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 31 DECEMBER 2016

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 31 December 2016, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*4*	**110,638**	157,903
Cost of sales		**(108,801)**	(152,509)
Gross profit		**1,837**	5,394
Other income		**1,235**	2,172
Other gains and losses		**(6,116)**	(8,102)
Selling and distribution costs		**(2,645)**	(6,592)
Administrative expenses		**(15,242)**	(18,231)
Finance costs	*5*	**(1,278)**	(1,302)
Impairment loss recognised in respect of mining right		**(84,240)**	–
Share of results of associates		**(905)**	(1,986)
Loss before income tax	*7*	**(107,354)**	(28,647)
Income tax credit	*6*	**21,059**	–

* *For identification purpose only*

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Loss for the year		**(86,295)**	(28,647)
Other comprehensive income that may be subsequently transferred to profit or loss			
Exchange differences arising on translation from functional currency to presentation currency		**(12,247)**	(12,612)
Total comprehensive income for the year		**(98,542)**	(41,259)
Loss for the year attributable to:			
Owners of the Company		**(49,807)**	(23,118)
Non-controlling interests		**(36,488)**	(5,529)
		(86,295)	(28,647)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(58,710)**	(31,774)
Non-controlling interests		**(39,832)**	(9,485)
		(98,542)	(41,259)
Loss per share			
Basic	*8*	**(5.99) cents**	(2.78) cents
Diluted	*8*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current Assets			
Plant and equipment		**9,049**	10,033
Mining right	9	**168,516**	266,342
Investments in associates		**1,151**	2,072
Available-for-sale investments		**4,903**	11,443
Club memberships		**872**	1,096
		184,491	290,986
Current Assets			
Inventories		**1,197**	2,017
Trade and other receivables	10	**40,256**	43,282
Amount due from a non-controlling shareholder of a subsidiary		**3,345**	3,586
Held-for-trading investments		**1,254**	2,111
Cash and cash equivalents		**16,000**	12,852
		62,052	63,848
Current Liabilities			
Trade and other payables	11	**37,863**	21,707
Amount due to a related party		**1,296**	106
Amounts due to non-controlling shareholders of subsidiaries		**3,252**	3,384
Tax payables		**6,272**	6,394
Warrants		**–**	1,568
		48,683	33,159
Net Current Assets		**13,369**	30,689
Total Assets less Current Liabilities		**197,860**	321,675

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Capital and Reserves			
Share capital		**83,206**	83,206
Reserves		**23,457**	82,167
Equity attributable to owners of the Company		**106,663**	165,373
Non-controlling interests		**37,749**	77,581
		144,412	242,954
Non-current Liabilities			
Other borrowings		**13,762**	14,754
Deferred tax liabilities		**39,686**	63,967
		53,448	78,721
		197,860	321,675

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 1 January 2016

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 1 January 2016.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments has no 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.

Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] *Effective for annual periods beginning on or after 1 January 2017*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *Effective for annual periods beginning on or after 1 January 2019*
[4] *The effective date is deferred*

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

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

- Mobile phone business

- Mining business

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

For the year ended 31 December 2016

	Mobile phone business *HK$'000*	**Mining business** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue from external customers	**110,638**	**–**	**110,638**
Reportable segment loss	**(5,138)**	**(86,799)**	**(91,937)**
Depreciation and amortisation	**6**	**315**	**321**
Impairment loss recognised in respect of mining right	**–**	**84,240**	**84,240**
Impairment loss recognised in respect of trade and other receivables	**798**	**–**	**798**
Write-back of account payables	**(159)**	**–**	**(159)**
Recovery of write down of inventories	**(286)**	**–**	**(286)**
Reversal of write-back of rebate payables	**20**	**–**	**20**
Reportable segment assets	**54,634**	**182,602**	**237,236**
Reportable segment liabilities	**(3,333)**	**(74,431)**	**(77,764)**

	2016
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	**110,638**
Loss before income tax	
Reportable segment loss	**(91,937)**
Fair value loss on held-for-trading investments	**(423)**
Interest income	**25**
Miscellaneous income	**769**
Impairment loss recognised in respect of available-for-sale investments	**(6,340)**
Impairment loss recognised in respect of club memberships	**(210)**
Lapse of unlisted warrants	**1,568**
Staff costs (including directors' remunerations)	**(5,658)**
Corporate expenses	**(2,965)**
Share of results of associates	**(905)**
Finance costs	**(1,278)**
Consolidated loss before income tax	**(107,354)**
Assets	
Reportable segment assets	**237,236**
Unallocated corporate assets	
– Investments in associates	**1,151**
– Available-for-sale investments	**4,903**
– Held-for-trading investments	**1,254**
– Club memberships	**872**
– Cash and cash equivalents	**582**
– Others	**545**
Consolidated total assets	**246,543**
Liabilities	
Reportable segment liabilities	**77,764**
Unallocated corporate liabilities	
– Tax payables	**4,574**
– Receipt in advance *(Note 12)*	**15,599**
– Amount due to director, Mr. LAU	**1,296**
– Others	**2,898**
Consolidated total liabilities	**102,131**

For the year ended 31 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
– Held-for-trading investments	2,111
– Club memberships	1,096
– 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
– Amount due to director, Mr. LAU	106
– Others	2,297
Consolidated total liabilities	111,880

(b) Geographical information

During 2016 and 2015, 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 2016, revenues from two (2015: two) customers in the mobile phone business of the Group amounted to HK$65,220,000 and HK$35,011,000 (2015: HK$57,688,000 and HK$47,557,000) respectively, each of which represent 10% or more of the Group's revenue.

(d) Revenue

Revenue 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

	2016	2015
	HK$'000	*HK$'000*
Interests on other borrowings wholly repayable within five years	**1,278**	1,302

6. INCOME TAX CREDIT

The amount of income tax credit in the consolidated statement of comprehensive income represents deferred tax arising from reversal of temporary differences during the year.

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% (2015: 25%).

No provision for income tax has been made as the Group did not have any estimated assessable profits during the year (2015: Nil).

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:

	2016	2015
	HK$'000	*HK$'000*
Loss before income tax	**(107,354)**	(28,647)
Tax credit at the domestic income tax rate of 25% (2015: 25%) *(Note)*	**(26,838)**	(7,162)
Tax effect of share of results of associates	**149**	328
Tax effect of expenses not deductible for tax purpose	**1,240**	3,173
Tax effect of income not taxable for tax purpose	**(292)**	(733)
Tax effect of tax losses not recognised and utilisation of tax losses and deductible temporary differences	**3,659**	2,679
Effect of different tax rates of group entities operating in other jurisdictions	**1,023**	1,715
Income tax credit	**(21,059)**	–

At the end of reporting period, the Group had estimated unused tax losses of approximately HK$166,456,000 (2015: HK$145,312,000) 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 unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$37,876,000 (2015: HK$22,602,000) 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$8,949,000 (2015: HK$9,094,000). 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

	2016	2015
	HK$'000	*HK$'000*
Loss before income tax is arriving at		
after charging/(crediting):		
Auditor's remuneration	**949**	956
Cost of inventories recognised as expenses	**108,801**	152,509
Write down of inventories	**–**	1,171
Recovery of write down of inventories	**(286)**	(640)
Depreciation of plant and equipment	**343**	783
Staff costs		
– directors' emoluments	**4,520**	4,825
– salaries and allowances for other staffs	**4,995**	8,180
– retirement benefit scheme contribution (excluding directors)	**488**	1,087
	10,003	14,092
and after crediting:		
Service income from provision of logistics and promotion services	**110**	309
Interest income	**25**	1,007
Government grants	**23**	37

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$49,807,000 (2015: loss of HK$23,118,000) and the weighted average number of 832,063,442 shares in issue during the year (2015: 830,753,853 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 31 December 2016 and 2015.

9. MINING RIGHT

	HK$'000
COST	
At 1 January 2015	460,000
Exchange adjustments	(22,080)
At 31 December 2015	437,920
Exchange adjustments	(29,440)
At 31 December 2016	408,480
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2015	180,229
Exchange adjustments	(8,651)
At 31 December 2015	171,578
Exchange adjustments	(15,854)
Impairment for the year	84,240
At 31 December 2016	239,964
CARRYING VALUE	
At 31 December 2016	168,516
At 31 December 2015	266,342

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 25 September 2012, Sifa Mining obtained twice a renewed mining operating permit for 2 years 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 latest 2-year mining operating permit was expired on 25 September 2016 and, up to the date of this announcement, the Group is preparing for the application of a mining exploitation permit.

The directors are of the opinion that the Group is likely to obtain a mining exploitation permit in this application. 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. The recoverable amount of the CGU was then determined by a fair value less cost of disposal as at 31 December 2016, using the income approach method, with reference to the professional valuation performed by Colliers International (Hong Kong) Ltd, an independent firm of professionally qualified valuers. 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 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:

	2016	2015
Discount rate (post-tax)	**20.5%**	17.1%
Growth rate	**3.0%**	3.0%
Gross profit ratio	**58.6%**	52.4%

Based on the above review, in the current year the directors of the Company readjusted the exploitation time schedule in order to match the expected date of successful application of a mining exploitation permit, and have consequently assessed that the recoverable amount of the cash-generating unit to be lower than its carrying value as at 31 December 2016. Accordingly, a shortfall of HK$84,240,000 was recognised as impairment loss on the mining right to write down the cash-generating unit to its recoverable amount.

At 31 December 2016, 100,000 tons (2015: 100,000 tons) minerals included in the underlying reserves were pledged to the other borrowings.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**18,049**	53,748
Less: accumulated allowance	**(17,998)**	(18,281)
	51	35,467
Value-added-tax receivables	**412**	149
Prepayments to suppliers	**34,042**	880
Other receivables and deposits	**11,781**	12,550
Less: accumulated allowance	**(6,030)**	(5,764)
Trade and other receivables	**40,256**	43,282

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

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**5**	34,847
31 to 90 days	**12**	482
91 to 365 days	**34**	138
	51	35,467

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:

	2016	2015
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**82**	89
31 to 90 days	**–**	314
Over 90 days	**180**	271
	262	674
Prepayments from customers	**125**	12
Receipt in advance *(Note 12)*	**15,599**	–
Other payables and accruals	**21,877**	21,021
	37,863	21,707

12. EVENT AFTER THE REPORTING DATE

On 23 December 2016, the Company entered into a conditional Subscription Agreement with individual subscribers, pursuant to which the Company agreed to issue total of 85,716,000 new shares all at a price of HK$0.35 per share, which representing approximately 10.30% of the Company's existing issued share capital and approximately 9.34% of its issued capital as enlarged by the subscription shares. The gross proceeds and net proceeds from the Subscription Agreement will be approximately HK$30.0 million and HK$29.8 million respectively. The net proceeds from the subscription shares will be applied for general working capital.

As at 31 December 2016, approximately HK$15,599,000 was received from the subscribers for the subscription shares. The subscription was completed on 1 February 2017. A total of 85,716,000 subscription shares have been placed at the subscription price of HK$0.35 per share.

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 31 December 2016. The basis for disclaimer of opinion is extracted as follow:

Basis for Disclaimer of Opinion

1. The mining activities related assets and liability

As detailed in Note 17(i) of the consolidated financial statements, the Group's mining operating permit had been expired on 25 September 2016 and up to the date of this report, the Group is preparing for the application of a mining exploitation permit. The directors are of the opinion that the Group will be successful in the application for the mining exploitation permit. The directors have factored this into their assessment of the recoverable amount of the Group's mining right and related plant and equipment of approximately HK$168,516,000 (2015: HK$266,342,000) and HK$8,952,000 (2015: HK$9,918,000) respectively, and the carrying amount of the related deferred tax liabilities of approximately HK$39,686,000 (2015: HK$63,967,000), as at 31 December 2016 ("the mining activities related assets and liability"). The relevant government authorities have the discretion of approving the application or not. As there is no sufficient appropriate audit evidence for us to assess the likelihood and timing of the Group in obtaining a 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 amounts of the mining activities related assets and liability as at 31 December 2016, whether any further or reversal of impairment on the mining activities related assets should be recognised, and whether any further adjustment to the mining activities related liability should be made.

Any further adjustments to the assets and liability as described above might have a significant consequential effect on the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended, the elements making up the consolidation cash flow statement and the related disclosures thereof in the consolidated financial statements.

In our audit of the consolidated financial statements for the year ended 31 December 2015, we were also unable to obtain sufficient appropriate audit evidence to assess the likelihood of the Group being able to obtain a mining exploitation permit and therefore we were unable to determine the appropriateness of the recoverable amount assessment of the mining activities related assets preformed by the directors and whether any adjustment to the mining activities related liabilities should be made. We did not express an opinion on the consolidated financial statements for the year ended 31 December 2015.

2. Prepayments to suppliers

Included in the Group's trade and other receivables as at 31 December 2016 were prepayments to two major suppliers of HK$33,688,000, which arose from the prepayments for purchase of mobile phones from the two major suppliers by the Group during 2016. At 31 December 2016, no impairment loss has been recognised in respect of the prepayments. However, we were unable to obtain direct confirmations from the suppliers and the financial information regarding the suppliers, or any other alternative audit evidence to verify the existence and recoverability of the prepayments from the two major suppliers at 31 December 2016. Therefore, we were unable to determine whether any adjustment to the trade and other receivables as at 31 December 2016 is necessary because of the limitation on our work on the existence of the prepayments and, notwithstanding the existence issue, whether any impairment loss should be recognised during the year ended 31 December 2016. Recognition of such adjustment or impairment loss may have a significant consequential effect on the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended, the elements making up the consolidated cash flow statement and the related disclosures thereof in the consolidated financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these 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 (2015 Nil).

REVIEW AND OUTLOOK

Financial Review

Our turnover in mobile phone business decreased in the year. On the other hand, there was tightened cost control, leading to a reduced loss of HK$5.1 million incurred in this business segment, as compared to a segment loss of HK$8.1 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. Owing to a revised forecast adopted in the year for the valuation of mining right, an impairment loss on mining right of HK$84.2 million was recognised in the year, with details set out in note 9 on pages 14 and 15 of this announcement. By offsetting with a HK$21.1 million deferred tax credit associated with this mining right impairment, the net effect of this impairment to the financial result in this year was approximately HK$63.1 million. In aggregate, the Group incurred a loss of HK$86.3 million in this year, as compared to a loss of HK$28.6 million in last year.

The Group recorded a decrease in the consolidated revenue from HK$157.9 million in last year to HK$110.6 million in this year. The gross profit amounted to HK$1.8 million, a decrease when compared to the last year of HK$5.4 million. The gross margin percentage during the year was 1.7% which was lower than the last year of 3.4% due to the lower gross margin achieved in the mobile phone trading business in this year. Other income decreased from HK$2.2 million in last year to HK$1.2 million this year mainly due to the decrease in interest income. 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$6.3 million and an impairment loss recognised in respect of trade and other receivables amounted to HK$0.8 million.

The selling and distribution costs amounted to HK$2.6 million which decreased as compared to HK$6.6 million of last year. It was mainly because the staff costs and rental expenses decreased during this year. The administrative expenses amounted to HK$15.2 million, a decrease when compared to the last year of HK$18.2 million mainly due to decrease in staff costs 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$4.3 million, decreased by 80.2% as compared with last year of HK$21.7 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$0.9 million from the results of the associates during the year as compared to the net loss of HK$2.0 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 31 December 2016 amounted to HK$106.7 million or HK$0.13 per share when compared to HK$165.4 million or HK$0.20 per share as at 31 December 2015. The basic loss per share was 5.99 Hong Kong cents as compared to the basic loss per share of 2.78 Hong Kong cents in last year.

As at 31 December 2016, the Group's aggregate other borrowings amounted to HK$13.8 million when compared to HK$14.8 million as at 31 December 2015, 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 0.50 and 0.48 as at 31 December 2016 and 2015 respectively.

The total cash and cash equivalents amounted to HK$16.0 million as at 31 December 2016 without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation and other borrowings. During the 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 31 December 2016 amounted to HK$1.2 million, when compared to HK$2.0 million as at 31 December 2015, mainly since less inventories was kept as driven by stringent inventory control in the year. The inventory turnover period was 5 days in this year when compared to 17 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 31 December 2016 was HK$40.3 million, when compared to HK$43.3 million as at 31 December 2015. The amounts for two years are of similar level.

As at 31 December 2016, the Group had in total 38 employees as compared to 89 employees as at 31 December 2015. Employees were remunerated according to the nature of their job duties and market trend. The Group provided staff welfare and fund contribution to its employees in accordance with the prevailing regulations in the PRC and Hong Kong. There was no material change in the remuneration policy, bonus scheme and share option scheme during the 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 2016. 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 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.

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

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. The recoverable amount of the CGU was then determined by a fair value less cost of disposal as at 31 December 2016, using the income approach method, with reference to the professional valuation performed by Colliers International (Hong Kong) Ltd, an independent firm of professionally qualified valuers. 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 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:

	2016	2015
Discount rate (post-tax)	**20.5%**	17.1%
Growth rate	**3.0%**	3.0%
Gross profit ratio	**58.6%**	52.4%

Based on the above review, in the current year the Directors of the Company readjusted the exploitation time schedule in order to match the expected date of successful application of a mining exploitation permit, and have consequently assessed that the recoverable amount of the cash-generating unit to be lower than its carrying value as at 31 December 2016. Accordingly, a shortfall of HK$84,240,000 was recognised as impairment loss on the mining right to write down the cash-generating unit to its recoverable amount.

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 50.5 million subscribers in 2016. There was over 58% 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 900 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, big data, 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 31 December 2016, 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 31 December 2016 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, 30 March 2017

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.