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 Ltd.)
(Stock Code: 110)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "Board") of China Fortune Holdings Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021, together with the comparative figures as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	4	**79,172**	80,949
Cost of sales		**(79,034)**	(80,558)
Gross profit		**138**	391
Other income		**1,019**	790
Other gains and losses	5	**151**	11,000
Selling and distribution costs		**(324)**	(334)
Administrative expenses		**(15,319)**	(15,484)
Reversal of impairment losses/(impairment losses) on financial assets:			
— Trade and other receivables, net		**356**	(3,771)
— Amount due from a non-controlling shareholders of a subsidiary		**(35)**	(386)
— Amount due from an associate		**–**	(224)
Finance costs	6	**(185)**	(1,153)
Share of results of an associate		**(74)**	–
Loss before income tax	8	**(14,273)**	(9,171)
Income tax (expense)/credit	7	**(1)**	4,547
Loss for the year		**(14,274)**	(4,624)
Other comprehensive income/(expenses) that may be subsequently transferred to profit or loss			
Exchange differences arising on translation from functional currency to presentation currency		**72**	(780)
Share of exchange differences of an associate		**16**	–
Release of translation reserve upon deemed disposal from subsidiaries to associates		**–**	94
Release of translation reserve upon disposal of subsidiaries		**–**	(4)
Total comprehensive expenses for the year		**(14,186)**	(5,314)

	Notes	**2021**	2020
		HK$'000	*HK$'000*
(Loss)/profit for the year attributable to:			
Owners of the Company		**(9,928)**	219
Non-controlling interests		**(4,346)**	(4,843)
		(14,274)	(4,624)
Total comprehensive (expenses)/income for the year attributable to:			
Owners of the Company		**(8,686)**	1,729
Non-controlling interests		**(5,500)**	(7,043)
		(14,186)	(5,314)
(LOSS)/EARNINGS PER SHARE			
Basic and diluted	*9*	**(5.65 cents)**	0.23 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-Current Assets			
Plant and equipment		**48**	26
Mining right		**–**	–
Right-of-use assets		**1,049**	110
Interests in associates		**2,757**	–
Financial assets at fair value through profit or loss		**2,578**	3,964
Club memberships		**893**	886
		7,325	4,986
Current Assets			
Trade and other receivables	*10*	**7,830**	3,292
Amounts due from non-controlling shareholders of subsidiaries		**137**	28
Financial assets at fair value through profit or loss		**716**	907
Cash and cash equivalents		**31,504**	30,122
		40,187	34,349
Current Liabilities			
Trade and other payables	*11*	**26,360**	22,024
Amounts due to related parties		**6,460**	11,419
Amounts due to non-controlling shareholders of subsidiaries		**481**	465
Tax payables		**1,910**	1,847
Lease liabilities		**957**	456
		36,168	36,211
Net Current Assets/(Liabilities)		**4,019**	(1,862)
Total Assets less Current Liabilities		**11,344**	3,124

	2021	2020
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**1,836**	91,778
Reserves	**52,018**	(75,015)
Equity attributable to owners of the Company	**53,854**	16,763
Non-controlling interests	**(42,715)**	(42,055)
	11,139	(25,292)
Non-Current Liabilities		
Lease liabilities	**205**	–
Amounts due to related parties	**–**	28,416
	205	28,416
Total equity and liabilities	**11,344**	3,124

Notes:

1. CORPORATE INFORMATION

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

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

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

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform — phase 2
Amendment to HKFRS 16	Covid-19-related rent concessions

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

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

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

HKFRS 17	Insurance Contracts and related Amendments [3]
Amendments to HKFRS 3	Reference to Conceptual Framework [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021 [1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) [3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies [3]
Amendments to HKAS 8	Definition of Accounting Estimates [3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [3]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use [2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract [2]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020 cycle [2]

[1] Effective for annual periods beginning on or after 1 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Basis of preparation of consolidated financial statements

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Going concern assessment

Despite the fact that during the year, the Group has incurred a loss attributable to the owner of the Company of approximately HK$9,928,000 (2020: a profit attributable to the owners of the Company of approximately HK$219,000) and a net operating cash outflow of approximately HK$13,047,000 (2020: a net operating cash inflow of approximately HK$3,185,000), the directors of the Company are of the opinion that the Group will have adequate funds to finance its future financing requirements and working capital based on the following measures and plans:

- The Company obtained a letter of support dated 30 March 2022 from Mr. Lau Siu Ying ("Mr. Lau", the Chairman and Executive Director of the Company) that he would not request the Group to repay the amount due to him of HK$6,460,000 and also to provide sufficient funds to the Group so that the Group will be able to meet all the liabilities and financial obligations as they fall due in the coming twelve months from 31 December 2021;

- The Group has implemented measures to speed up the collection of outstanding receivables; and

- The Group is planning to adopt various cost control measures to reduce various general and administrative and other operating expenses.

Based on the Group's cash flow forecasts and with the above measures and plans, the directors of the Company are confident that there will have sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue to operate for at least the next twelve months from 31 December 2021. Accordingly, the directors of the Company have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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 years ended 31 December 2021 and 2020, the Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Mobile phone business

- Mining business

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

For the year ended 31 December 2021

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Reportable segment revenue	**79,172**	**–**	**–**	**79,172**
Reportable segment loss	**(1,299)**	**(1,034)**	**–**	**(2,333)**
Unallocated corporate income				**2,227**
Unallocated corporate expense				**(14,167)**
Loss before tax				**(14,273)**
Reportable segment assets	**14,339**	**1,811**	**–**	**16,150**
Corporate and unallocated assets				**31,362**
Total assets				**47,512**
Reportable segment liabilities	**(9,972)**	**(15,685)**	**–**	**(25,657)**
Corporate and unallocated liabilities				**(10,716)**
Total liabilities				**(36,373)**
Other segment information				
Depreciation of plant and equipment	**–**	**2**	**6**	**8**
Depreciation of right-of-use assets	**431**	**–**	**210**	**641**
Gain on disposal of property, plant and equipment	**–**	**(32)**	**–**	**(32)**
Reversal of impairment loss recognised in respect of prepayment of supplier	**(363)**	**–**	**–**	**(363)**
Reversal of impairment loss recognised in respect of trade and other receivables	**(3)**	**–**	**–**	**(3)**
Impairment loss recognised in respect of trade and other receivables	**10**	**–**	**–**	**10**
Share of results of an associate	**74**	**–**	**–**	**74**
Waiver of other payables	**–**	**–**	**(1,250)**	**(1,250)**
Additions to non-current assets	**464**	**6**	**1,129**	**1,599**

Notes:

(a) The unallocated and corporate income mainly included waiver of other payables, miscellaneous income and other corporate income.

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

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

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

For the year ended 31 December 2020

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Reportable segment revenue	80,949	–	–	80,949
Reportable segment profit/(loss)	2,772	(2,540)	–	232
Unallocated corporate income				1,622
Unallocated corporate expense				(11,025)
Loss before tax				(9,171)
Reportable segment assets	10,420	2,408	–	12,828
Corporate and unallocated assets				26,507
Total assets				39,335
Reportable segment liabilities	(3,892)	(14,820)	–	(18,712)
Corporate and unallocated liabilities				(45,915)
Total liabilities				(64,627)
Other segment information				
Depreciation of plant and equipment	23	–	–	23
Depreciation of right-of-use assets	552	–	–	552
Gain on derecognised right-of-use assets	(468)	–	–	(468)
Gain on deemed disposal of subsidiaries	(6,269)	–	–	(6,269)
Gain on disposal of subsidiaries	(3,125)	–	–	(3,125)
Impairment loss recognised in respect of right-of-use assets	431	–	–	431
Impairment loss recognised in respect of trade and other receivables	3,837	–	–	3,837
Impairment loss for amount due from an associate	224	–	–	224
Impairment loss recognised in respect of amount due from a non-controlling shareholder of a subsidiary	–	386	–	386
Recovery of impairment loss recognised in respect of trade and other receivables	(1,225)	–	–	(1,225)
Reversal of impairment loss recognised in respect of trade and other receivables	(66)	–	–	(66)
Additions to non-current assets	940	–	–	940

Notes:

(a) The unallocated and corporate income mainly included waiver of other payables, miscellaneous income and other corporate income.

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

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

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

(b) Geographical information

During the years ended 31 December 2021 and 2020, the Group's operations and non-current assets are situated in the People's Republic of China ("PRC") in which most of its revenue was derived.

(c) Information about major customers

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

	2021	2020
	HK$'000	*HK$'000*
Customer A	**43,444**	19,833
Customer B	**10,779**	N/A*
Customer C	**10,710**	25,344
Customer D*	**N/A***	15,044
Customer E*	**N/A***	9,176

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

(d) Revenue

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

Disaggregation of revenue from contracts with customers

	Trading of mobile phone	
	2021	2020
	HK$'000	*HK$'000*
Geographical market		
PRC	**70,341**	71,773
Hong Kong	**8,831**	9,176
	79,172	80,949
Major product		
Mobile phone and related accessories	**79,172**	80,949
Timing of revenue recognition		
At a point in time	**79,172**	80,949

5. OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Exchange gain/(loss)	**190**	(55)
Fair value loss on financial assets at fair value through profit or loss	**(1,710)**	(1,025)
Wavier of other payables	**1,250**	–
Loss on deregistration of a subsidiary	**(5)**	–
Gain on disposal of property, plant and equipment	**32**	–
Recovery of impairment loss on trade and other receivables	**–**	1,225
Gain on bargain purchase arising from investment in an associate at acquisition	**394**	–
Impairment loss recognised in respect of right-of-use assets	**–**	(431)
Write back of business tax payables upon deregistration of a subsidiary	**–**	891
Gain on derecognised right-of-use assets	**–**	468
Gain on disposal of subsidiaries	**–**	3,125
Gain on deemed disposal of subsidiaries	**–**	6,269
Government grant *(note)*	**–**	533
	151	11,000

Note: During the year ended 31 December 2020, the government grants of HK$533,000 obtained from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government for supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

6. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on lease liabilities	**33**	54
Imputed interest on loan from a related party	**152**	933
Interest on bank borrowing wholly repayable within one year	**–**	166
	185	1,153

7. INCOME TAX EXPENSE/(CREDIT)

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

	2021	2020
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
— Tax for the year	**1**	27
— Release of provisional tax liabilities	**–**	(4,574)
Current tax — PRC Enterprises Income Tax ("EIT")		
— Tax for the year	**–**	–
	1	(4,547)

Hong Kong

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

Telefortune (China) Investments Limited, a wholly owned subsidiary of the Group was deregistered on 22 May 2020 and its provisional tax payables of HK$4,574,000 was released to profit or loss accordingly.

PRC

The Group's major operations are being carried out through its subsidiaries established in the PRC and subject to the EIT rate of 25% (2020: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

On 18 January 2019, the Ministry of Finance in the PRC issued notice no. 13 of on the Implementation of Inclusive Tax Reduction Policies for Small and Micro Enterprises. Corporations with annual taxable income of less than RMB3 million are qualified for this tax concession. From 1 January 2019 to 31 December 2021, the first RMB1 million of annual taxable income of the qualifying corporation will be taxed at 5%, and further RMB2 million annual taxable income will be taxed at 10%. 浙江澳英信息科技有限公司 ("Zhejiang Aoying"), a PRC subsidiary of the Group, is entitled to this tax concession during the year ended 31 December 2021.

8. LOSS BEFORE INCOME TAX

	2021	2020
	HK$'000	*HK$'000*
Loss before income tax is arriving at after charging/(crediting):		
Staff costs		
— Directors' emoluments	**3,361**	3,671
— Other Staff costs		
— Salaries and allowances for other staffs	**4,057**	4,833
— Performance bonus	**–**	–
— Retirement benefit scheme contribution (excluding directors)	**225**	256
	7,643	8,760
Auditor's remuneration	**843**	1,194
Cost of inventories recognised as expenses	**79,034**	80,558
Depreciation of plant and equipment	**8**	23
Depreciation of right-of-use assets	**641**	552
and after crediting:		
Interest income	**(127)**	(299)

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the year is based on the loss for the year attributable to owners of the Company of HK$9,928,000 (2020 profit: HK$219,000) divided by 175,702,914 (2020: 96,697,242) ordinary shares in issue during the year.

The number of ordinary shares for the purpose of basic earnings per share for 2020 and basic loss per share for 2021 has been adjusted for the share consolidation under Capital Reorganisation and the Rights Issue completed on 11 January 2021 and 10 February 2021, respectively.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share is presented as the effect of any potential ordinary shares is anti-dilutive for the years ended 31 December 2021 and 2020.

10. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**9,982**	3,955
Less: Allowance for credit loss	**(3,572)**	(3,448)
	6,410	507
Value-added-tax recoverable	**284**	276
Prepayments to suppliers	**28,819**	28,037
Other receivables and deposits	**10,042**	11,431
	39,145	39,744
Less: Allowance for credit loss	**(37,725)**	(36,959)
	1,420	2,785
	7,830	3,292

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

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**6,410**	–
31 to 90 days	**–**	–
91 to 365 days	**–**	507
	6,410	507

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

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

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

	2021	2020
	HK$'000	*HK$'000*
Balance at the beginning of year	**40,407**	34,449
Impairment losses recognised during the year	**10**	3,837
Reversal of impairment loss recognised	**(366)**	(66)
Exchange adjustments	**1,246**	2,187
Balance at the end of year	**41,297**	40,407

11. TRADE AND OTHER PAYABLES

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

	2021	2020
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**6,711**	–
Over 90 days	**33**	248
	6,744	248
Value-added-tax payables	**1**	–
Prepayments from customers	**89**	16
Other payables and accruals	**19,526**	21,760
	26,360	22,024

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expressed a qualified opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2021. The basis for qualified opinion is extracted as follow:

Qualified Opinion

In our opinion, except for the possible effects on the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As detailed in notes 31(b) and 34(a) to the consolidated financial statements, no expected credit loss allowances have been recognised regarding to the Advances and Debt (both are defined in notes 31(b) and 34(a)) of the Company prior to the dates immediately before dates of Disposal of a former subsidiary and Settlement of the Debt (both are defined in notes 31(b) and 34(a) to the consolidated financial statements), respectively during the year ended 31 December 2020. However, the predecessor auditor qualified their opinion in respect of the consolidated financial statements for the year ended 31 December 2020 as a result of the limitation of scope encountered in respect of their audit of the Advances upon the Disposal of a former subsidiary and the Settlement of the Debt during the year ended 31 December 2020. The predecessor auditor was unable to obtain sufficient appropriate audit evidence and there were no alternative audit procedures that they could perform to satisfy themselves as to whether any adjustments to the expected credit loss allowances in respect of the Advances and Debts and the gain on disposal of the former subsidiary for the year ended 31 December 2020 were necessary. Since these items affect the determination of the Group's financial performance and cash flow for the year ended 31 December 2020, we were unable to determine whether adjustments to the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2020 were necessary.

Because of the abovementioned scope of limitations encountered, the predecessor auditor issued a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2020. These scope limitations remained unresolved up to date of this report. Although the scope limitations no longer have any effect on the current year's figures in the consolidated financial statements for the year ended 31 December 2020, our opinion on the consolidated financial statements of the Group as at and for the year ended 31 December 2021 is also qualified because of the possible effect of these matters on the comparability of certain current period's figures and the corresponding figures of the consolidated statement of profit or loss and other comprehensive income and consolidated cash flows statement.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND OUTLOOK

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.

For 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 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, China's consumers pulling back on spending have taken a toll on its mobile phone retail market which is stalled and declining, the sales of the Group were scaled back in both years.

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 China's consumers pulling back on spending and the keen competition in the mobile phone retail market, the Group's gross profit margin were 0.2% and as 0.5% for the year ended 31 December 2021 and 2020, respectively. 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

We had a net gain of HK$0.2 million for the year ended 31 December 2021 and a net gain of HK$11.0 million for the year ended 31 December 2020.

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. 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 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 were approximately HK$0.3 million for the year ended 31 December 2021, as compared to HK$0.3 million for the year ended 31 December 2020.

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 were kept at approximately HK$15.3 million for the year ended 31 December 2021 and 2020. 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, while approximately HK$1.2 million of finance costs was recorded during the year ended 31 December 2020. 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 current year.

Income tax (credit)/expense

As set out in Note 7 of the announcement, income tax expense of approximately HK$1 thousand for the year ended 31 December 2021, as compared to income tax credit amounted to approximately HK$4.5 million in last year. 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 last year.

Profit/(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$9.9 million for the year ended 31 December 2021, as compared to profit for the year attributable to owners of the Company of approximately HK$0.2 million in last year.

Earnings/(loss) per share

The basic loss per share was HK$5.65 cents in current year as compared to the basic earnings per share of HK$0.23 cents in last year.

Financial assets at fair value through profit or loss

As at 31 December 2021 and 2020, 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 and 2020. The Group will continue to apply strict policy in inventory control in the future.

Trade and other receivables

Trade and other receivables of the Group increased by 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 when compared to HK$16.8 million or HK$0.17 per share as at 31 December 2020. As at 31 December 2021, the Group had net current assets of approximately HK$4.0 million when compared to net current liabilities of HK$1.9 million as at 31 December 2020. As at 31 December 2021, the Group had a current ratio of 1.11 times (31 December 2020: 0.95 times). The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the equity attributable to owers of the Company, was 0.01 and 1.70 as at 31 December 2021 and 2020.

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 (31 December 2020: nil).

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities or guarantees (31 December 2020: nil).

Material acquisitions and disposals of subsidiaries or associates

Acquisition of 25% equity interest of Guangzhou Tianping Changying Technology Co., Ltd

On 28 May 2021, an indirect wholly-owned subsidiary of the Company (the "Purchaser") and an independent third party (the "Vendor"), entered into a sale and purchase agreement, pursuant to which the 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 Vendor and was became an associate of the Company.

Further details regarding the acquisition was set out in the announcement dated 28 May 2021.

Employees and remuneration policies

As at 31 December 2021, the Group has in total 43 employees as compared to 15 employees as at 31 December 2020. Employees were remunerated according to the nature of their job duties and market trend. The Group provided staff welfare and fund contribution to its employee in accordance with the prevailing regulations in the PRC and Hong Kong. There was no material change in the remuneration policy, bonus scheme and share option scheme during the year. 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.

Capital Reorganisation

On 10 November 2020, the Company proposed the capital reorganisation (the "Capital Reorganisation"), which involved: (i) the share consolidation whereby every ten (10) authorised and issued existing shares of HK$0.10 be consolidated into one (1) consolidated share of HK$1.00; (ii) the capital reduction whereby the issued share capital of the Company be reduced by (a) rounding down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a consolidated share in the issued share capital of the Company arising from the share consolidation; and (b) cancelling the paid up capital of the Company to the extent of HK$0.99 on each of the then issued consolidated shares such that the par value of each issued consolidated share be reduced from HK$1.00 to HK$0.01; and (iii) the share subdivision whereby every authorised but unissued existing share of HK$0.10 be sub-divided into ten (10) adjusted shares of HK$0.01 (the "Adjusted Shares").

Further details regarding the Capital Reorganisation was set out in the announcements of the Company dated 10 November 2020, 25 November 2020, 7 December 2020 and 7 January 2021 and the circular dated 15 December 2020.

Rights Issue

On 10 November 2020, the Company proposed to raise approximately HK$48.6 million, before the Set-off Arrangement and relevant expenses, by way of the rights issue (the "Rights Issue"), by issuing 91,777,944 rights shares at the subscription price of HK$0.53 per rights share on the basis of one (1) rights share for every one (1) adjusted shares held on the Record Date.

The Rights Issue was completed on 10 February 2021. The net proceeds of the Rights Issue were approximately HK$15.6 million. Further details regarding the Rights Issue was set out in the announcements of the Company dated 10 November 2020, 25 November 2020, 7 December 2020 and 7 January 2021, the circular dated 15 December 2020 and the prospectus dated 19 January 2021.

Subsequent events

The Group does not have significant subsequent events.

FINAL DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year (2020: Nil).

OPERATIONAL REVIEW

Market Overview

According to the statistics released by the Ministry of Industry and Information Technology of the People's Republic of China ("MIIT"), there were approximately 1.63 billion subscribers to mobile phone services in the PRC as of 2021. While there are continuing intense competitions among the major mobile phone manufacturers in the PRC, they are trying to cut the distribution layers by directly supplying to the provincial distributors and leading retailers with a view to increase their profitability. Because of this, leading vendors have developed multi-channel distribution models which include "national distribution", "provincial distribution", "direct to retail" and "direct to operator".

On the other hand, mobile carriers are key participants in the mobile phone industry chain. The restructuring of mobile carriers in past years and the issuance of 5G licenses have led to more intense competition among the mobile carriers. By cooperating with retailers, especially large mobile telecommunication chain stores, the mobile carriers can benefit from the retailers' in-depth understanding of customer behaviors and spending preferences. Through such cooperation, the customers will experience more professional, convenient and integrated customer services. Thus, large mobile telecommunications chain stores are expected to become the main sales channel for the mobile carriers for their bundled mobile phones.

Although China, the world's largest mobile phone market reached a saturation point, the 5G economy has seen a huge growth. The 5G mobile phones comes as China launched 5G commercialisation at the end of 2019 with the nation's telecom operators rolling out their 5G data plans. China has stepped up its pace of 5G development, adding 654,000 base stations in 2021, 355 million mobile phone users who have adopted 5G as of the end of 2021. Nearly 1.43 million 5G base stations were rolled out in the country, forming the world's largest 5G network and accounting over 60 percent of the global 5G base stations. Moreover, China will have 2 million installed 5G base stations this year to step up expansion of the country's next-generation mobile network, while preparing for the development of the more advanced 6G wireless system in 2022, China will strive to maintain its leadership in 5G, while planning and laying the foundation for research and development on 6G technology.

6G represents the mobile network technology that will succeed 5G, which is still being rolled out in many countries. China, with the world's biggest internet population and largest smartphone market, has already deployed the biggest 5G mobile infrastructure in the industry. China plans to have 26 5G base stations for every 10,000 people by the end of 2025, as the nation works hard to build a new digital infrastructure that is intelligent, green, safe and reliable, based on an estimated national population, means that the nation aims to have about 3.64 million 5G base stations by the end of 2025. In comparison, there is 10.1 5G base stations are serving every 10,000 people in China in 2021.

Looking back at 2021, China's mobile phone market declined and scaled back due to the international trade conflicts escalated, the impact of COVID-19 outbreak in China, the uncertainties of economic development and China's consumers pulling back on spending, the decline is expected to continue in the coming years but partially offset with the 5G and 6G development.

Business Review

Mobile Phone Business

The Group was involved in the business of trading, wholesale and retail of mobile phones and telecom equipments in China. As for the PRC market, its economy was slowdown since 2019. Yet, the continuous development of mobile phone market business model intensifying competition in the retail industry and the uncertainties arising from the emerging US-China trade war and outbreak of the COVID-19 in China 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.

Mining Business

The Group has once commenced mining site exploitation system in our Strontium mining site since 2010. After the expiration of a 5-year mining operating permit on 25 September 2012, Sifa Mining obtained a renewed mining operating permit for 2 years (the "2-year Permit 2012-2014") from the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) ("MLR"), under which Sifa Mining was allowed to carry out exploration activities only, but not exploitation activities. The 2-year Permit 2012-2014 was expired on 25 September 2014.

On 27 April 2015, a mining operating permit was granted by MLR for a term of 2 years from 25 September 2014 to 25 September 2016 under which a restriction was added that no exploitation activities were allowed but only exploration activities. Such restriction imposed on the renewed mining permit was basically the same as the previous mining permit which was approved by MLR in 2012 whilst the application for mining exploitation permit is a continuing process.

In the course of applying for further extension after expiry on 25 September 2016, the Department of Land and Resources of Hubei Province of the PRC (the "DLR") issued an announcement (the "DLR Announcement") published on 29 December 2017 in respect of the deadline of application for renewal of the expired mining operating permit.

In the DLR Announcement, the DLR informed the owners of the expired mining operating permits to furnish the application procedures for the renewal before 28 February 2018. If the owners fail to do so, they are responsible to deregister the mining operating permits before 31 March 2018 by themselves or the DLR will de-register the permits instead. The Group was unable to furnish the application before the deadline and therefore, instructed the Group's lawyers to clarify with the DLR the Group's situation as to whether the Group would be allowed to submit a new application for the mining operating permit in future.

Despite great efforts to ascertain with the DLR by the Group's PRC lawyers, the Group had been unable to receive a clear and favourable reply in this regard. As a result and prudent measure, a full impairment of the mining right of HK$174.6 million and related plant and equipment of HK$9.0 million had been made whist all the related deferred tax liabilities of HK$41.1 million had been derecognised in the profit or loss for the year ended 31 December 2017.

Despite the fact that the above mining right will no longer have any bearing on the financials of the Group for the year ended 31 December 2018, the Directors strived to pursue the ultimate stance of the DLR in respect of the above mining right in the interests of the Shareholders.

During the year ended 31 December 2018, the Group, through its PRC lawyer, has tried to approach DLR by telephone calls and resubmission of the letter sent in February 2018 for the clarification of the Group's situation. However, DLR did not make reply to the Group's enquiries.

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

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

Prepayments to suppliers and related legal proceedings

For the year ended 31 December 2017, an impairment loss of HK$24.9 million was recognised for the prepayments in the total sum of HK$33.7 million made to two mobile phone suppliers, one in Guangzhou and another one in Chongqing by a subsidiary of the Group in Shanghai.

The said subsidiary commenced arbitral proceedings and, on 14 January 2019, has obtained the final arbitral award of, amongst others, HK$19.8 million, being the prepayment against the Chongqing supplier. In the course of such arbitral proceedings, a sum of HK$10.2 million has been repaid by such supplier. After obtaining the arbitral award, the Group instructed PRC lawyers to enforce the arbitral award, but was informed by the PRC lawyers that, according to a notice by the Chongqing No.5 Intermediate People's Court dated 25 October 2019, after checking through the national wide network of the PRC Court for enforcement against the Chongqing supplier, the Chongqing Supplier had no assets left to be enforced against.

The said subsidiary also commenced legal proceedings for recovery of the prepayment of HK$14.8 million against the Guangzhou supplier in the People's Court in Guangzhou, China. After the final hearing of the trial of the legal proceedings instituted by the said subsidiary against the Guangzhou supplier in the People's Court in Guangzhou, the PRC, on 28 April 2019, judgment has been entered into against such supplier in the sum of about HK$12.7 million together with default charge and legal costs. The Guangzhou supplier had filed an appeal against such judgment, but the appeal was subsequently withdrawn by the Guangzhou supplier. Therefore, the judgment is valid, effective and executable for which enforcement proceedings was commenced against the Guangzhou supplier.

However, as informed by the PRC lawyers of the Group, according to a notice issued by the People's Court of Huangpu District of Guangzhou dated 4 June 2020, after checking through the national wide network of the PRC Court for enforcement against the Guangzhou supplier, the Guangzhou supplier had no remaining assets that could be subject to enforcement proceedings to be carried out by the said subsidiary. According to a decision issued by the Guangzhou Intermediate People's Court dated 19 June 2020, such Court determined to accept an application for winding up filed by another creditor against the Guangzhou supplier. In a later decision issued by the Guangzhou Intermediate People's Court dated 26 October 2020, it was confirmed that the total outstanding liability due by the Guangzhou supplier to the creditors is in the sum of approximately HK$455 million.

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

Prospects and Outlook

The China economy is showing a sign of slowdown resulting from the US-China trade war that has simmered in 2021. Though the phase one interim agreement has been made in December 2019 to prevent a further escalation of the trade war, it is expected that the next round of the negotiation between the US and China would get tougher once they begin tackling the thorny issues on which they had clashed. Furthermore, in early of year 2020, the outbreak of the COVID-19 in China followed hard on the heels of the phase one's US China trade truce. The Group expect the consumption and retail segment will continued to be affected from the double blow of the US-China trade war and the COVID-19 facing an uncertain future in the coming years.

The mobile phone market in China was still strong but its growth was obviously slowing down which resulted from the trade pressure exerted by the US in the trade war, denting the economic growth in China starting from 2020.

However, the continued economic growth in the PRC is fuelled by a high internal consumption. As the world's largest mobile handset market, there were approximately 1.63 billion handset subscribers in the PRC as of 2021 which benefit from preferential mobile internet traffic policies. The significant increase in 5G users and internet users implies that there are huge business opportunities in both mobile application and mobile commerce. Since the Group has been in the related mobile phone industry for decades, big data, mobile phone operating system and mobile internet would be surely the key business areas that the Group is interested in. As the technology for 5G telecommunications networks matured and was ready for takeoff demand for related equipment has remained robust. Recent developments in the China market along with anticipation of aggressive activity from the mobile phone supply chain have caused us raised our Group short-term 5G forecast and expect that China will become the lead market in terms of 5G volume. In light of the increasing uncertainties in the global economy, the Group will closely monitor changes in the economic environment and will be proactive and seize opportunities in Hong Kong and ASEAN trading markets.

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

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

USE OF PROCEEDS

The 2020 Rights Issue

On 10 November 2020, the Company proposed to raise approximately HK$48.6 million, before the Set-off Arrangement and relevant expenses, by way of the rights issue (the "Rights Issue"), by issuing 91,777,944 rights shares at the subscription price of HK$0.53 per rights share on the basis of one (1) rights share for every one (1) adjusted shares held on the Record Date. The Rights Issue was completed on 10 February 2021. The net proceeds of the Rights Issue were approximately HK$15.6 million.

Up to 31 December 2021, approximately HK$13.6 million of the net proceeds had been utilised by the Group, with breakdown as follows:

	Allocation of net proceeds as disclosed in the prospectus for the Rights Issue *HK$'000*	**Utilised amount for the year ended 31 December 2021** *HK$'000*	**Unutilised amount as at 31 December 2021** *HK$'000*	**Expected timeline for use of unutilised proceeds**
Trading and distribution business	8,153	8,153	–	–
General working capital *(Note)*	7,445	5,431	2,014	30 June 2022
Total	15,598	13,584	2,014	

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

	HK$'000
— Audit fees	1,186
— Salaries and allowances	1,582
— Directors' fee	418
— Office expenses	370
— Professional fees	701
— Insurance	170
— Rental expenses	417
— Utilities	22
— Others	565
Total	5,431

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company had complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the time being in force throughout the year ended 31 December 2021, with deviations as stated below:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual but Mr. Lau Siu Ying currently assumes both roles of the Chairman and the Chief Executive Officer of the Company. Provision A.4 of the Code states that all directors should be subject to re-election at regular intervals. However, Mr. Lau Siu Ying, being the Chairman of the Board, does not need to retire by rotation. Mr. Lau Siu Ying has been in charge of the overall management of the Company since its incorporation. As a result, although he does not need to retire by rotation and assumes both roles of the Chairman and the Chief Executive Officer of the Company, the Board considers that such arrangement at the current stage of development of the Group can facilitate the execution of its business strategies and maximise the effectiveness of its operations. Nevertheless, through the supervision from the Board including the Independent Non-executive Directors, the interests of the shareholders should be adequately and fairly considered.

Code Provision A.4.1

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

All existing Non-executive Directors of the Company are not appointed for a specific term as stipulated under the provision A.4.1 of the Code but are subject to retirement by rotation in accordance with the Company's Bye-laws. In accordance with the relevant provisions in the Bye-laws of the Company, if the appointment of Directors is made by the Board, the Directors so appointed must stand for election by the shareholders at the first annual general meeting following their appointments and all Directors, except the Chairman, must stand for re-election by the shareholders by rotation.

Code Provision A.5.1

CG Code provision A.5.1 stipulates that the Company shall establish a Nomination Committee which is chaired by the Chairman of the Board or an Independent Non-executive Director and comprises a majority of Independent Non-executive Directors. Reference is made to the announcement of the Company dated 28 June 2021 in relation to the non-compliance with Rules 3.10(1), 3.10(2), 3.21 and 3.25 of the Listing Rules. Following the passing away of Mr. Fok Wai Ming, Eddie as an Independent Non-executive Director, Chairman of the Audit Committee, Chairman of the Remuneration Committee and a member of the Nomination Committee on 12 June 2021, the Company had only two Independent Non-executive Directors and failed to meet the requirements of having: (a) at least three Independent Non-executive Directors on the Board under Rule 3.10(1) of the Listing Rules; (b) at least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; (c) the Audit Committee comprising only Non-executive Directors with a minimum of three members under Rule 3.21 of the Listing Rules; (d) the Remuneration Committee comprising a majority of Independent Non-executive Directors under Rule 3.25 of the Listing Rules; and (e) the Nomination Committee comprising a majority of Independent Non-executive Directors under code provision A.5.1 of the CG Code. Upon the appointment of Mr. Leung Wai Hung became effective on 9 July 2021, the Company has re-compiled with the above-mentioned requirements.

AUDIT COMMITTEE

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

The primary responsibilities of the Audit Committee include reviewing the reporting of financial and other information to the shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the auditors of the Company in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors. The Audit Committee has reviewed and approved this announcement.

SCOPE OF WORK OF YONGTUO FUSON CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Yongtuo Fuson CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Yongtuo Fuson CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by Yongtuo Fuson CPA Limited on the preliminary announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement was published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.fortunetele.com. The annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 of the Listing Rules is expected to be published on 27 April 2022 on the same websites and will be despatched to the shareholders of the Company by no later than 30 April 2022.

APPRECIATION

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

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

Hong Kong, 30 March 2022

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