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

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

(Stock Code: 110)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

The board of directors (the "Board") of China Fortune Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31st December, 2014, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2014 HK$'000	2013 HK$'000
Turnover	4	**57,587**	198,344
Cost of sales		**(49,027)**	(182,770)
Gross profit		**8,560**	15,574
Other income		**5,614**	4,826
Other gains and losses		**(1,420)**	(1,110)
Selling and distribution costs		**(10,408)**	(10,839)
Administrative expenses		**(30,040)**	(25,728)
Finance costs	5	**(1,323)**	(1,323)
Impairment loss recognised in respect of mining right		**–**	(118,637)
Share of results of associates		**(1,369)**	(604)
Loss before income tax		**(30,386)**	(137,841)
Income tax credit	6	**–**	29,659
Loss for the year	7	**(30,386)**	(108,182)

* *For identification purpose only*

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Other comprehensive income that may be subsequently transferred to profit or loss			
Exchange differences arising on translation of foreign operations		**(7,178)**	11,359
Total comprehensive income for the year		**(37,564)**	(96,823)
Loss for the year attributable to:			
Owners of the Company		**(24,482)**	(59,831)
Non-controlling interests		**(5,904)**	(48,351)
		(30,386)	(108,182)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(29,474)**	(52,216)
Non-controlling interests		**(8,090)**	(44,607)
		(37,564)	(96,823)
Loss per share			
Basic	*8*	**(2.96) cents**	(7.28) cents
Diluted	*8*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2014 HK$'000	2013 HK$'000
Non-current Assets			
Plant and equipment		**11,311**	13,919
Mining right	9	**279,771**	286,485
Investments in associates		**3,411**	1,023
Available-for-sale investments		**10,303**	10,303
Club memberships		**1,106**	1,221
		305,902	312,951
Current Assets			
Inventories		**6,502**	7,239
Trade and other receivables	10	**14,919**	20,766
Amounts due from non-controlling shareholders of subsidiaries		**3,767**	4,171
Cash and cash equivalents		**71,264**	96,581
		96,452	128,757
Current Liabilities			
Trade and other payables	11	**25,080**	30,170
Amounts due to related parties		**3,167**	1,642
Amount due to a non-controlling shareholder of a subsidiary		**405**	–
Tax payables		**6,486**	6,532
Warrants		**1,588**	–
Other borrowings		**15,498**	15,870
		52,224	54,214
Net Current Assets		**44,228**	74,543
Total Assets less Current Liabilities		**350,130**	387,494

	Notes	2014 *HK$'000*	2013 *HK$'000*
Capital and Reserves			
Share capital		**82,906**	82,316
Reserves		**112,966**	141,219
Equity attributable to owners of the Company		**195,872**	223,535
Non-controlling interests		**87,066**	95,156
		282,938	318,691
Non-current Liabilities			
Deferred tax liabilities		**67,192**	68,803
		350,130	387,494

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, development of marketing and after-sales service network and mining and processing of celestite, zinc and lead minerals.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on the historical cost basis except that certain financial instruments are measured at fair values.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1st January, 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

The adoption of these amendments has no material impact on the Group's financial statements.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]

[1] *Effective for annual periods beginning on or after 1st July, 2014*

[2] *Effective for annual periods beginning, or transactions occurring, on or after 1st July, 2014*

[3] *Effective for annual periods beginning on or after 1st January, 2016*

[4] *Effective for annual periods beginning on or after 1st January, 2017*

[5] *Effective for annual periods beginning on or after 1st January, 2018*

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs. The directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3rd March, 2014 (i.e. the financial year ended 31st December, 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

4. SEGMENT INFORMATION AND TURNOVER

(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 year ended 31st December, 2014, 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

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. 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 31st December, 2014

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	57,587	–	57,587
Reportable segment loss	(9,518)	(4,231)	(13,749)
Loss on write-off of plant and equipment	295	–	295
Depreciation and amortisation	1,132	493	1,625
Impairment loss recognised in respect of plant and equipment	991	–	991
Write down of inventories	298	–	298
Recovery of write down of inventories	(628)	–	(628)
Reportable segment assets	88,177	297,291	385,468
Additions to non-current assets	622	–	622
Reportable segment liabilities	(7,681)	(101,357)	(109,038)

	2014
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	**57,587**
Loss before income tax	
Reportable segment loss	**(13,749)**
Expenses used in the development of mobile games	**(8,115)**
Interest income	**2,432**
Miscellaneous income	**712**
Corporate expenses	**(8,974)**
Share of results of associates	**(1,369)**
Finance costs	**(1,323)**
Consolidated loss before income tax	**(30,386)**
Assets	
Reportable segment assets	**385,468**
Unallocated corporate assets	
– Investments in associates	**3,411**
– Available-for-sale investments	**10,303**
– Others	**3,172**
Consolidated total assets	**402,354**
Liabilities	
Reportable segment liabilities	**109,038**
Unallocated corporate liabilities	
– Warrants	**1,588**
– Others	**8,790**
Consolidated total liabilities	**119,416**

For the year ended 31st December, 2013

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	198,344	–	198,344
Reportable segment loss	(4,877)	(122,728)	(127,605)
Gain on disposal of plant and equipment	(6)	(156)	(162)
Depreciation and amortisation	1,152	602	1,754
Impairment loss recognised in respect of trade and other receivables	1,268	–	1,268
Impairment loss recognised in respect of mining right	–	118,637	118,637
Write down of inventories	1,296	–	1,296
Recovery of write down of inventories	(2,269)	–	(2,269)
Reportable segment assets	121,478	304,330	425,808
Additions to non-current assets	159	–	159
Reportable segment liabilities	(10,653)	(103,305)	(113,958)

	2013
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	198,344
Loss before income tax	
Reportable segment loss	(127,605)
Interest income	1,474
Miscellaneous income	883
Corporate expenses	(10,666)
Share of result of an associate	(604)
Finance costs	(1,323)
Consolidated loss before income tax	(137,841)
Assets	
Reportable segment assets	425,808
Unallocated corporate assets	
– Investment in an associate	1,023
– Available-for-sale investments	10,303
– Others	4,574
Consolidated total assets	441,708
Liabilities	
Reportable segment liabilities	113,958
Unallocated corporate liabilities	9,059
Consolidated total liabilities	123,017

(b) Geographical information

During 2014 and 2013, the Group's operations and non-current assets are situated in the PRC in which all of its revenue was derived.

(c) Information about major customer

During 2014 and 2013, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

(d) Turnover

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

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interests on other borrowings wholly repayable within five years	**1,323**	1,323

6. INCOME TAX CREDIT

	2014	2013
	HK$'000	*HK$'000*
The amount of income tax credit in the consolidated statement of comprehensive income represents:		
Current tax – PRC Enterprise Income Tax ("EIT")	**–**	–
Deferred tax	**–**	(29,659)
Income tax credit	**–**	(29,659)

Fortune (Shanghai) International Trading Co., Ltd, 上海遠嘉國際貿易有限公司, 珠海市雷鳴達通訊設備有限公司 and 黃石鍶發礦業有限公司 ("Sifa Mining") were established in the PRC and subject to the EIT rate of 25% (2013: 25%).

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

The income tax credit for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax	**(30,386)**	(137,841)
Tax credit at the domestic income tax rate of 25% (2013: 25%) *(Note)*	**(7,597)**	(34,460)
Tax effect of share of results of associates	**226**	100
Tax effect of expenses not deductible for tax purpose	**3,049**	714
Tax effect of income not taxable for tax purpose	**(665)**	(663)
Tax effect of tax losses not recognised and utilisation of deductible temporary differences	**4,226**	3,814
Effect of different tax rates of group entities operating in other jurisdictions	**761**	836
Tax credit for the year	**–**	(29,659)

At the end of reporting period, the Group had estimated unused tax losses of approximately HK$156,531,000 (2013: HK$139,817,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$41,044,000 (2013: HK$29,013,000) that may be carried forward for a period of five years from their respective year of origination. The remaining unrecognised tax losses may be carried forward indefinitely.

At the end of reporting period, the Group also had deductible temporary differences of approximately HK$6,558,000 (2013: HK$7,045,000). No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Note: The domestic income tax rate represents the EIT rate where the Group's operations are substantially based.

7. LOSS FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Loss for the year has been arrived after charging:		
Auditor's remuneration	**945**	944
Cost of inventories recognised as expense	**49,027**	182,770
Write down of inventories	**298**	1,296
Recovery of write down of inventories	**(628)**	(2,269)
Depreciation of plant and equipment	**1,657**	1,781
Staff costs		
– directors' emoluments	**5,006**	6,197
– other staff costs	**14,380**	10,820
– share-based payment expenses	**–**	370
– retirement benefit scheme contribution (excluding directors)	**3,311**	1,768
	22,697	19,155
and after crediting:		
Service income from provision of logistics and promotion services	**2,301**	1,599
Interest income	**2,432**	1,474
Government grants	**33**	863

8. LOSS PER SHARE

The calculation of loss per share for the year is based on the loss for the year attributable to owners of the Company of HK$24,482,000 (2013: loss of HK$59,831,000) and the weighted average number of 826,871,387 shares in issue during the year (2013: 821,745,634 shares in issue).

No diluted loss per share is presented as the effect of all potential ordinary shares is anti-dilutive for the years ended 31st December, 2014 and 2013.

9. MINING RIGHT

	HK$'000
COST	
At 1st January, 2013	456,320
Exchange adjustments	14,720
At 31st December, 2013	471,040
Exchange adjustments	(11,040)
At 31st December, 2014	460,000
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1st January, 2013	62,035
Exchange adjustments	3,883
Impairment for the year	118,637
At 31st December, 2013	184,555
Exchange adjustments	(4,326)
At 31st December, 2014	180,229
CARRYING VALUE	
At 31st December, 2014	279,771
At 31st December, 2013	286,485

The mining right represents the right of Sifa Mining to conduct mining activities in Huangshi City, Hubei Province, the PRC. The mining right is amortised using the units of production method based on the proven and probable mineral reserves. Sifa Mining obtained a mining operating permit for 2 years starting from 25th September, 2012 granted by 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 restricted to exploration activities only and prohibited from exploitation activities. The mining operating permit expired on 25th September, 2014. Sifa Mining is not allowed to restart any mining activities until a renewed mining operating permit is obtained.

During the year, the Group prepared documentation as required and submitted the application to MLR for a renewal of mining operating permit without the prohibition of exploitation activities. At the date of this announcement, the application is still under the final assessment by MLR. In the opinion of the directors, it is highly probable that the renewal application will be approved by MLR in the first half year of 2015.

If the renewal application was unsuccessful or the prohibition on exploitation activities was not released, the recoverable amount of the cash-generating unit of the mining business shall be reassessed and the carrying amount of mining right may be impaired.

The exploitation on the first phase was completed in 2010. Sifa Mining commenced developing a new mining site exploitation system in the next phase since then. However, the development had been inevitably and adversely affected by the downturn of the global mineral resources demand since second half year of 2012. Although it was expected that the downturn was temporary and only being a normal cycle adjustment in the industry, the management 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.

The directors have carefully reviewed the recoverable amount of the cash-generating unit of the mining business to which the mining right is allocated by reference to the professional valuation as at 31st December, 2014, performed by Cushman & Wakefield Valuation Advisory Services (HK) Ltd.. The recoverable amount of the cash-generating unit was determined based on a value in use calculation. The key assumptions adopted in the value in use calculation relate to the renewal of mining operating permit, estimated reserves, estimated productivity and the estimated prices of mineral resources. The calculation uses cash flow projections based on financial budgets approved by management with certain key parameters as below:

	2014	2013
	HK$'000	*HK$'000*
Discount rate (pre-tax)	**20.3%**	20.5%
Growth rate	**3.0%**	3.0%
Gross profit ratio	**49.3%**	47.6%

Based on the above review, the recoverable amount of the cash-generating unit of the mining business approximates to its carrying value as at 31st December, 2014. Directors considered that no impairment loss has to be recognised for the year.

At 31st December, 2014, 100,000 tons (2013: 100,000 tons) minerals included in the underlying reserves were pledged to the other borrowings.

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**19,981**	21,318
Less: accumulated allowance	**(18,458)**	(18,563)
	1,523	2,755
Value-added-tax receivables	**427**	231
Rebates receivable	**–**	30
Prepayments to suppliers	**2,850**	1,720
Other receivables and deposits	**13,299**	19,548
Less: accumulated allowance	**(3,180)**	(3,518)
Trade and other receivables	**14,919**	20,766

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:

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**240**	883
31 to 90 days	**1,205**	343
91 to 365 days	**43**	213
Over 365 days	**35**	1,316
	1,523	2,755

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 and good credit rating under the Group's internal credit assessment.

11. 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:

	2014	2013
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**504**	544
31 to 90 days	**865**	12
Over 90 days	**276**	193
	1,645	749
Rebates payable	**1,494**	5,960
Prepayments from customers	**70**	1,427
Other payables and accruals	**21,871**	22,034
	25,080	30,170

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual audited financial statements for the year ended 31st December, 2014. The report includes an emphasis of matter, without qualification.

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

We draw attention to note 17 to the consolidated financial statements which describes the renewal application progress for the mining operating permit being carried out by the Group. Our opinion is not qualified in respect of this matter."

FINAL DIVIDEND

No dividend has been proposed since the end of reporting period (2013: Nil).

REVIEW AND OUTLOOK

Financial Review

Our turnover in mobile phone business continued to drop in the year, leading to a loss of HK$9.5 million incurred in this business segment, as compared to a segment loss of HK$4.9 million in last year. For our mining business which the exploitation on the first phase was completed in 2010 and development of a new mining site exploitation system in the next phase commenced since then, exploitation of minerals is now halted. According to the forecast adopted in the year for the valuation of the mining business, which details are set out in note 9 on page 16 of this announcement, the value of the mining business approximates to its carrying value as at 31st December, 2014.

The Group recorded a substantial drop in the consolidated revenue from HK$198.3 million in last year to HK$57.6 million in this year. The gross profit amounted to HK$8.6 million, a decrease when compared to the last year of HK$15.6 million. The gross margin percentage during the year was 14.9% which was higher than the last year of 7.9% due to the better gross margin achieved in the mobile phone retail and wholesale business in this year. The other gains and losses in this year included an impairment loss recognised in respect of plant and equipment amounted to HK$1.0 million.

The selling and distribution costs amounted to HK$10.4 million which remains at similar level as last year of HK$10.8 million. The administrative expenses amounted to HK$30.0 million, an increase when compared to the last year of HK$25.7 million mainly due to increase in staff cost in the year.

As far as the mobile phone retail chain and wholesale business in Zhuhai was concerned, the revenue achieved during the year amounted to HK$42.3 million, decreased by 57.7% as compared with last year of HK$100.1 million. Owing to the fierce competitive business environment this retail chain facing, the Group continued to share a loss from it during the year. As the performance of the two associates was unpromising so far since these associates were invested by the Group, the Group shared net losses of HK$1.4 million from the results of these two associates during the year as compared to the net loss of HK$0.6 million from one associate in last year.

The finance costs kept at same level at HK$1.3 million this year when compared to last year.

The net asset value of the Group attributable to owners of the Company as at 31st December, 2014 amounted to HK$195.9 million or HK$0.24 per share when compared to HK$223.5 million or HK$0.27 per share as at 31st December, 2013. The basic loss per share was 2.96 Hong Kong cents as compared to the basic loss per share of 7.28 Hong Kong cents in last year.

As at 31st December, 2014, the Group's aggregate other borrowings amounted to HK$15.5 million when compared to HK$15.9 million as at 31st December, 2013, which was maintained at a similar level.

The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.34 and 0.31 as at 31st December, 2014 and 2013 respectively.

The total cash and cash equivalents amounted to HK$71.3 million as at 31st December, 2014 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 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 all 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.

The inventories of the Group as at 31st December, 2014 amounted to HK$6.5 million, when compared to HK$7.2 million as at 31st December, 2013, mainly since less inventories was kept as driven by a reduced turnover volume in the year. The inventory turnover period was 46 days in this year when compared to 27 days of last year. The Group will continue to apply strict policy in inventory control in the future.

The amount of trade and other receivables as at 31st December, 2014 was HK$14.9 million, when compared to HK$20.8 million as at 31st December, 2013. In order to minimise the credit risk for the trade receivables, the Group has implemented strict 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 31st December, 2014, the Group had in total 140 employees as compared to 158 employees as at 31st December, 2013. 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 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.

OPERATIONAL REVIEW

Market Overview

According to the statistics released by the Ministry of Industry and Information Technology of the People's Republic of China ("MII"), there were more than 1.2 billion subscribers to mobile phone services in the PRC as at the end 2014. 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 2009 and the issuance of 3G 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.

Business Review

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 pre-installing 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.

Investment in mobile phone operating system

On 29th December, 2012, the Group subscribed a convertible bond issued by Jolla Limited, which is a newly established company in Finland and engaged in mobile phone operating system development. After full conversion of the convertible bond into shares of Jolla Limited and together with further subscriptions, the Group acquired approximately 6.25% (at that moment) equity interest in Jolla Limited with an aggregate consideration of HK$10.2 million in March 2013. Although Jolla Limited is a newly established company in Finland, its team consists of well-experienced programmers and developers of mobile phone operating system. Jolla Limited's coming innovative and brand new mobile phone operating system is expected to bring new impact and opportunity to the market.

Mining

We commenced developing a new mining site exploitation system in our Strontium mining site since 2010. After the expiration of a five-year mining operating permit on 25th September, 2012, Sifa Mining obtained a two-year renewed one, in which Sifa Mining is restricted to exploration activities over the mining site only. After further submissions of relevant technical documentations to the Ministry of Land and Resources of the PRC ("MLR") for fulfilling exploitation requirements, a restriction-free mining operating permit can be renewed upon the expiry of this two-year permit. This two-year mining operating permit expired on 25th September, 2014. Sifa Mining is not allowed to restart any mining activities until a renewed mining operating permit is obtained.

During the year, the Group prepared documentation as required and submitted the application to MLR for a renewal of mining operating permit without the prohibition of exploitation activities. At the date of this announcement, the application is still under the final assessment by MLR. In the opinion of the directors, it is highly probable that the renewal application will be approved by MLR in the first half year of 2015.

If the renewal application was unsuccessful or the prohibition on exploitation activities was not released, the recoverable amount of the cash-generating unit of the mining business shall be reassessed and the carrying amount of mining right may be impaired.

The exploitation on the first phase was completed in 2010. Sifa Mining commenced developing a new mining site exploitation system in the next phase since then. However, the development had been inevitably and adversely affected by the downturn of the global mineral resources demand since second half year of 2012. Although it was expected that the downturn was temporary and only being a normal cycle adjustment in the industry, the management 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.

Prospect and Outlook

The continued economic growth in the PRC is fuelled by a high internal consumption. As the world's biggest handset market, there were more than 1.2 billion handset subscribers in the PRC with an increase of around 57 million subscribers in 2014. There were over 7.6% and 37.7% of 4G and 3G users respectively out of the total subscribers, and forecasted to increase much further in the near future. On the other hand, there were more than 550 million mobile Internet users which 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, mobile phone operating system and mobile internet would be surely the key business areas that the Group is interested in. So besides the recent investment in Jolla Limited, the Group is actively looking for further opportunities which will further enhance the shareholders' value.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31st December, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company has complied with the Corporate Governance Code ("the 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"), 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 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.

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. As at the date of this announcement, 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.

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.

PUBLICATION OF THE RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information required by paragraph 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange and the Company's website http://www.fortunetele.com.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO 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 BDO Limited on this preliminary announcement.

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

Hong Kong, 27th March, 2015

As at the date of this announcement, the Board of Directors of China Fortune Holdings Limited comprises three Executive Directors, Mr. Lau Siu Ying, Mr. Luo Xi Zhi and Mr. Wang Yu; and three Independent Non-executive Directors, Mr. Chang Wing Seng, Victor, Mr. Wong Lit Chor, Alexis and Dr. Law Chun Kwan.