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, 2015

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, 2015, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Revenue	*4*	**157,903**	57,587
Cost of sales		**(152,509)**	(49,027)
Gross profit		**5,394**	8,560
Other income		**2,172**	5,614
Other gains and losses		**(8,102)**	(1,420)
Selling and distribution costs		**(6,592)**	(10,408)
Administrative expenses		**(18,231)**	(30,040)
Finance costs	*5*	**(1,302)**	(1,323)
Share of results of associates		**(1,986)**	(1,369)
Loss before income tax	*7*	**(28,647)**	(30,386)
Income tax	*6*	**–**	–
Loss for the year		**(28,647)**	(30,386)

* *For identification purpose only*

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Other comprehensive income that may be subsequently transferred to profit or loss			
Exchange differences arising on translation from functional currency to presentation currency		**(12,612)**	(7,178)
Total comprehensive income for the year		**(41,259)**	(37,564)
Loss for the year attributable to:			
Owners of the Company		**(23,118)**	(24,482)
Non-controlling interests		**(5,529)**	(5,904)
		(28,647)	(30,386)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(31,774)**	(29,474)
Non-controlling interests		**(9,485)**	(8,090)
		(41,259)	(37,564)
Loss per share			
Basic	*8*	**(2.78) cents**	(2.96) cents
Diluted	*8*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current Assets			
Plant and equipment		**10,033**	11,311
Mining right	*9*	**266,342**	279,771
Investments in associates		**2,072**	3,411
Available-for-sale investments		**11,443**	10,303
Club memberships		**1,096**	1,106
		290,986	305,902
Current Assets			
Inventories		**2,017**	6,502
Trade and other receivables	*10*	**43,282**	14,919
Amount due from a non-controlling shareholder of a subsidiary		**3,586**	3,767
Held-for-trading investments		**2,111**	–
Cash and cash equivalents		**12,852**	71,264
		63,848	96,452
Current Liabilities			
Trade and other payables	*11*	**24,882**	25,080
Amounts due to related parties		**106**	3,167
Amount due to a non-controlling shareholder of a subsidiary		**209**	405
Tax payables		**6,394**	6,486
Warrants		**1,568**	1,588
Other borrowings		**–**	15,498
		33,159	52,224
Net Current Assets		**30,689**	44,228
Total Assets less Current Liabilities		**321,675**	350,130

	Notes	**2015** **HK$'000**	2014 *HK$'000*
Capital and Reserves			
Share capital		**83,206**	82,906
Reserves		**82,167**	112,966
Equity attributable to owners of the Company		**165,373**	195,872
Non-controlling interests		**77,581**	87,066
		242,954	282,938
Non-current Liabilities			
Other borrowings		**14,754**	–
Deferred tax liabilities		**63,967**	67,192
		78,721	67,192
		321,675	350,130

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, 2015

The Group has adopted the following amendments to HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1st January, 2015.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's consolidated 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 consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

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

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

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

[3] *The effective date is deferred*

The Group has already commenced an assessment of the impact of adopting the above HKFRSs to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and 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 apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the consolidated financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

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 year ended 31st December, 2015, 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, 2015

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	157,903	–	157,903
Reportable segment loss	(8,087)	(3,608)	(11,695)
Depreciation and amortisation	386	369	755
Impairment loss recognised in respect of trade and other receivables	2,733	34	2,767
Write down of inventories	1,171	–	1,171
Recovery of write down of inventories	(640)	–	(640)
Write-back of rebate payables	(1,489)	–	(1,489)
Reportable segment assets	52,053	281,977	334,030
Reportable segment liabilities	(4,723)	(98,612)	(103,335)

	2015
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	**157,903**
Loss before income tax	
Reportable segment loss	**(11,695)**
Expenses used in the development of mobile games	**(32)**
Fair value loss on held-for-trading investments	**(621)**
Interest income	**1,007**
Miscellaneous income	**773**
Impairment loss recognised in respect of available-for-sale investments	**(6,234)**
Reversal of impairment loss recognised in respect of an associate	**45**
Staff costs (including directors' remunerations)	**(5,610)**
Corporate expenses	**(2,992)**
Share of results of associates	**(1,986)**
Finance costs	**(1,302)**
Consolidated loss before income tax	**(28,647)**
Assets	
Reportable segment assets	**334,030**
Unallocated corporate assets	
– Investments in associates	**2,072**
– Available-for-sale investments	**11,443**
– Club memberships	**1,096**
– Held-for-trading investments	**2,111**
– Cash and cash equivalents	**3,503**
– Others	**579**
Consolidated total assets	**354,834**
Liabilities	
Reportable segment liabilities	**103,335**
Unallocated corporate liabilities	
– Tax payables	**4,574**
– Warrants	**1,568**
– Others	**2,403**
Consolidated total liabilities	**111,880**

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)
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
Staff costs (including directors' remunerations)	(5,493)
Corporate expenses	(3,481)
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
– Club memberships	1,106
– Cash and cash equivalents	1,694
– Others	372
Consolidated total assets	402,354
Liabilities	
Reportable segment liabilities	109,038
Unallocated corporate liabilities	
– Tax payables	4,574
– Warrants	1,588
– Others	4,216
Consolidated total liabilities	119,416

(b) Geographical information

During 2015 and 2014, 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

In 2015, revenues from two customers in the mobile phone business of the Group amounted to HK$57,688,000 and HK$47,557,000 respectively, each of which represent 10% or more of the Group's total revenues (2014: 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 or received for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

5. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interests on other borrowings wholly repayable within five years	**1,302**	1,323

6. INCOME TAX

Fortune (Shanghai) International Trading Co., Ltd ("Fortune Shanghai"), 上海遠嘉國際貿易有限公司 ("Shanghai Yuanjia"), 珠海市雷鳴達通訊設備有限公司 ("Zhuhai Reminda") 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% (2014: 25%).

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

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

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax	**(28,647)**	(30,386)
Tax credit at the domestic income tax rate of 25% (2014: 25%) *(Note)*	**(7,162)**	(7,597)
Tax effect of share of results of associates	**328**	226
Tax effect of expenses not deductible for tax purpose	**3,173**	3,049
Tax effect of income not taxable for tax purpose	**(733)**	(665)
Tax effect of tax losses not recognised and utilisation of tax losses and deductible temporary differences	**2,679**	4,226
Effect of different tax rates of group entities operating in other jurisdictions	**1,715**	761
Income tax for the year	**–**	–

At the end of reporting period, the Group had estimated unused tax losses of approximately HK$145,312,000 (2014: HK$156,531,000) available for offset against future profits. The tax losses are subject to the final assessment by the tax authorities in the respective jurisdictions where the tax losses arising from. 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$22,602,000 (2014: HK$41,044,000) 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$9,094,000 (2014: HK$6,558,000). 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 BEFORE INCOME TAX

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax is arriving at		
after charging/(crediting):		
Auditor's remuneration	**956**	945
Cost of inventories recognised as expenses	**152,509**	49,027
Write down of inventories	**1,171**	298
Recovery of write down of inventories	**(640)**	(628)
Depreciation of plant and equipment	**783**	1,657
Staff costs		
– directors' emoluments	**4,825**	5,006
– other staff costs	**8,180**	15,113
– retirement benefit scheme contribution (excluding directors)	**1,087**	3,269
	14,092	23,388
and after crediting:		
Service income from provision of logistics and promotion services	**309**	2,301
Interest income	**1,007**	2,432
Government grants	**37**	33

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$23,118,000 (2014: loss of HK$24,482,000) and the weighted average number of 830,753,853 shares in issue during the year (2014: 826,871,387 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, 2015 and 2014.

9. MINING RIGHT

	HK$'000
COST	
At 1st January, 2014	471,040
Exchange adjustments	(11,040)
At 31st December, 2014	460,000
Exchange adjustments	(22,080)
At 31st December, 2015	437,920
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1st January, 2014	184,555
Exchange adjustments	(4,326)
At 31st December, 2014	180,229
Exchange adjustments	(8,651)
At 31st December, 2015	171,578
CARRYING VALUE	
At 31st December, 2015	266,342
At 31st December, 2014	279,771

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.

(i) Mining exploitation permit

After the expiration of a 5-year mining exploitation permit on 25th 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 25th September, 2014.

During the year 2014, the Group prepared documents as required and submitted the application to MLR to obtain a mining exploitation permit. In return, a renewed permit was granted by MLR on 27th April, 2015 for a term of 2 years from 25th September, 2014 to 25th September, 2016 (the "2-year Permit 2014-2016"). However, the terms and conditions of the 2-year Permit 2014-2016 are the same as the 2-year Permit 2012-2014, no exploitation activities were allowed but only exploration activities.

The directors are of the opinion that the Group is still probable in obtaining the mining exploitation permit in the next renewal. Nevertheless, the directors are also exploring all commercially viable opportunities to maximise the return from this investment, including finding potential buyers.

(ii) Assessment of impairment

The directors have carefully reviewed the recoverable amount of the cash-generating unit of the mining business (the "CGU") to which the mining right is allocated. The directors determined the recoverable amount of the CGU was not able to be measured by a fair value less cost of disposal using the market approach method as no sufficient and reliable market information can be obtained. In 2014, the recoverable amount of the CGU was determined by the value in use calculation. Since the management has changed their intentions by also considering the possible disposal of the CGU in current year, the recoverable amount of the CGU was then determined by a fair value less cost of disposal as at 31st December, 2015 using the income approach method. The recoverable amount of the CGU was classified as level 3 in the fair value hierarchy. The key assumptions adopted in the income approach method (2014: value in use calculation) relate to the renewal of a mining exploitation permit, estimated reserves, estimated productivity and the estimated prices of mineral resources. The calculation uses cash flow projections with certain key parameters as below:

	2015	2014
	HK$'000	*HK$'000*
Discount rate (post-tax)	**17.1%**	n/a
Discount rate (pre-tax)	**n/a**	20.3%
Growth rate	**3.0%**	3.0%
Gross profit ratio	**52.4%**	49.3%

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, 2015. Directors considered that no impairment loss has to be recognised for the year.

At 31st December, 2015, 100,000 tons (2014: 100,000 tons) minerals included in the underlying reserves were pledged to the other borrowings.

10. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**53,748**	19,981
Less: accumulated allowance	**(18,281)**	(18,458)
	35,467	1,523
Value-added-tax receivables	**149**	427
Prepayments to suppliers	**880**	2,850
Other receivables and deposits	**12,550**	13,299
Less: accumulated allowance	**(5,764)**	(3,180)
Trade and other receivables	**43,282**	14,919

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:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**34,847**	240
31 to 90 days	**482**	1,205
91 to 365 days	**138**	43
Over 365 days	**–**	35
	35,467	1,523

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:

	2015	2014
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**89**	504
31 to 90 days	**314**	865
Over 90 days	**271**	276
	674	1,645
Rebates payable	**–**	1,494
Prepayments from customers	**12**	70
Other payables and accruals	**24,196**	21,871
	24,882	25,080

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expressed a disclaimer of opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31st December, 2015. The basis for disclaimer of opinion is extracted as follow:

Basis for disclaimer of opinion

As detailed in Note 17(i) to the consolidated financial statements, during the year, the Group's application for a mining exploitation permit turned out to be unsuccessful. Notwithstanding this fact, the directors are of the opinion that the Group is probable in obtaining the mining exploitation permit in the next application for renewal. Accordingly, in the assessment of the recoverable amounts of the Group's mining right and the related plant and equipment of approximately HK$266,342,000 and HK$9,918,000 respectively and the carrying amount of the related deferred tax liabilities of approximately HK$63,967,000 as at 31st December, 2015 ("the mining activities related assets and liability"), the directors assume that the Group will obtain the mining exploitation permit in the next application for renewal. As there is no sufficient appropriate audit evidence for us to assess the likelihood of the Group in obtaining the mining exploitation permit, we are not able to satisfy ourselves of the appropriateness of the assumptions used by the directors in assessing the recoverable amounts and carrying amount of the mining activities related assets and liability as at 31st December, 2015 and whether any impairment loss on the mining activities related assets should be recognised and whether any adjustment to the mining activities related liability should be made.

Any adjustments to the assets and liability as described above might have a significant consequential effect on the Group's financial position as at 31st December, 2015 and of its financial performance for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other aspects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

FINAL DIVIDEND

No dividend has been proposed since the end of reporting period (2014: Nil).

REVIEW AND OUTLOOK

Financial Review

Our turnover in mobile phone business increased in the year, leading to a reduced loss of HK$8.1 million incurred in this business segment, as compared to a segment loss of HK$9.5 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.

The Group recorded an increase in the consolidated revenue from HK$57.6 million in last year to HK$157.9 million in this year. The gross profit amounted to HK$5.4 million, a decrease when compared to the last year of HK$8.6 million. The gross margin percentage during the year was 3.4% which was lower than the last year of 14.9% due to the lower gross margin achieved in the mobile phone trading business in this year. The other income in this year included interest income amounted to HK$1.0 million. The other gains and losses in the year consisted a one-off impairment loss recognised in respect of available-for-sale investments amounted to HK$6.2million and an impairment loss recognised in respect of trade and other receivables amounted to HK$2.8 million.

The selling and distribution costs amounted to HK$6.6 million which decreased as compared to HK$10.4 million of last year. It was mainly because the staff costs decreased during this year. The administrative expenses amounted to HK$18.2 million, a decrease when compared to the last year of HK$30.0 million mainly due to decrease 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$21.7 million, decreased by 48.7% as compared with last year of HK$42.3 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 associates was unpromising so far since these associates were invested by the Group, the Group shared net losses of HK$2.0 million from the results of the associates during the year as compared to the net loss of HK$1.4 million 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, 2015 amounted to HK$165.4 million or HK$0.2 per share when compared to HK$195.9 million or HK$0.24 per share as at 31st December, 2014. The basic loss per share was 2.78 Hong Kong cents as compared to the basic loss per share of 2.96 Hong Kong cents in last year.

As at 31st December, 2015, the Group's aggregate other borrowings amounted to HK$14.8 million when compared to HK$15.5 million as at 31st December, 2014, 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 0.48 and 0.34 as at 31st December, 2015 and 2014 respectively.

The total cash and cash equivalents amounted to HK$12.9 million as at 31st December, 2015 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, 2015 amounted to HK$2.0 million, when compared to HK$6.5 million as at 31st December, 2014, mainly since less inventories was kept as driven by stringent inventory control in the year. The inventory turnover period was 17 days in this year when compared to 46 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, 2015 was HK$43.3 million, when compared to HK$14.9 million as at 31st December, 2014. 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, 2015, the Group had in total 89 employees as compared to 140 employees as at 31st December, 2014. 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 1.3 billion subscribers to mobile phone services in the PRC as at the end 2015. 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 trading, 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.

Mining

We commenced developing a new mining site exploitation system in our Strontium mining site since 2010. After the expiration of a 5-year mining exploitation permit on 25th 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 25th September, 2014.

During the year 2014, the Group prepared documents as required and submitted the application to MLR to obtain a mining exploitation permit. In return, a renewed permit was granted by MLR on 27th April, 2015 for a term of 2 years from 25th September, 2014 to 25th September, 2016 (the "2-year Permit 2014-2016"). The terms and conditions of the 2-year Permit 2014-2016 are the same as the 2-year Permit 2012-2014, no exploitation activities were allowed but only exploration activities.

The Directors are of the opinion that the Group is still probable in obtaining the mining exploitation permit in the next renewal. Nevertheless, the Directors are also exploring all commercially viable opportunities to maximise the return from this investment, including finding potential buyers.

The Directors have carefully reviewed the recoverable amount of the cash-generating unit of the mining business (the "CGU") to which the mining right is allocated. The Directors determined the recoverable amount of the CGU was not able to be measured by a fair value less cost of disposal using the market approach method as no sufficient and reliable market information can be obtained. In 2014, the recoverable amount of the CGU was determined by the value in use calculation. Since the management has changed their intentions by also considering the possible disposal of the CGU in current year, the recoverable amount of the CGU was then determined by a fair value less cost of disposal as at 31st December, 2015 using the income approach method. The recoverable amount of the CGU was classified as level 3 in the fair value hierarchy. The key assumptions adopted in the income approach method (2014: value in use calculation) relate to the renewal of a mining exploitation permit, estimated reserves, estimated productivity and the estimated prices of mineral resources. The calculation uses cash flow projections with certain key parameters as below:

	2015	2014
	HK$'000	*HK$'000*
Discount rate (post-tax)	**17.1%**	n/a
Discount rate (pre-tax)	**n/a**	20.3%
Growth rate	**3.0%**	3.0%
Gross profit ratio	**52.4%**	49.3%

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, 2015. The Directors considered that no impairment loss has to be recognised for the year.

Prospects 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 1.3 billion handset subscribers in the PRC with an increase of around 19.6 million subscribers in 2015. There was over 29% of 4G users out of the total subscribers, and forecasted to increase much further in the near future. On the other hand, there were more than 700 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. 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, 2015, 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, 2015 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, 30th March, 2016

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.