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## CORPORATE INFORMATION

### Board of Directors

#### Chairman and Executive Director

Mr. Lau Siu Ying

#### Executive Directors

Mr. Luo Xi Zhi

Mr. Wang Yu

#### Independent Non-executive Directors

Mr. Chang Wing Seng, Victor

Mr. Wong Lit Chor, Alexis

Dr. Law Chun Kwan

### Company Secretary

Mr. Fok Wai Ming, Eddie

### Audit Committee

Mr. Chang Wing Seng, Victor

*(Committee Chairman)*

Mr. Wong Lit Chor, Alexis

Dr. Law Chun Kwan

### Remuneration Committee

Mr. Chang Wing Seng, Victor

*(Committee Chairman)*

Mr. Wong Lit Chor, Alexis

Mr. Lau Siu Ying

Dr. Law Chun Kwan

### Nomination Committee

Mr. Lau Siu Ying *(Committee Chairman)*

Mr. Wang Yu

Mr. Chang Wing Seng, Victor

Mr. Wong Lit Chor, Alexis

Dr. Law Chun Kwan

### Registered Office

Clarendon House, 2 Church Street,  
Hamilton HM11, Bermuda.

### Hong Kong Head Office

Room 1505-07, Tower A, Regent Centre,  
63 Wo Yi Hop Road, Kwai Chung,  
Hong Kong.

### China Head Office

Room 9008, Yong Xin Building,  
887 Huai Hai Zhong Road,  
Huangqu District,  
Shanghai, PRC.

### Shanghai Office

Room 328, Xin Mao Lou,  
2 Tai Zhong Nan Lu,  
Waigaoqiao Free Trade Zone,  
Shanghai, PRC.

### Principal Share Registrar and Transfer Office

Codan Services Limited  
Clarendon House, 2 Church Street,  
Hamilton HM11,  
Bermuda.

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong.

### Auditor

BDO Limited

### Legal Advisor

Conyers Dill & Pearman

### Principal Bankers

BOC  
China Merchants Bank  
ICBC (Asia)

### Corporate Websites

[www.fortunetele.com](http://www.fortunetele.com)  
[www.chinafortune.com](http://www.chinafortune.com)

### Stock Code

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## REVIEW AND OUTLOOK

### Financial Review

The Group's turnover in mobile phone business increased in the period. The Group recorded a consolidated revenue during the period of HK\$84.4 million when compared to the previous corresponding period of HK\$16.5 million. The gross profit amounted to HK\$1.8 million, a decrease of 10.5% when compared to the previous corresponding period of HK\$2.0 million. The gross margin percentage during the period was 2.2% which was lower than the previous corresponding period of 12.4%. As a result, the Group reported a loss of HK\$9.5 million during the period when compared to a loss of HK\$12.2 million in the previous corresponding period.

The selling and distribution costs amounted to HK\$2.4 million when compared to the previous corresponding period of HK\$4.8 million. The administrative expenses amounted to HK\$8.2 million when compared to the previous corresponding period of HK\$9.4 million.

The finance costs during the period was HK\$0.6 million which was approximately the same as in the previous corresponding period.

The net asset value of the Group as at 30 June 2016 amounted to HK\$156.0 million or HK\$0.19 per share when compared to HK\$165.4 million or HK\$0.20 per share as at 31 December 2015. As at 30 June 2016, the Group's other borrowings amounted to HK\$14.5 million, which was maintained more or less at the same level as at 31 December 2015.

The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.50 as at 30 June 2016 when compared to 0.48 as at 31 December 2015.

The total cash and cash equivalents amounted to HK\$2.5 million (most of which were placed as deposits in the banks in the PRC) as at 30 June 2016 without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation and other borrowings. During the period, there was no material change in the funding and treasury policy of the Group. The Group considers the only potential currency exposure is in Renminbi as the majority of its revenue is derived 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.

The inventories of the Group as at 30 June 2016 amounted to HK\$1.3 million, as compared to HK\$2.0 million as at 31 December 2015. The inventory turnover period was 4 days for the six months ended 30 June 2016, as compared with that for the twelve months ended 31 December 2015 of 17 days. The Group will continue to apply strict policy in inventory control in the future.

The amount of trade and other receivables as at 30 June 2016 was HK\$62.2 million, as compared to HK\$43.3 million as at 31 December 2015. In order to minimize the credit risk for the trade receivables, the Group has implemented prudent control on the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 30 June 2016, the Group had in total 66 employees as compared to 89 employees as at 31 December 2015. Employees were remunerated according to the nature of their job duties and market trend. The Group provided staff welfare and fund contribution to its employees in accordance with the prevailing regulations in the PRC and Hong Kong. There was no material change in the remuneration policy, bonus scheme and share option scheme during the period. The Group has a share option scheme, under which the Company may grant share options to the participants, including directors and employees, to subscribe for shares of the Company.

## Market and Business Review, and Outlook

### **Mobile Phone Business**

The Group was involved in the business of wholesale and retail of mobile phones and telecom equipments in China. Although there was growth in the mobile phone market, the competition in the mobile phone retail market was very keen and the Group's performance in this area had been affected.

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 preinstalling software, etc, in purchasing a mobile phone. In the 3G & 4G era, the convergence of mobile telecommunications and the Internet also led to rapid development of value-added business which requires the retail channels to advance from a pure sales platform to an integrated service platform. In this regard, the large mobile telecommunication chain stores have advantages.

## **Mining**

The Group has been developing a new mining site exploitation system in Strontium mining site since 2010. After the expiration of a five-year mining exploitation permit on 25 September 2012, Sifa Mining has obtained a two-year permit with expiry date on 25 September 2014, but under which Sifa Mining has been restricted to exploration activities only over the mining site.

Nonetheless, the development plan and construction progress in this new system had been inevitably and adversely affected by the downturn of the global mineral resources demand in the second half of 2012 and up to date.

In 2014, the Group prepared documents as required under relevant rules and regulations and submitted the application to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) (“MLR”) to obtain a mining exploitation permit for Strontium. Up to 27 March 2015, the application has been approved by relevant government authorities in Huangshi City and Hubei Province pending for final approval by the MLR.

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.

Although it is expected that the downturn is temporary and only being a normal cyclic adjustment in the industry, the Board proceeded in a prudent way to restructure the overall construction schedule of this new mining system, by readjusting construction speed and time schedule for matching the industry cycle accordingly. Nevertheless, the Directors are also exploring all commercially viable opportunities to maximise the return from this investment, including finding potential buyers.

## Prospects

Mobile phone operating system, mobile internet application and other mobile/internet related businesses would surely be the key business areas that the Group is interested in since we have been in the mobile phone industry for decades. The Group is actively looking for further business and investment opportunities which will further enhance the shareholders' value.

## OTHER INFORMATION

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

At 30 June 2016, the interests and short positions of the directors, the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

#### (a) Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Lau Siu Ying	Held by a discretionary trust (Note)	188,300,013	22.63%
	Beneficial owner	267,996,285	32.21%
		<u>456,296,298</u>	<u>54.84%</u>
Mr. Wong Lit Chor, Alexis	Beneficial owner	1,500,000	0.18%
Dr. Law Chun Kwan	Beneficial owner	1,000,000	0.12%

**(b) Share options**

<b>Name of director</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Mr. Lau Siu Ying	Beneficial owner	8,000,000	8,000,000
Mr. Luo Xi Zhi	Beneficial owner	1,000,000	1,000,000
Mr. Wang Yu	Beneficial owner	1,000,000	1,000,000
Mr. Chang Wing Seng, Victor	Beneficial owner	1,500,000	1,500,000
		<u>11,500,000</u>	<u>11,500,000</u>

Note:

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

The interest disclosed above represents long positions in the shares and underlying shares of the Company or its associated corporations.

Save as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as defined in the SFO at 30 June 2016.

### Share options

As the old share option scheme had expired on 26 January 2014, the Company adopted a new share option scheme (the "New Share Option Scheme") on 28 May 2014.

As at 30 June 2016, the Company had 11,900,000 outstanding options granted under the old share option scheme, which shall continue to be valid and exercisable during the prescribed exercisable period in accordance with the old share option scheme.

The purpose of the New Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group or any invested entity.

The rules of the New Share Option Scheme provide that the Company may specify the eligible participants to whom options shall be granted, the number of shares subject to each option and the date on which the options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. Subject to the terms of the New Share Option Scheme, the Board may in its absolute discretion when making an offer impose any conditions, restrictions or limitation in relation thereto in addition to those set forth in the New Share Option Scheme as it may think fit including continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the option partly or fully shall vest provided always that no offer made to such grantee would or might constitute an invitation to the public to subscribe for the shares under any applicable laws, legislations and regulations.

The New Share Option Scheme is principally the same as the old share option scheme.

The following table disclosed the movements in the share options of the Company during the period:

	Date of grant	Exercise price per share HK\$	Outstanding at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at end of the period
<b>Category I – Directors</b>							
Mr. Lau Siu Ying	12.7.2013	0.255	8,000,000	–	–	–	8,000,000
Mr. Luo Xi Zhi	12.7.2013	0.255	1,000,000	–	–	–	1,000,000
Mr. Wang Yu	12.7.2013	0.255	1,000,000	–	–	–	1,000,000
Mr. Chang Wing Seng, Victor	12.7.2013	0.255	1,500,000	–	–	–	1,500,000
Total for directors			11,500,000	–	–	–	11,500,000
<b>Category II – Employees</b>							
Employees	12.7.2013	0.255	100,000	–	–	–	100,000
<b>Category III – Consultants</b>							
Consultants	12.7.2013	0.255	300,000	–	–	–	300,000
Total for all categories			11,900,000	–	–	–	11,900,000



## Directors' rights to acquire shares or debentures

Other than the share option scheme disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors, their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company or had exercised any such rights during the period.

## Substantial shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 30 June 2016, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### (a) Ordinary shares of HK\$0.10 each of the Company

Name of substantial shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Lau Siu Ying	Held by a discretionary trust (Note 1)	188,300,013	22.63%
	Beneficial owner	267,996,285	32.21%
		456,296,298	54.84%
Mr. Lee Wai, Timothy	Held by controlled entity (Note 2)	188,300,013	22.63%

### (b) Share options

Name of substantial shareholder	Capacity	Number of options held	Number of underlying shares
Mr. Lau Siu Ying	Beneficial owner	8,000,000	8,000,000
Mr. Lee Wai, Timothy	Beneficial owner	300,000	300,000

Notes:

1. These shares are held by Future 2000 Limited, a company incorporated in the British Virgin Islands which in turn is held by a discretionary trust. The beneficiaries of the discretionary trust include Mr. Lau Siu Ying, his spouse and his children.
2. Under the SFO, Mr. Lee Wai, Timothy is deemed to have interests in the shares of the Company as he is entitled to exercise more than one-third of the voting power at general meetings of Future 2000 Limited.

## Purchase, sale or redemption of listed securities of the Company

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## CORPORATE GOVERNANCE

### Compliance with the Corporate Governance Code

For the six months ended 30 June 2016, the Company has complied with the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Listing Rules, except that:

1. Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual but Mr. Lau Siu Ying currently assumes both roles of the Chairman and the Chief Executive Officer of the Company. Provision A.4 of the Code states that all directors should be subject to re-election at regular intervals. However, Mr. Lau Siu Ying, being the Chairman of the Board, does not need to retire by rotation. Mr. Lau Siu Ying has been in charge of the overall management of the Company since its incorporation. As a result, although he does not need to retire by rotation and assumes both roles of the Chairman and the Chief Executive Officer of the Company, the Board considers that such arrangement at the current stage of development of the Group can facilitate the execution of its business strategies and maximize the effectiveness of its operations. Nevertheless, through the supervision from the Board including the Independent Non-executive Directors, the interests of the shareholders should be adequately and fairly considered.
2. All Non-executive Directors of the Company are not appointed for a specific term as stipulated under the provision A.4.1 of the Code but are subject to retirement by rotation in accordance with the Company's Bye-laws. In accordance with the relevant provisions in the Bye-laws of the Company, if the appointment of Directors is made by the Board, the Directors so appointed must stand for election by the shareholders at the first annual general meeting following their appointments and all Directors, except the Chairman, must stand for re-election by the shareholders by rotation.

## **AUDIT COMMITTEE**

The Company has formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices regarding the Company's financial reporting matters, including the review of the interim results for the six months ended 30 June 2016, the internal control and risk management system. The Audit Committee has reviewed and approved this report.

As at the date of this report, the Audit Committee comprises three Independent Non-executive Directors, Mr. Chang Wing Seng, Victor (Chairman of the Audit Committee), Mr. Wong Lit Chor, Alexis and Dr. Law Chun Kwan.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the review period.

**INTERIM RESULTS**

The board of directors (the "Board") of China Fortune Holdings Limited (the "Company") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016, together with the comparative figures set out below. These condensed consolidated interim results have not been audited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2016*

		<b>Six months ended</b>	
	Notes	<b>30/6/2016</b>	30/6/2015
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Revenue	4	<b>84,373</b>	16,546
Cost of sales		<b>(82,541)</b>	(14,500)
		<hr/>	<hr/>
Gross profit		<b>1,832</b>	2,046
Other income		<b>1,128</b>	1,788
Other gains and losses		<b>(340)</b>	(37)
Selling and distribution costs		<b>(2,417)</b>	(4,760)
Administrative expenses		<b>(8,195)</b>	(9,420)
Finance costs	5	<b>(625)</b>	(656)
Share of results of associates		<b>(920)</b>	(1,136)
		<hr/>	<hr/>
Loss before income tax		<b>(9,537)</b>	(12,175)
Income tax	6	–	–
		<hr/>	<hr/>
Loss for the period	7	<b>(9,537)</b>	(12,175)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the period attributable to:			
Owners of the Company		<b>(6,670)</b>	(8,665)
Non-controlling interests		<b>(2,867)</b>	(3,510)
		<hr/>	<hr/>
		<b>(9,537)</b>	(12,175)
		<hr/>	<hr/>
<b>Loss per share</b>			
Basic	8	<b>(0.8) cents</b>	(1.04) cents
		<hr/>	<hr/>
Diluted	8	<b>N/A</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	<b>Six months ended</b>	
	<b>30/6/2016</b>	30/6/2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Loss for the period</b>	<b>(9,537)</b>	(12,175)
<b>Other comprehensive income that may be subsequently transferred to profit or loss</b>		
Exchange differences arising on translation from functional currency to presentation currency	<b>(3,949)</b>	(92)
<b>Total comprehensive income for the period</b>	<b>(13,486)</b>	(12,267)
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>(9,363)</b>	(8,757)
Non-controlling interests	<b>(4,123)</b>	(3,510)
	<b>(13,486)</b>	(12,267)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2016

	Notes	<b>30/6/2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2015 HK\$'000 (audited)
<b>Non-current assets</b>			
Plant and equipment		<b>9,707</b>	10,033
Mining right		<b>261,865</b>	266,342
Investments in associates		<b>1,151</b>	2,072
Available-for-sale investments		<b>11,364</b>	11,443
Club memberships		<b>1,092</b>	1,096
		<b>285,179</b>	290,986
<b>Current assets</b>			
Inventories		<b>1,335</b>	2,017
Trade and other receivables	9	<b>62,190</b>	43,282
Amounts due from non-controlling shareholders of subsidiaries		<b>3,851</b>	3,586
Held-for-trading investments		<b>2,284</b>	2,111
Cash and cash equivalents		<b>2,515</b>	12,852
		<b>72,175</b>	63,848
<b>Current liabilities</b>			
Trade and other payables	10	<b>41,806</b>	24,882
Amount due to a related party		<b>752</b>	106
Amount due to a non-controlling shareholder of a subsidiary		<b>–</b>	209
Tax payables		<b>6,363</b>	6,394
Warrants	11	<b>1,568</b>	1,568
		<b>50,489</b>	33,159
<b>Net current assets</b>		<b>21,686</b>	30,689
<b>Total assets less current liabilities</b>		<b>306,865</b>	321,675

		<b>30/6/2016</b>	31/12/2015
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(audited)
<b>Capital and reserves</b>			
Share capital	13	<b>83,206</b>	83,206
Reserves		<b>72,804</b>	82,167
<b>Equity attributable to owners of the Company</b>			
		<b>156,010</b>	165,373
<b>Non-controlling interests</b>			
		<b>73,458</b>	77,581
		<b>229,468</b>	242,954
<b>Non-current liabilities</b>			
Other borrowings	12	<b>14,506</b>	14,754
Deferred tax liabilities		<b>62,891</b>	63,967
		<b>77,397</b>	78,721
		<b>306,865</b>	321,675

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2016*

	Share capital	Share premium	Special reserve	Translation reserve	Statutory funds	Share option reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015 (audited)	82,906	394,904	2,481	79,929	30,132	1,074	(395,554)	195,872	87,066	282,938
Loss for the period	-	-	-	-	-	-	(8,665)	(8,665)	(3,510)	(12,175)
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	(92)	-	-	-	(92)	-	(92)
Total comprehensive income for the period	-	-	-	(92)	-	-	(8,665)	(8,757)	(3,510)	(12,267)
Issue of shares upon exercise of share options	100	238	-	-	-	(83)	-	255	-	255
Issue of shares upon exercise of unlisted warrants	200	820	-	-	-	-	-	1,020	-	1,020
Balance at 30 June 2015 (unaudited)	83,206	395,962	2,481	79,837	30,132	991	(404,219)	188,390	83,556	271,946
Balance at 1 January 2016 (audited)	<b>83,206</b>	<b>395,962</b>	<b>2,481</b>	<b>71,273</b>	<b>30,132</b>	<b>991</b>	<b>(418,672)</b>	<b>165,373</b>	<b>77,581</b>	<b>242,954</b>
Loss for the period	-	-	-	-	-	-	(6,670)	(6,670)	(2,867)	(9,537)
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	(2,693)	-	-	-	(2,693)	(1,256)	(3,949)
Total comprehensive income for the period	-	-	-	(2,693)	-	-	(6,670)	(9,363)	(4,123)	(13,486)
Balance at 30 June 2016 (unaudited)	<b>83,206</b>	<b>395,962</b>	<b>2,481</b>	<b>68,580</b>	<b>30,132</b>	<b>991</b>	<b>(425,342)</b>	<b>156,010</b>	<b>73,458</b>	<b>229,468</b>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2016*

	<b>Six months ended</b>	
	<b>30/6/2016</b>	30/6/2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(10,706)</b>	(12,196)
Net cash used in investing activities	<b>(201)</b>	(537)
Net cash generated from/(used in) financing activities	<b>646</b>	(728)
Net decrease in cash and cash equivalents	<b>(10,261)</b>	(13,461)
Cash and cash equivalents at 1 January	<b>12,852</b>	71,264
Effect of foreign exchange rate changes	<b>(76)</b>	(92)
Cash and cash equivalents at 30 June	<b>2,515</b>	57,711

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General

The Company is an exempted company with limited liability incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Group are distribution and trading of mobile phones and related accessories, development of marketing and after-sales service network and mining and processing of celestite, zinc and lead minerals.

### 2. Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's 2015 annual report, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

### 3. Significant accounting policies

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

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the financial statements contained in the 2015 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning on or after 1 January 2016. The adoption of these standards, amendments or interpretations has no material effect on the Group's financial position or results of operations.

The Group has not early adopted the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

### 4. Segment information and revenue

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

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers (the "CODM") that are used to make strategic decisions.

During the six months ended 30 June 2016, the Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Mobile phone business
- Mining business

Corporate expenses, corporate assets and corporate liabilities are not allocated to the reportable segments as they are not included in the measure of the segments' profit or loss, segments' assets and segments' liabilities that are used by the CODM for assessment of segment performance.

**For the six months ended 30 June 2016 (unaudited)**

	<b>Mobile phone business HK\$'000</b>	<b>Mining business HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment revenue from external customers	<b>84,373</b>	–	<b>84,373</b>
Reportable segment loss	<b>(2,621)</b>	<b>(1,412)</b>	<b>(4,033)</b>
Depreciation and amortisation	<b>3</b>	<b>160</b>	<b>163</b>
Impairment loss recognised in respect of trade and other receivables	<b>339</b>	–	<b>339</b>
Recovery of write down of inventories	<b>(58)</b>	–	<b>(58)</b>

**Revenue**

Reportable segment revenue and consolidated revenue	<b>84,373</b>
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**Loss before income tax**

Reportable segment loss	<b>(4,033)</b>
Interest income	<b>24</b>
Miscellaneous income	<b>411</b>
Staff costs (including directors' remunerations)	<b>(2,848)</b>
Corporate expenses	<b>(1,546)</b>
Share of results of associates	<b>(920)</b>
Finance costs	<b>(625)</b>

Consolidated loss before income tax	<b>(9,537)</b>
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**As at 30 June 2016 (unaudited)**

	<b>Mobile phone business HK\$'000</b>	<b>Mining business HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment assets	<u>63,627</u>	<u>276,898</u>	<u>340,525</u>
Reportable segment liabilities	<u>(20,012)</u>	<u>(98,150)</u>	<u>(118,162)</u>
<b>Assets</b>			
Reportable segment assets			<b>340,525</b>
Unallocated corporate assets			
– Investments in associates			1,151
– Available-for-sale investments			11,364
– Club memberships			1,092
– Held-for-trading investments			2,284
– Cash and cash equivalents			422
– Others			516
Consolidated total assets			<u><b>357,354</b></u>
<b>Liabilities</b>			
Reportable segment liabilities			<b>118,162</b>
Unallocated corporate liabilities			
– Tax payables			4,574
– Warrants			1,568
– Others			3,582
Consolidated total liabilities			<u><b>127,886</b></u>

For the six months ended 30 June 2015 (unaudited)

	Mobile phone business HK\$'000	Mining business HK\$'000	Total HK\$'000
Reportable segment revenue from external customers	16,546	–	16,546
Reportable segment loss	(4,977)	(2,053)	(7,030)
Depreciation and amortisation	225	202	427
Impairment loss recognised in respect of trade and other receivables	–	35	35
Recovery of write down of inventories	(216)	–	(216)
<b>Revenue</b>			
Reportable segment revenue and consolidated revenue			16,546
<b>Loss before income tax</b>			
Reportable segment loss			(7,030)
Expenses used in the development of mobile games			(31)
Interest income			626
Miscellaneous income			386
Staff costs (including directors' remunerations)			(2,765)
Corporate expenses			(1,569)
Share of results of associates			(1,136)
Finance costs			(656)
Consolidated loss before income tax			(12,175)

As at 31 December 2015 (audited)

	Mobile phone business HK\$'000	Mining business HK\$'000	Total HK\$'000
Reportable segment assets	52,053	281,977	334,030
Reportable segment liabilities	(4,723)	(98,612)	(103,335)

**Assets**

Reportable segment assets			334,030
Unallocated corporate assets			
– Investments in associates			2,072
– Available-for-sale investments			11,443
– Club memberships			1,096
– Held-for-trading investments			2,111
– Cash and cash equivalents			3,503
– Others			579
Consolidated total assets			354,834

**Liabilities**

Reportable segment liabilities			103,335
Unallocated corporate liabilities			
– Tax payables			4,574
– Warrants			1,568
– Others			2,403
Consolidated total liabilities			111,880

**(b) Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

**5. Finance costs**

	Six months ended 30/6/2016 HK\$'000 (unaudited)	30/6/2015 HK\$'000 (unaudited)
Interests on other borrowings wholly repayable within five years	625	656

**6. Income tax**

For both six months ended 30 June 2016 and 2015, the Group's subsidiaries in the PRC were subject to the Enterprise Income Tax rate of 25%.

No provision for income tax has been made as the Group did not have any estimated assessable profits for both periods.

**7. Loss for the period**

	<b>Six months ended</b>	
	<b>30/6/2016</b>	30/6/2015
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of plant and equipment	<b>174</b>	442
Exchange loss	<b>1</b>	2
Staff costs		
– directors' emoluments	<b>2,359</b>	2,439
– other staff costs	<b>2,876</b>	4,393
– retirement benefit scheme contribution (excluding directors)	<b>237</b>	487
	<b>5,472</b>	7,319
	<b>=====</b>	<b>=====</b>
and after crediting:		
Service income from provision of logistics and promotion services	<b>676</b>	772
Interest income	<b>24</b>	626
	<b>=====</b>	<b>=====</b>

**8. Loss per share**

The calculation of loss per share for the six months ended 30 June 2016 is based on the loss for the period attributable to owners of the Company of HK\$6,670,000 (30 June 2015: loss of HK\$8,665,000) and the weighted average number of 832,063,442 shares in issue during the period (30 June 2015: 829,422,558 shares in issue).

No diluted loss per share is presented as the effect of all potential ordinary shares is anti-dilutive for the periods ended 30 June 2016 and 2015.

**9. Trade and other receivables**

	<b>30/6/2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2015 HK\$'000 (audited)
Trade receivables	<b>19,399</b>	53,748
Less: accumulated allowance	<b>(18,210)</b>	(18,281)
	<b>1,189</b>	35,467
Prepayments to suppliers	<b>53,667</b>	880
Other receivables and deposits	<b>13,049</b>	12,699
Less: accumulated allowance	<b>(5,715)</b>	(5,764)
	<b>62,190</b>	43,282

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

	<b>30/6/2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2015 HK\$'000 (audited)
Trade receivables:		
0 to 30 days	<b>267</b>	34,847
31 to 90 days	<b>461</b>	482
91 to 365 days	<b>461</b>	138
	<b>1,189</b>	35,467



**10. Trade and other payables**

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

	<b>30/6/2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2015 HK\$'000 (audited)
Trade payables:		
0 to 30 days	<b>168</b>	89
31 to 90 days	<b>17</b>	314
Over 90 days	<b>264</b>	271
	<hr/>	<hr/>
	<b>449</b>	674
Prepayments from customers	<b>16,861</b>	12
Other payables and accruals	<b>24,496</b>	24,196
	<hr/>	<hr/>
	<b>41,806</b>	24,882
	<hr/> <hr/>	<hr/> <hr/>

**11. Warrants**

	HK\$'000
Balance at 1 January 2016 and 30 June 2016	1,568
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On 15 July 2014, an aggregate of 160,000,000 warrants was fully placed and issued at the issue price of HK\$0.01 per warrant. The subscription price of the warrants is HK\$0.5 per shares and the subscription period is two years starting from the date of issue. The warrants expired on 14 July 2016.

**12. Other borrowings**

	<b>30/6/2016</b> <b>HK\$'000</b> <b>(unaudited)</b>	31/12/2015 HK\$'000 (audited)
Other borrowings, secured	<b>14,506</b>	14,754
	<hr/> <hr/>	<hr/> <hr/>

At the end of reporting period, the Group's other borrowings were pledged by 100,000 (31 December 2015: 100,000) tons of minerals reserve, carrying at a fixed annual interest rate of 8.47% (31 December 2015: 8.47%) per annum and repayable within three years (31 December 2015: within three years).

At 30 June 2016 and 31 December 2015, the Group did not have any banking facilities.

**13. Share capital**

	<b>Number of ordinary shares</b> '000	<b>Share capital</b> HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 January 2016 and 30 June 2016	2,000,000	200,000
	<u>2,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2016 and 30 June 2016	832,063	83,206
	<u>832,063</u>	<u>83,206</u>

**14. Dividend**

The Board did not declare an interim dividend for the six months ended 30 June 2016 and 30 June 2015.

By the order of the Board

**China Fortune Holdings Limited**

**Lau Siu Ying**

*Chairman and Chief Executive Officer*

Hong Kong, 26 August 2016

*As at the date of this report, the Board comprises three executive directors, namely Mr. Lau Siu Ying, Mr. Luo Xi Zhi and Mr. Wang Yu; and three independent non-executive directors, namely Mr. Chang Wing Seng, Victor, Mr. Wong Lit Chor, Alexis and Dr. Law Chun Kwan.*