group's other income increased by HK\$0.2 million or 29.0% due to HK\$0.2 million of database traffic monetisation generated from our mobile applications business.

Other gains and losses

The Group had a net gain of HK\$0.2 million for the year ended 31 December 2021.

For the year ended 31 December 2021, the net gain mainly consisted of waiver of other payables of HK\$1.3 million and gain of bargain purchase arising from investment in an associate at acquisition of HK\$0.4 million.

The decrease of net gain in current year was mainly due to gain on deemed disposal of subsidiaries of HK\$6.3 million and gain on disposal of subsidiaries of HK\$3.1 million were recognised in 2020, while no such gains were recognised in 2021.

Selling and distribution costs

Selling and distribution costs was approximately HK\$0.3 million for the year ended 31 December 2021.

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

Administrative expenses

The Group's administrative expenses was kept at approximately HK\$15.3 million for the year ended 31 December 2021. Balance included salaries and allowances, rental expenses, legal and professional fees and travelling expenses.

Finance costs

During the year ended 31 December 2021, finance costs amounted to approximately HK\$0.2 million. The decrease of finance costs was due to the decreased in imputed interest on loans from a related party, interest on bank borrowing wholly repayable within one year and interest on lease liabilities in 2021.

Income tax (credit)/expense

As set out in Note 12 to the consolidated financial statements, income tax expense of approximately HK\$1 thousand for the year ended 31 December 2021. The turnaround of tax credit to tax expense in current year was mainly due to the release of provisional tax liabilities upon deregistration of a subsidiary of approximately HK\$4.6 million in 2020.

(Loss)/profit 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\$9.9 million for the year ended 31 December 2021.

(Loss)/earnings per share

The basic loss per share was HK\$5.65 cents in 2021.

Financial assets at fair value through profit or loss

As at 31 December 2021, 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

Nil inventories were recognised as at 31 December 2021. The Group will continue to apply strict policy in inventory control in the future.

Trade and other receivables

Trade and other receivables of the Group increased by 137.8% from approximately HK\$3.3 million as at 31 December 2020 to approximately HK\$7.8 million as at 31 December 2021, primarily due to sales of HK\$6.4 million before year ended which leading to trade receivables and other receivables increased by approximately HK\$4.5 million as at 31 December 2021.

Cash and cash equivalents

The total cash and cash equivalents amounted to approximately HK\$31.5 million as at 31 December 2021 as compared to approximately HK\$30.1 million as at 31 December 2020, without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation. During the 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 Renminbi in the PRC. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

Trade and other payables

The trade and other payables of the Group increased by approximately HK\$4.3 million or 19.7% from approximately HK\$22.0 million as at 31 December 2020 to approximately HK\$26.4 million as at 31 December 2021, mainly due to increase in trade payables of approximately HK\$6.4 million to third parties near year ended.

Liquidity and gearing ratio

The net asset value of the Group attributable to owners of the Company as at 31 December 2021 amounted to HK\$53.9 million or HK\$0.29 per share. As at 31 December 2021, the Group had net current assets of approximately HK\$4.0 million. As at 31 December 2021, the Group had a current ratio of 1.11 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 0.01 as at 31 December 2021.

Capital commitments

As at 31 December 2021, the Group did not have any capital expenditure contracted for but not provided in the consolidated financial statements in respect of leasehold improvements.

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities or guarantees.

Final dividend

The Board do not recommend the payment of any dividend in respect of 2021.

Material acquisitions and disposals of subsidiaries or associates

On 28 May 2021, an indirect wholly-owned subsidiary of the Company (the “**Purchaser**”) and an independent third party (the “**I3P Vendor**”), entered into a sale and purchase agreement, pursuant to which the I3P Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 25% of the equity interest of Guangzhou Tianping Changying Technology Co., Ltd (the “**Target**”), a company incorporated in the PRC, at a cash consideration of RMB2,000,001 (equivalent to approximately HK\$2,400,000). The Target is principally engaged in the provision of fifth generation wireless communications technology (“**5G**”) and related artificial intelligence (“**AI**”) services. It is also engaged in the development of video-sharing social networking service for the making of a variety of

shortform videos using AI technology. The Acquisition represents a good opportunity to further expand the Group's trading and distribution of mobile phones and related accessories business, enabling the Group to enter into the 5G and AI market which the Directors believe will continue to grow. The Target will be owned as to 25% by the Purchaser and 75% by the I3P Vendor and was became an associate of the Company.

FOR THE YEAR ENDED 31 DECEMBER 2022

Business Overview

In 2022, the international political and economic environment was complicated and changeable, the continuing outbreak and spread of the COVID-19 epidemic brought unprecedented impact upon global economic and social activities, the pandemic also struck a heavy blow to the production and operation of various industries, as well as to the global economy. Benefiting from the effective pandemic prevention and control policies of the government of PRC, the pandemic had been well controlled in PRC, and the economy of PRC had gradually come out of the trough with unchanged long-term economic favorable fundamentals.

Looking back to 2022, the global economy has been in deep recession. Apart from COVID-19 epidemic, the economy of PRC was also suffered from international trade plunged and financial market fluctuated. The mobile phone market in PRC was undoubtedly been hit hard, fortunately, the government of PRC responded appropriately with prompt timely prevention and control measures and quickly brought the pandemic under control.

Customer's focus is expected to shift gradually from the functionality of mobile phone to the shopping experience and, in this regard, the large mobile telecommunication chain stores have advantages under the high internal consumption. In order to diversify the business of the Group, we have been actively looking for opportunities which will further enhance the shareholders' value. Since we have been in the mobile phone industry for decades, and the potential for mobile phone related business development is surely enormous and sustainable. The Group will continue to strengthen its major business area including big data, mobile phone operating system and mobile internet.

Financial Review

Revenue

For the year ended 31 December 2022, the Group recorded total revenue of HK\$80.6 million, which was approximately HK\$1.4 million or 1.8% higher than the revenue of HK\$79.2 million reported in 2021. The increase in Group's revenue was solely due to the increase in revenue from mobile phone trading business in PRC and Hong Kong. The Group's revenue was derived from mobile phone trading business in PRC and Hong Kong in both years.

During the year ended 31 December 2022, revenue from mobile phone 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.

For the year ended 31 December 2021, revenue from mobile phone trading business was HK\$79.2 million, contribution from Shanghai and Hong Kong was HK\$70.3 million and HK\$8.9 million respectively, representing 88.8% and 11.2% of the total revenue of the Group.

The low level of revenue was due to the outbreak of the COVID-19 in early 2020, it has been intensifying and spread across the PRC and have an adverse impact on wholesale and retail of mobile phone markets. The COVID-19 outbreak results global economic slowdown and sluggish consumer spending resulted in slower sales in both years. Besides, PRC'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 2021, the Group's revenue contribution from Shanghai decreased from 88.8% to 51.0%, Hong Kong increased from 11.2% to 49.0%. The main reason is the Group have adopted a supply chain diversification strategies to maintain and strengthen our mobile phone and related 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 was HK\$0.3 million or 0.4% for the year ended 31 December 2022. The low gross profit and gross profit margin were due to the scaled back in Group's performance on mobile phone trading business for both years.

Due to outbreak of COVID-19 which resulted PRC's consumers pulling back on spending and the keen competition in the mobile phone retail market, the Group's gross profit margin was 0.4% for the year ended 31 December 2022. The low gross profit margin was due to the increased bargaining power from telecommunications chain stores and mobile carriers which purchasing mobile phone and underperformance of promotion of the mobile application to consumers business.

Other income

Other income was approximately HK\$2.4 million for the year ended 31 December 2022.

The Group's other income increased by HK\$1.4 million or 134.1% mainly attributable to HK\$1.6 million of database traffic monetisation generated from our mobile applications business for the year ended 31 December 2022.

Other gains and losses, net

The Group had a net losses of HK\$1.7 million for the year ended 31 December 2022.

For the year ended 31 December 2022, the net losses mainly consisted of loss on disposal of 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.

The turnaround to net loss in 2022 was mainly due to waiver of other payables of HK\$1.3 million and bargain purchase arising from investment in an associate of HK\$0.4 million were recognised in 2021, while no such gains were recognised in 2022.

Selling and distribution costs

Selling and distribution costs were approximately 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 increased by HK\$5.5 million or 36.0% from approximately HK\$15.3 million for the year ended 31 December 2021 to approximately HK\$20.8 million for the year ended 31 December 2022. Balance mainly included salaries and allowances, rental expenses, legal and professional fees and travelling expenses.

The increase of administrative expenses of HK\$5.5 million was principally attributable to the increase in salaries and allowances and promotion expenses incurred by Beijing Daizhangmen database traffic monetisation of mobile application business with respect to certain business development projects.

Finance costs

During the year ended 31 December 2022, finance costs were amounted to approximately HK\$0.2 million. The finance costs remain steady between 2022 and 2021, while no imputed interest on loans from a related party were recorded in 2022, which partially offset with the increase in interest on lease liabilities in 2022.

Income tax expense

As set out in Note 12 to the consolidated financial statements, income tax expense of approximately HK\$3 thousand for the year ended 31 December 2022.

(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\$14.4 million for the year ended 31 December 2022.

Loss per share

The basic loss per share was HK\$7.83 cents in 2022.

Financial assets at fair value through profit or loss

As at 31 December 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 2022, HK\$0.9 million of inventories were recognised, while no inventories were recognised as at 31 December 2021. The Group will continue to apply strict policy in inventory control in the future.

Trade and other receivables

Trade and other receivables of the Group decreased by HK\$6.5 million or 83.7% from approximately HK\$7.8 million as at 31 December 2021 to approximately HK\$1.3 million as at 31 December 2022. The decrease in trade and other receivables was mainly due to the decrease in trade receivables of HK\$6.4 million as at 31 December 2022, due to sales of HK\$6.4 million before the year ended of 31 December 2021, while entire trade receivables balances have been settled as at 31 December 2022.

Cash and cash equivalents

The total cash and cash equivalents amounted to approximately HK\$6.2 million as at 31 December 2022, without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation. During the 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 Renminbi in the PRC. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

Trade and other payables

The trade and other payables of the Group decreased by approximately HK\$5.3 million or 20.1% from approximately HK\$26.4 million as at 31 December 2021 to approximately HK\$21.1 million as at 31 December 2022.

The decrease in trade and other payables was mainly due to the decrease in trade payables of HK\$5.8 million as at 31 December 2022 (2022: HK\$1.0 million). Balances also consisted of value-added-tax payables (2022: HK\$22 thousand), prepayment from customers (2022: HK\$1.2 million), other payables and accruals (2022: HK\$7.1 million) and provision for close down and restoration costs of Sifa mine (2022: HK\$11.8 million).

Other payables and accruals remain steady between the two years which mainly consisted of accrual for directors' fee, staff costs, audit fees, legal and professional fees, rental payable.

Liquidity and gearing ratio

The net asset value of the Group attributable to owners of the Company as at 31 December 2022 amounted to HK\$35.7 million or HK\$0.19 per share. As at 31 December 2022, the Group had net current liabilities of approximately HK\$15.5 million. As at 31 December 2022, the Group had a current ratio of 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 0.01 as at 31 December 2022.

Capital commitments

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

Contingent liabilities

As at 31 December 2022, the Group did not have any contingent liabilities or guarantees.

Final dividend

The Board do not recommend the payment of any dividend in respect of 2022.

Material acquisitions and disposals of subsidiaries or associates

During the year ended 31 December 2022, other than the disposal of 浙江澳英信息科技有限公司, an indirect non-wholly owned subsidiary of the Company, the Group did not have material acquisitions and disposals of subsidiaries or associates.

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Business Review*Mobile Phone Business*

The Group was involved in the business of trading, wholesale and retail of mobile phones and telecom equipment in PRC. As for the PRC market, its economy was slowdown since 2019. Yet, the continuous development of mobile phone market business model intensifying competition in the retail industry and the uncertainties arising from the emerging US-China trade war presented challenges the development of the Group's operations and performance.

Customers focus is expected to gradually shift from the functionality of mobile phone to the shopping experience. Customers will normally require services such as function presentations, digital phone books synchronization and pre-installing software, etc., in purchasing a mobile phone. In the 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.

Financial Review

Revenue

For the six months ended 30 June 2023, the Group recorded total revenue of HK\$38.7 million, which was approximately HK\$10.6 million or 37.7% higher than the revenue of HK\$28.1 million reported for the six months ended 30 June 2022. The increase in Group's revenue was mainly attributable to the increase in revenue from mobile phone and related accessories trading business in Hong Kong.

The Group's revenue was derived from mobile phone and related accessories trading business in PRC and Hong Kong in both reporting periods. During the six months ended 30 June 2023, revenue from mobile phone and related accessories trading business was HK\$38.7 million, contribution from Shanghai and Hong Kong was HK\$4.0 million and HK\$34.7 million respectively, representing 10.3% and 89.7% of the total revenue of the Group.

During the six months ended 30 June 2023, although the domestic economy is expected to gradually recover, PRC's consumers pulling back on spending have taken a toll on its mobile phone retail market which is stalled and declining, the revenue of the Group were still remained at low level in current reporting periods.

Compared with previous corresponding period, the Group's revenue contribution from Shanghai decreased from 81.1% to 10.3%, while Hong Kong increased from 18.9% to 89.7%. The main reason is the Group have adopted a supply chain diversification strategies to maintain and strengthen our mobile phone and related electronic products business in the market and Group's performance since second half of 2022.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin was HK\$0.2 million or 0.5% for the six months ended 30 June 2023. The low gross profit and gross profit margin were due to the scaled back in Group's performance on mobile phone 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 underperformance of promotion of the mobile application to consumers business.

Other income

Other income was approximately HK\$1.4 million for the six months ended 30 June 2023.

For the six months ended 30 June 2023, the Group's other income decreased by HK\$1.5 million was mainly due to decreased of HK\$1.3 million by Beijing Daizhangmen database traffic monetisation income from the mobile application business.

Other gains and losses

The Group had a net gain of HK\$22 thousand for the six months ended 30 June 2023 and a net loss of HK\$84 thousand for the previous corresponding period. For the six months ended 30 June 2023, the net gain mainly comprised gain on disposal of plant and equipment of HK\$5 thousand and fair value gain on financial assets at fair value through profit or loss of HK\$17 thousand.

Selling and distribution costs

Selling and distribution costs were approximately HK\$0.1 million for the six months ended 30 June 2023. The Group's selling and distribution costs were primarily consisted of logistics and transportation and travelling expenses.

Administrative expenses

The Group's administrative expenses decreased by HK\$4.7 million or 34.5% from approximately HK\$13.6 million for the six months ended 30 June 2022 to approximately HK\$8.9 million for the six months ended 30 June 2023. Administrative expenses mainly comprised salaries and allowances, rental expenses, legal and professional fees and travelling expenses.

The decrease of administrative expenses by HK\$4.7 million was principally attributable to the decreased in salaries and allowances, advertising and promotion expenses, technical services fees and packing expenses incurred by Beijing Daizhangmen database traffic monetisation of mobile application business with respect to certain cost reduction policies implemented effectively.

Finance costs

During the six months ended 30 June 2023, finance costs amounted to HK\$48 thousand, while finance costs of HK\$53 thousand was recorded in previous corresponding period. The financial costs remain steady between the periods, solely represents the interest on lease liabilities.

Income tax expense

No income tax expense was recorded for the six months ended 30 June 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\$5.3 million for the six months ended 30 June 2023, as compared to HK\$7.5 million of loss for the period attributable to owners of the Company in previous corresponding period.

Loss per share

The basic loss per share was HK\$2.90 cents in the six months ended 30 June 2023. No diluted loss per share was presented as the effect of any potential ordinary shares is anti-dilutive for the six months ended 30 June 2023.

Financial assets at fair value through profit or loss

As at 30 June 2023, 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 various business.

Inventories

As at 30 June 2023, no inventories were recognised. The Group will continue to implement appropriate practices and policies in inventory control and supply chain management in the future.

Trade and other receivables

Trade and other receivables of the Group increased by approximately HK\$9.9 million from approximately HK\$1.3 million as at 31 December 2022 to approximately HK\$11.2 million as at 30 June 2023.

The increase in trade and other receivables was mainly due to the increase in trade receivables of HK\$9.8 million, represented sales of mobile phone and related accessories of HK\$9.8 million before the period ended of 30 June 2023.

Cash and cash equivalents

The total cash and cash equivalents amounted to HK\$10.0 million as at 30 June 2023 as compared to HK\$6.2 million as at 31 December 2022, without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation. The Group considers there is no material potential currency exposure as the majority of its revenue and expenses are derived and incurred in Renminbi in the PRC. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

Trade and other payables

Trade and other payables of the Group increased by approximately HK\$16.5 million or 78.6% from approximately HK\$21.1 million as at 31 December 2022 to approximately HK\$37.6 million as at 30 June 2023.

The increase in trade and other payables was mainly due to the increase in trade payables of HK\$8.8 million (30 June 2023: HK\$9.8 million). Trade and other payables also comprised value-added-tax payables (30 June 2023: HK\$11 thousand), prepayment from customers (30 June 2023: HK\$1.3 million), other payables and accruals (30 June 2023: HK\$15.0 million) and provision for close down and restoration costs of Huangshi Sifa Mining (30 June 2023: HK\$11.5 million).

Other payables and accruals mainly consisted of accrual for directors' fee, staff costs, audit fees, legal and professional fees, rental payable and proceeds of shares subscriptions. The increase of other payables and accruals of HK\$7.9 million was mainly due to the proceeds of subscriptions of shares under general mandate of approximately HK\$7.3 million as at 30 June 2023 which the completion took place subsequently on 4 July 2023. Further details were set out in the Company's announcements dated 4 July 2023 and 5 July 2023.

Liquidity and gearing ratio

The net asset value of the Group attributable to owners of the Company as at 30 June 2023 amounted to HK\$29.2 million or HK\$0.16 per share when compared to HK\$35.7 million or HK\$0.19 per share as at 31 December 2022. As at 30 June 2023, the Group had net current liabilities of approximately HK\$22.8 million when compared to net current liabilities of HK\$15.5 million as at 31 December 2022. As at 30 June 2023, the Group had a current ratio of 0.49 times. The gearing ratio of the Group, defined as the ratio of the total long-term liabilities to the shareholder's equity, was 0.01 as at 30 June 2023.

Capital commitments

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

Contingent liabilities

As at 30 June 2023, the Group did not have any contingent liabilities or guarantees.

Dividend

The Board do not recommend the payment of any interim dividend for the six months ended 30 June 2023.

Material acquisitions and disposals of subsidiaries or associates

During the six months ended 30 June 2023, the Group did not have material acquisitions and disposals of subsidiaries or associates.

Set out below is the management discussion and analysis of the Beijing Feiyong for the three years ended 31 December 2022 and the nine months ended 30 September 2023 (the “**Track Record Period**”). The following financial information is based on the audited financial information of Beijing Feiyong set forth in Appendix II to this circular.

BUSINESS REVIEW

Beijing Feiyong is a limited liability company established in the PRC. Beijing Feiyong is engaged in the recycling of used mobile phones, Beijing Feiyong will pay a fee to consumers who bring their used mobile phones for recycling, Beijing Feiyong will then assess the quality of the used mobile phone.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, Beijing Feiyong recorded a revenue of approximately RMB2.0 million, which was derived from trading in second-hand mobile phones and provision of marketing services.

For the years ended 31 December 2021 and 2022, Beijing Feiyong had not recorded any revenue, which was due to no operation since the year ended 31 December 2020.

For the nine months ended 30 September 2023, Beijing Feiyong had not recorded any revenue, which was due to no operation since the year ended 31 December 2020.

Cost of Sales

Beijing Feiyong’s cost of sales mainly represented the costs and expenses directly attributable to the apps installation.

For the year ended 31 December 2020, cost of sales amounted to approximately RMB2.0 million.

For the years ended 31 December 2021 and 2022, Beijing Feiyong had not recorded any cost of sales because there was no revenue recorded during each of the periods.

For the nine months ended 30 September 2023, Beijing Feiyong had not recorded any cost of sales because there was no revenue recorded during the period.

Gross profit and gross profit margin

For the year ended 31 December 2020, gross profit was recorded at approximately RMB14,000.

For the years ended 31 December 2021 and 2022, Beijing Feiyong had not recorded any gross profit because there was no revenue during each of the periods.

For the nine months ended 30 September 2023, Beijing Feiyong had not recorded any gross profit because there was no revenue during the period.

The gross profit margin was approximately 0.7% for the year ended 31 December 2020.

Other income, other gains and losses, net

There were no other income for the years ended 31 December 2020, 2021 and 2022. The other gains and losses, net for the year ended 31 December 2020 amounted to approximately RMB110,000 and approximately RMB9,000 for the year ended 31 December 2022, which was mainly attributable to no operation since the year ended 31 December 2020.

There were no other income, other gains and losses, net for the nine months ended 30 September 2023.

Administrative expenses

Administrative expenses of Beijing Feiyong mainly consisted of management fees paid for administrative services, staff costs and rental costs.

For the year ended 31 December 2020, administrative expenses were recorded at approximately RMB1.5 million. Administrative expenses decreased by approximately 97.3% to approximately RMB37,000 for the year ended 31 December 2021, primarily due to decrease in management fees for administrative services in line with the significant drop of revenue compared with previous year.

For the year ended 31 December 2021, administrative expenses further decreased to approximately RMB5,000, primarily due to no operation since the year ended 31 December 2020.

There were no administrative expenses recorded for the nine months ended 30 September 2023, which was due to no operation of Beijing Feiyong during the period.

Finance costs

Finance costs of Beijing Feiyong mainly comprised of interest on bank and other borrowings and other finance charges.

For the year ended 31 December 2020, finance costs were recorded at approximately RMB0.2 million. Finance costs decreased by approximately 50% to approximately RMB0.1 million for the year ended 31 December 2021, primarily due to repayment of bank and other borrowings during the year ended 31 December 2020.

There were no finance costs recorded for the year ended 31 December 2022, primarily due to no borrowings had been made by Beijing Feiyong during the period.

There were no finance costs recorded for the nine months ended 30 September 2023, which was due to no borrowings had been made by Beijing Feiyong during the period.

Profit/loss and total comprehensive expense for the year or period

Beijing Feiyong recorded loss and total comprehensive expense for the year of approximately RMB1.6 million and RMB0.1 million for the years ended 31 December 2020 and 2021, respectively.

For the year ended 31 December 2022, profit was recorded at approximately RMB4,000, the turnaround was mainly due to the other gains recorded during the period.

There was no profit/loss recorded for the nine months ended 30 September 2023, primarily due to no operations by Beijing Feiyong during the period.

Dividend

No dividend has been paid or proposed by Beijing Feiyong or companies comprising the Beijing Feiyong Group during the Track Record Period.

FINANCIAL POSITION AND OTHER FINANCIAL INFORMATION

Inventories

The inventories of Beijing Feiyong represented finished goods consist of mobile phones.

Trade and other receivables

The trade and other receivables of Beijing Feiyong represented receivables from its customers, which amounted to approximately RMB11.0 million, RMB10.5 million and RMB10.5 million as at 31 December 2020, 2021 and 2022, respectively. Beijing Feiyong allowed a credit period ranging from 30 to 60 days to its customers.

Cash and cash equivalents

The cash and cash equivalents of Beijing Feiyong amounted to approximately RMB0.2 million, RMB0.7 million, RMB0.2 million and RMB0.2 million as at 31 December 2020, 2021, 2022 and 30 September 2023, respectively. The increase in cash and cash equivalents during 2021 was mainly attributable to the recovery of trade and other receivables.

Trade and other payables

The trade and other payables of Beijing Feiyong mainly represented fees payable to its suppliers. As at 30 September 2023, approximately 90% of the trade payables of Beijing Feiyong were other payables and accruals in relation to expenses accrued for services performed, salary payable etc., which amounted to approximately RMB13.3 million, RMB14.7 million and RMB14.2 million as at 31 December 2020, 2021 and 2022.

Share capital

Beijing Feiyong had registered capital of not less than RMB11 million as at 30 September 2023.

Reserves

The reserves of Beijing Feiyong mainly comprised of share premium and accumulated losses.

Employee

As at 31 December 2020, 2021 and 2022 and 30 September 2023, Beijing Feiyong had one employee respectively. The total staff costs of Beijing Feiyong were approximately RMB0.5 million, nil, nil and nil for the three years ended 31 December 2020, 2021 and 2022 and for the nine months ended 30 September 2023, respectively.

Liquidity and financial resources

Beijing Feiyong financed its operations primarily through cash generated from its operating activities. As at 30 September 2023, Beijing Feiyong had cash and cash equivalents of approximately RMB0.2 million.

As Beijing Feiyong did not have any bank borrowings as at 31 December 2020, 2021, 2022 and 30 September 2023, the gearing ratio, which was calculated on the basis of the amount of total bank borrowings divided by the total equity attributable to owners of Beijing Feiyong, was nil, nil, nil and nil as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively.

Capital structure

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the capital structure of Beijing Feiyong comprised share capital and reserves.

(A) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP UPON COMPLETION OF THE ACQUISITION

The following is the text of the independent reporting accountants' assurance report received from Yongtuo Fuson CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



永拓富信會計師事務所有限公司
YONGTUO FUSON CPA LIMITED

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of China Fortune Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Fortune Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2023, the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows for the six months ended 30 June 2023 and related notes as set out in Section B of Appendix V of the circular issued by the Company dated 28 March 2024 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Section B of Appendix V of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the connected transaction and very substantial acquisition in relation to the Acquisition of Beijing Feiying on the Group's financial position as at 30 June 2023 and on the Group's financial performance and cash flows for the six months ended 30 June 2023 as if the transaction had taken place at 30 June 2023. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 as set out in the interim report of the Group for the six months ended 30 June 2023 issued on 28 August 2023.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “*Code of Ethics for Professional Accountants*” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “*Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance and Related Services Engagements*” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Yongtuo Fuson CPA Limited

Certified Public Accountants

Fok Tat Choi

Practicing Certificate Number: P06895

Hong Kong, 28 March 2024

**(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE GROUP UPON COMPLETION OF THE ACQUISITION****INTRODUCTION**

On 27 September 2018, Shanghai Yuanjia, an indirect wholly-owned subsidiary of the Company, purchased and the Vendor sold 13.5% issued share capital of Beijing Feiyong. Following Acquisition Completion, Shanghai Yuanjia held 33.5% of Beijing Feiyong.

The total consideration for the Acquisition was approximately RMB5,400,000 (equivalent to approximately HK\$6,210,000), which was the Vendor's agreed subscription amount of Beijing Feiyong's registered capital and the payment obligation for paid-up capital of Beijing Feiyong has been transferred to Shanghai Yuanjia upon the Acquisition Completion. The consideration of the Acquisition has not been settled and will be settled by cash by Shanghai Yuanjia on or before 21 October 2033 when the paid up of registered capital of Beijing Feiyong becomes due.

The Company has not paid any consideration for the Acquisition as at the date of this circular and will not pay any consideration for the Acquisition until the paid up of the registered capital of Beijing Feiyong becomes due. Beijing Feiyong was accounted for as an associate in the Company's consolidated financial statements upon the completion of the Acquisition.

On 27 December 2019, Mr. Gao Fei, a former executive director of the Company who held 33.5% equity interest of Beijing Feiyong committed to follow the voting direction of the Group by virtue of a signed Acting-in-Concert Agreement entered into between a subsidiary of the Group and Mr. Gao Fei with no consideration. Since then, the Group has obtained the control of Beijing Feiyong in both of its shareholders' and directors' meetings and thus, Beijing Feiyong was accounted for as a subsidiary of the Group from 27 December 2019.

On 1 September 2020, Shanghai Yuanjia and Mr. Gao has resolved to terminate the Acting-in-Concert Agreement entered into between Shanghai Yuanjia and Mr. Gao. Upon the termination of the Acting-in-Concert Agreement with Mr. Gao, the Group no longer has the control of the Board of Beijing Feiyong and the Group deemed disposal of Beijing Feiyong from a subsidiary to an associate since 1 September 2020 and thus, the Group commenced to share the results of Beijing Feiyong under equity accounting method since 1 September 2020 accordingly.

As at 30 June 2023, Beijing Feiying was accounted for as an associate of the Company and the consolidated financial statements of Beijing Feiying are incorporated in the consolidated financial statements of the Company using the equity method of accounting. The reconciliation of the carrying amount of Group's interest in Beijing Feiying is calculated as follows:

	As at 30 June 2023 HK\$'000
Cost of unlisted investment in Beijing Feiying (<i>note (i) below</i>)	—
Share of post-acquisition loss and other comprehensive expenses (<i>note (ii) below</i>)	—
	—*
	—*

* The amount is at HK\$ nil.

Notes:

- (i) As at 30 June 2023, the cost of unlisted investment in Beijing Feiying was HK\$ nil.
- (ii) In view of the Group's share of losses of Beijing Feiying exceeded the Group's interest in Beijing Feiying and thus, the Group did not share of losses of Beijing Feiying during the period from the Acquisition till to 30 June 2023.
- (iii) During the year ended 31 December 2020, the Group had an amount due from Beijing Feiying of HK\$224,000 (equivalent to RMB200,000) which was unsecured, interest free and repayable on demand. During the year ended 31 December 2020, the amount due from Beijing Feiying was fully impaired based on the Company's accounting policy. There were no movements of the amount due from Beijing Feiying and the related impairment loss recognised from 31 December 2020 to 30 June 2023.
- (iv) During the year, management of Beijing Feiying submitted the application to the relevant PRC government authorities to deregister Beijing Feiying and up to the date of this circular, the deregistration procedures have not yet been completed.

In connection with the Acquisition, the unaudited pro forma financial information upon the completion of the Acquisition has been prepared by the Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and is solely for the purpose to illustrate the effect of the Acquisition on the Group's financial position as at 30 June 2023 and on the Group's financial performance and cash flows for the six months ended 30 June 2023 as if the Acquisition had taken place as at 30 June 2023, though the consolidated financial statements

of Beijing Feiying have already been incorporated in the condensed consolidated financial statements of the Company as at 30 June 2023 using the equity method of accounting as explained above.

The unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2023 relating to the Acquisition are prepared based on the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 as set out in the interim report of the Company for the six months ended 30 June 2023 issued on 28 August 2023.

The unaudited pro forma financial information is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Acquisition is summarised in the accompanying notes.

The unaudited pro forma financial information has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information may not purport to predict what the assets and liabilities of the Group would have been had the Acquisition been completed on 30 June 2023 nor in any future periods or on any future dates.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of Group as set out in Appendix I to this circular and the historical financial information of Beijing Feiying as set out in Appendix II to this circular on which our accountants' report contained a disclaimer opinion on those report and other financial information included elsewhere in this circular.

(i) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30
JUNE 2023

	The Group for the period ended 30 June 2023 <i>HK\$'000</i> <i>(note 1)</i>	Pro forma adjustments <i>HK\$'000</i> <i>(note 2)</i>	Pro forma total for the Group upon completion of the Acquisition <i>HK\$'000</i>
Revenue	38,703	—	38,703
Cost of sales	(38,513)	—	(38,513)
Gross profit	190	—	190
Other income	1,428	—	1,428
Other gains and losses, net	22	—	22
Selling and distribution costs	(130)	—	(130)
Administrative expenses	(8,903)	—	(8,903)
Finance costs	(48)	—	(48)
Share of results of associates	—	—*	—
Loss before income tax	(7,441)	—	(7,441)
Income tax expense	—	—	—
Loss for the period	<u>(7,441)</u>	<u>—</u>	<u>(7,441)</u>
Loss for the period attributable to:			
Owners of the Company	(5,332)	—	(5,332)
Non-controlling interests	(2,109)	—	(2,109)
	<u>(7,441)</u>	<u>—</u>	<u>(7,441)</u>

	The Group for the period ended 30 June 2023 HK\$'000 (note 1)	Pro forma adjustments HK\$'000 (note 2)	Pro forma total for the Group upon completion of the Acquisition HK\$'000
Other comprehensive expenses that may be subsequently transferred to profit or loss: Exchange differences arising on translation from functional currency to presentation currency	(36)	—	(36)
Total comprehensive expenses	<u>(7,477)</u>	<u>—</u>	<u>(7,477)</u>
Total comprehensive expenses for the period attributable to Owners of the Company	(6,442)	—	(6,442)
Non-controlling interests	<u>(1,035)</u>	<u>—</u>	<u>(1,035)</u>
	<u>(7,477)</u>	<u>—</u>	<u>(7,477)</u>

* The amount is at HK\$ nil.

(ii) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 30 JUNE 2023

	The Group as at 30 June 2023 <i>HK\$'000</i> <i>Note 1</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 2</i>	Pro forma total for the Group upon completion of the Acquisition <i>HK\$'000</i>
Non-Current Assets			
Plant and equipment	44	—	44
Mining right	—	—	—
Right-of-use assets	826	—	826
Interests in associates	2,506	—*	2,506
Financial assets at fair value through profit or loss	2,055	—	2,055
Club memberships	870	—	870
	<u>6,301</u>	<u>—</u>	<u>6,301</u>
Current Assets			
Inventories	—	—	—
Trade and other receivables	11,170	—	11,170
Amounts due from non-controlling shareholders of subsidiaries	309	—	309
Financial assets at fair value through profit or loss	559	—	559
Cash and cash equivalents	9,969	—	9,969
	<u>22,007</u>	<u>—</u>	<u>22,007</u>
Current Liabilities			
Trade and other payables	37,605	—	37,605
Amount due to a related party	3,257	—	3,257
Amounts due to non-controlling shareholders of subsidiaries	1,754	—	1,754
Tax payables	1,696	—	1,696
Lease liabilities	532	—	532
	<u>44,844</u>	<u>—</u>	<u>44,844</u>

	The Group as at 30 June 2023	Pro forma adjustments	Pro forma total for the Group upon completion of the Acquisition
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	
Net Current Liabilities	<u>(22,837)</u>	<u>—</u>	<u>(22,837)</u>
Total Assets less Current Liabilities	<u>(16,536)</u>	<u>—</u>	<u>(16,536)</u>
Capital and Reserves			
Share capital	1,836	—	1,836
Reserves	<u>27,410</u>	<u>—</u>	<u>27,410</u>
Equity attributable to owners of the Company	29,246	—	29,246
Non-controlling interests	<u>(46,073)</u>	<u>—</u>	<u>(46,073)</u>
	(16,827)	—	(16,827)
Non-Current Liabilities			
Lease liabilities	<u>291</u>	<u>—</u>	<u>291</u>
Total equity and liabilities	<u>(16,536)</u>	<u>—</u>	<u>(16,536)</u>

* The amount is at HK\$ nil.

**(iii) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	The Group for the six months ended 30 June 2023	Pro forma adjustments	Pro forma total for the Group upon completion of the Acquisition
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note 1)</i>	<i>(note 2)</i>	
OPERATING ACTIVITIES			
Net cash generated from operating activities	1,116	—	1,116
Net cash generated from investing activities	34	—	34
Net cash generated from financing activities	<u>2,759</u>	<u>—</u>	<u>2,759</u>
Net increase in cash and cash equivalents	3,909	—	3,909
Cash and cash equivalents at the beginning of the period	6,225	—	6,225
Effect of foreign exchange rate changes	<u>(165)</u>	<u>—</u>	<u>(165)</u>
Cash and cash equivalents at the end of the period	<u><u>9,969</u></u>	<u><u>—</u></u>	<u><u>9,969</u></u>

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE
ACQUISITION**

- The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023, the unaudited condensed consolidated profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2023 as set out in the interim report of the Group for the six months ended 30 June 2023 issued on 28 August 2023.
- The adjustments represent:
 - The Group's share of results and cash flows of Beijing Feiyong for the six months ended 30 June 2023 is at HK\$ nil.

- (b) the cost of the interest in Beijing Feiying of HK\$ nil to acquire 33.5% of the issued share capital of Beijing Feiying had concurrently taken place on 30 June 2023, though the financial statements of Beijing Feiying have already been incorporated in the consolidated financial statements of the Company as at 30 June 2023 using the equity method of accounting as explained above.

Following Acquisition Completion, Shanghai Yuanjia held 33.5% of Beijing Feiying and recognised the cost as the carrying amount of Beijing Feiying which approximates its fair value. The reconciliation of the carrying amount of Group's interest in Beijing Feiying is calculated as follows:

	As at 30 June 2023 Beijing Feiying HK\$'000
Cost of unlisted investment in Beijing Feiying	—
Share of post-acquisition loss and other comprehensive expenses	—
	<u>—*</u>

* *The amount is at HK\$ nil.*

3. The unaudited pro forma financial information did not include the estimated legal and professional fees and other expenses payable by the Company in connection with the Acquisition.
4. Apart from the Acquisition, no other adjustment has been made to the unaudited pro forma financial information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2023

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Director had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Lau Siu Ying	Held by a discretionary trust (<i>Note</i>)	37,660,002	17.80%
	Beneficial owner	78,685,479	37.19%

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

The interest disclosed above represents long positions in the shares and underlying shares of the Company or its associated corporations. Saved as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates were considered to have interest in any business which competes or may compete with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as we known to the Directors, as at the Latest Practicable Date, the following person (not being a Director or the chief executive of the Company) had an interest or short position, if any, in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who/ which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Lee Wai, Timothy	Held by controlled entity (Note)	37,660,002	17.80%

Note: Under the SFO, Mr. Lee Wai, Timothy is deemed to have interests in the shares of the Company as he is entitled to exercise more than one-third of the voting power at a general meetings of Future 2000 Limited.

Saved as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 10% or more of the issued share capital of the Company as at the Latest Practicable Date.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his respective associates were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses to which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

4. NO MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to acquired or disposed of by or leased to any members of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service agreement with any member of the Group (excluding contracts expiring or determinable by the Company within one year within payment of compensation (other than statutory compensation)).

6. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim which would materially and adversely affect the operations of the Company and no litigation, arbitration or claim which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any members of the Group.

8. MATERIAL CONTRACTS

Other than the Acting-in-Concert Agreement, there is no contract (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the Latest Practicable Date, and are or may be material.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given their opinion or advice which are contained or referred in this circular.

Name	Qualification
Yongtuo Fuson CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the above expert did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above expert has given and has not withdrawn their written consent to the issue of this circular with the inclusion of their letter and the reference to their name in the form and context in which they respectively appear.

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Room 1505–06, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary is Mr. So Chi Kai (“**Mr. So**”). Mr. So holds a degree of Bachelor of Arts (Honors) in Accountancy from The Hong Kong Polytechnic University. Mr. So is a member of the Hong Kong Institute of Certified Public Accountants.

11. DOCUMENTS ON DISPLAY

Copies of the following documents is available at the website of the Company (<http://www.chinafortune.com>) and the website of the Stock Exchange (www.hkexnews.hk) for a period of fourteen (14) days from the date of this circular:

- (a) the accountant's report on Beijing Feiying issued by Yongtuo Fuson CPA Limited as set out in appendix II to this circular;
- (b) the letter from Yongyuo Fuson CPA Limited in respect of the accountant's report on unaudited pro forma financial information of Beijing Feiying as set out in appendix V to this circular; and
- (c) the written consent referred to in the paragraph headed "EXPERT AND CONSENT" in this appendix.

12. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of China Fortune Holdings Limited (the “Company”) will be held at Room 1505–06, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, Hong Kong on Friday, 31 May 2024 at 11:45 a.m. for the purpose of, among other matters, considering and, if thought fit, with or without amendments, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

1. the Acquisition (as defined in the circular of the Company dated 28 March 2024) which constitutes a very substantial acquisition for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; be and are hereby approved, ratified and confirmed; and
2. any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider(s) necessary or expedient for the implementation of and giving effect to the Acquisition and the transactions contemplated thereunder for and on behalf of the Company.”

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

Hong Kong, 28 March 2024

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office in Hong Kong:
Room 1505–06, Tower A
Regent Centre
63 Wo Yi Hop Road
Kwai Chung
Hong Kong

* *For identification purposes only*

NOTICE OF SGM

Notes:

- (a) Any member entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company, but must be present in person to represent the member.
- (b) A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. In case of a recognised clearing house (or its nominees(s) and in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives of the SGM and vote in its stand.
- (c) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
- (d) In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
- (e) In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the branch share registrar of the Company at Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the SGM or any adjourned SGM.
- (f) Delivery of the form of proxy will not preclude a member from attending and voting in person at the SGM convened and in such event, the form of proxy shall be deemed to be revoked.
- (g) The register of members of the Company will be closed on Tuesday, 28 May 2024 to Friday, 31 May 2024 (both days inclusive), which no transfer of shares will be registered. In order to qualify for attending the forthcoming special general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2024.
- (h) If Typhoon Signal No. 8 or above, "extreme conditions" caused by super typhoons, or a "black" rainstorm warning is in effect in Hong Kong any time after 9:45 a.m. on the date of the special general meeting, the meeting will be postponed. The Company will post an announcement on the website of Company at www.chinafortune.com and on the HKEXnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.
- (i) As required under Rule 13.39(4) of the Rules Governing the Listing of on the Stock Exchange of Hong Kong Limited, the above resolution will be vote by poll.

As at the date of this notice, 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.