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

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

(Stock Code: 110)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	4	**216,104**	7,436
Cost of sales		**(213,966)**	(7,147)
Gross profit		**2,138**	289
Other income		**917**	1,039
Other gains and losses	5	**22,984**	(38,245)
Selling and distribution costs		**(11)**	(400)
Administrative expenses		**(14,928)**	(14,718)
Finance costs	6	**–**	(1,208)
Impairment loss recognised in respect of mining right	10	**–**	(174,589)
Share of results of associates		**(647)**	(6)
Profit/(loss) before income tax	8	**10,453**	(227,838)
Income tax (expense)/credit	7	**(148)**	41,116
Profit/(loss) for the year		**10,305**	(186,722)

* *For identification purpose only*

	Notes	2018 HK$'000	2017 HK$'000
Other comprehensive income that may be subsequently transferred to profit or loss			
Exchange differences arising on translation from functional currency to presentation currency		**(80)**	6,258
Total comprehensive income for the year		**10,225**	(180,464)
Profit/(loss) for the year attributable to:			
Owners of the Company		**7,799**	(111,714)
Non-controlling interests		**2,506**	(75,008)
		10,305	(186,722)
Total comprehensive income for the year attributable to:			
Owners of the Company		**5,916**	(105,255)
Non-controlling interests		**4,309**	(75,209)
		10,225	(180,464)
Earnings/(loss) per share			
Basic	*9*	**0.85 cents**	(12.25) cents
Diluted	*9*	**0.85 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current Assets			
Plant and equipment		**5,709**	42
Mining right	*10*	**–**	–
Investments in associates		**498**	1,145
Financial assets at fair value through profit or loss		**5,350**	–
Available-for-sale investments		**–**	2,449
Club memberships		**877**	888
		12,434	4,524
Current Assets			
Inventories		**95**	2,098
Trade and other receivables	*11*	**42,182**	12,641
Amount due from an associate		**–**	2,382
Amount due from a non-controlling shareholder of a subsidiary		**3,435**	3,616
Financial assets at fair value through profit or loss		**536**	–
Held-for-trading investments		**–**	1,251
Cash and cash equivalents		**26,563**	18,364
		72,811	40,352
Current Liabilities			
Trade and other payables	*12*	**39,039**	25,804
Amount due to a related party	*15*	**6,493**	165
Amounts due to non-controlling shareholders of subsidiaries		**8,296**	3,671
Tax payables		**6,415**	6,409
Other borrowings	*13*	**–**	14,878
		60,243	50,927
Net Current Assets/(Liabilities)		**12,568**	(10,575)
Total Assets less Current Liabilities		**25,002**	(6,051)

	Notes	**2018**	2017
	Notes	***HK$'000***	*HK$'000*
Capital and Reserves			
Share capital		**91,778**	91,778
Reserves		**(51,191)**	(60,369)
Equity attributable to owners of the Company		**40,587**	31,409
Non-controlling interests		**(33,151)**	(37,460)
		7,436	(6,051)
Non-current Liabilities			
Deferred tax liabilities		**–**	–
Government grant	*14*	**5,700**	–
Amount due to a related party	*15*	**11,866**	–
		17,566	–
		25,002	(6,051)

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018

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 2018.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *HKD'000*	**Carrying amount as at 1 January 2018 under HKFRS 9** *HKD'000*
Trade and other receivables	Loans and receivables	Amortised cost	12,641	12,641
Amount due from an associate	Loans and receivables	Amortised cost	2,382	2,382
Amount due from a non-controlling shareholder of a subsidiary	Loans and receivables	Amortised cost	3,616	3,616
Available-for-sales investments ("Unlisted investments")	Available-for-sales investments *(note a)*	Financial assets at fair value through profit or loss	2,449	3,897
Held-for trading investments ("Listed equity investments")	Held-for trading investments	Financial assets at fair value through profit or loss	1,251	1,251

Note (a):

The balance included unlisted investments of HK$2,449,000 as at 31 January 2018. At the date of initial application of HKFRS 9, the unlisted investments were reclassified from available-for-sale investments at fair value to financial assets at FVTPL. The investments are not held for trading, but the Group has nevertheless not elected to recognise fair value gains and losses through other comprehensive income. The net fair value gain of HK$1,369,000 and the exchange difference of HK$79,000 relating to the investments were reclassified to accumulated losses and translation reserve on 1 January 2018 respectively.

The measurement categories for all financial liabilities remain the same for the Group, the carrying amounts for all liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Management has concluded that neither the new requirements related to the classification and measurement nor the requirements related to impairment have any impact on the consolidated financial statements of the Company.

Impairment of the ECLs model

a) Impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and invoice day aging. On that basis, the loss allowance as at 1 January 2018 was determined as follows:

	Expected loss rate *(%)*	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*
Not past due	0.151%	–	–
Less than 1 month past due	0.154%	3	–
1 to 3 months past due	0.208%	9	–
3 to 6 months past due	0.649%	1	–
6 to 12 months past due	27.423%	–	–
Over 12 months past due	100.00%	14,135	14,135
		14,148	14,135

Under HKAS 39, the Group has made a provision for impairment loss of trade receivables amounting to HK$14,135,000 as at 31 December 2017. After applying the expected credit loss rate to gross amount of trade receivables, the management considered that the HKFRS 9 has no significant financial effect on the provision of impairment loss of financial assets recognised in the consolidated financial statements.

b) Impairment of amounts due from a non-controlling shareholder and an associate

The balances are considered to be low risk as the borrowers are considered to be low risk of default and to have a strong capacity to meet its obligations, and therefore the impairment provision is determined based on 12 months expected credit losses. After applying the expected credit loss model, the management considered that no additional impairment provision as at 1 January 2018 is recognised as the additional loss allowance for these financial instruments was immaterial.

c) Impairment of other receivables

The balances are considered to be low risk as the borrowers are considered to have a strong capacity to meet their obligation, and therefore the impairment provision is determined based on 12 months expected credit losses. After applying the expected credit loss model, the management considered that no additional impairment provision as at 1 January 2018 is recognised as the additional loss allowance for these financial instruments was immaterial.

Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

– when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

– when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

– when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Otherwise, the revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation if control of the goods or services transfers over time.

Based on the current assessment of the Group, the adoption of HKFRS 15 has no material impact on the timing and amounts of revenue recognised for contracts with customers. Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's mobile phone business are set out below:

Product/service	**Nature of the goods or services, satisfaction of performance obligations and payment terms**	**Nature of change in accounting policy and impact on 1 January 2018**
Trading of mobile phones	Revenue from trading of mobile phones is recognised at the point in time when control of the products is transferred to the customer, generally when the products are delivered to and the risks of obsolescence and loss have been transferred to customer. There is generally only one performance obligation. Invoices are usually payable within 60 days.	Impact Under HKAS 18, revenue from trading of mobile phones is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Under HKFRS 15, revenue is recognisd when the products are delivered to and the risks of obsolescence and loss have been transferred to customer. Therefore, HKFRS 15 did not result in significant impact on the Group's accounting policies on revenue of trading mobile phones.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

Revenue for trading of mobile phones generally includes only one performance obligation. The Group has concluded that revenue from trading of mobile phones should be recognised at the point in time when control of the products is transferred to the customer, generally when the products are delivered to and the risks of obsolescence and loss have been transferred to customer.

(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. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC) –Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] *Effective for annual periods beginning on or after 1 January 2019*

[2] *Effective for annual periods beginning on or after 1 January 2020*

[3] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.*

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the provisions of the Hong Kong Companies Ordinance. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basic of measurement

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

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 2018, 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 2018

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from contracts with external customers within scope of HKFRS 15	**216,104**	**–**	**216,104**
Reportable segment profit	**11,990**	**(3,238)**	**8,752**
Depreciation and amortisation	**199**	**–**	**199**
Reversal of impairment loss recognised in respect of prepayments paid to suppliers	**(363)**	**–**	**(363)**
Impairment loss recognised in respect of trade and other receivables	**2**	**–**	**2**
Impairment loss recognised in respect of inventories	**–**	**1,221**	**1,221**
Recovery of bad debts	**(14,083)**	**–**	**(14,083)**
Recovery of write down of inventories	**(155)**	**–**	**(155)**
Reportable segment assets	**72,083**	**3,643**	**75,726**
Additions to non-current assets	**5,808**	**–**	**5,808**
Reportable segment liabilities	**(36,069)**	**(12,701)**	**(48,770)**

	2018
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	**216,104**
Profit before income tax	
Reportable segment profit	**8,752**
Fair value loss on financial assets at fair value through profit or loss	**(519)**
Impairment loss recognised in respect of trade and other receivables	**(21)**
Interest income	**45**
Miscellaneous income	**598**
Write back of interest payables	**11,922**
Motor vehicle expenses	**(116)**
Staff costs (including directors' remunerations)	**(5,641)**
Rental expenses	**(634)**
Corporate expenses	**(3,286)**
Share of results of associates	**(647)**
Consolidated profit before income tax	**10,453**
Assets	
Reportable segment assets	**75,726**
Unallocated corporate assets	
– Investments in associates	**498**
– Financial assets at fair value through profit or loss	**5,886**
– Club memberships	**877**
– Cash and cash equivalents	**1,704**
– Others	**554**
Consolidated total assets	**85,245**
Liabilities	
Reportable segment liabilities	**48,770**
Unallocated corporate liabilities	
– Tax payables	**4,574**
– Amount due to a related party *(Note 15)*	**18,359**
– Others	**6,106**
Consolidated total liabilities	**77,809**

For the year ended 31 December 2017

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from contracts with external customers within scope of HKFRS 15	7,436	–	7,436
Reportable segment loss	(28,815)	(186,993)	(215,808)
Depreciation and amortisation	3	310	313
Loss on disposal of plant and equipment	37	–	37
Impairment loss recognised in respect of plant and equipment	–	8,965	8,965
Impairment loss recognised in respect of mining right	–	174,589	174,589
Impairment loss recognised in respect of prepayments paid to suppliers	24,903	–	24,903
Impairment loss recognised in respect of trade and other receivables	1,170	457	1,627
Recovery of write down of inventories	(516)	–	(516)
Reportable segment assets	29,902	5,181	35,083
Reportable segment liabilities	(3,936)	(39,247)	(43,183)

	2017
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	7,436
Loss before income tax	
Reportable segment loss	(215,808)
Fair value loss on held-for-trading investments	(102)
Impairment loss recognised in respect of available-for-sale investments	(2,614)
Interest income	156
Miscellaneous income	783
Motor vehicle expenses	(144)
Staff costs (including directors' remunerations)	(5,592)
Rental expenses	(636)
Corporate expenses	(2,667)
Share of results of associates	(6)
Finance costs	(1,208)
Consolidated loss before income tax	(227,838)
Assets	
Reportable segment assets	35,083
Unallocated corporate assets	
– Investments in associates	1,145
– Available-for-sale investments	2,449
– Held-for-trading investments	1,251
– Club memberships	888
– Cash and cash equivalents	3,508
– Others	552
Consolidated total assets	44,876
Liabilities	
Reportable segment liabilities	43,183
Unallocated corporate liabilities	
– Tax payables	4,574
– Amount due to a related party *(Note 15)*	165
– Others	3,005
Consolidated total liabilities	50,927

(b) Geographical information

During the year ended 31 December 2018 and 2017, the Group's operations and non-current assets are situated in the People's Republic of China ("PRC") in which all of its revenue was derived.

(c) Information about major customer

For the year ended 31 December 2018, revenues from two (2017: two) customers in the mobile phone business of the Group amounted to HK$80,298,000 and HK$35,667,000 (2017: HK$5,692,000 and HK$983,000) respectively, each of which represent 37% and 17% of the Group's revenue.

(d) Revenue

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

Disaggregation of revenue from contracts with customers

	Trading of mobile phone	
	2018	2017
	HK$'000	*HK$'000*
Primary geographical market		
PRC	**216,104**	7,436
Major product		
Mobile phone	**216,104**	7,436
Timing of revenue recognition		
At a point in time	**216,104**	7,436

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Exchange (loss)/gain	**(2)**	3
Fair value loss on financial assets at fair value through profit or loss	**(519)**	–
Fair value loss on held-for-trading investments	**–**	(102)
Impairment loss recognised in respect of available-for-sale investments	**–**	(2,614)
Impairment loss recognised in respect of plant and equipment	**–**	(8,965)
Impairment loss recognised in respect of inventories	**(1,221)**	–
Reversal of/(addition to) impairment loss recognised in respect of prepayments paid to suppliers	**363**	(24,903)
Impairment loss recognised in respect of trade and other receivables	**(23)**	(1,627)
Written off of plant and equipment	**–**	(37)
Write back of interest payables	**11,922**	–
Others	**(1,619)**	–
Recovery of bad debts	**14,083**	–
	22,984	(38,245)

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interests on other borrowings wholly repayable within five years	**–**	1,208

7. INCOME TAX EXPENSE/(CREDIT)

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

	2018	2017
	HK$'000	*HK$'000*
Current tax – PRC Enterprises Income Tax ("EIT")		
– tax for the year	**148**	–
Deferred tax credit	**–**	(41,116)
	148	(41,116)

The Group's major operations are being carried out through its subsidiaries established in the PRC and subject to the EIT rate of 25% (2017: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

No provision for income tax has been made as the Group did not have any estimated assessable profits during the year ended 31 December 2017.

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

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**10,453**	(227,838)
Income tax expense/(credit) at the domestic income tax rate of 25% (2017: 25%) *(Note)*	**2,613**	(56,960)
Tax effect of share of results of associates	**107**	1
Tax effect of non-deductible expenses	**1,053**	9,695
Tax effect of non-taxable income	**(5,415)**	(972)
Tax effect of tax losses not recognised and utilisation of tax losses and deductible temporary differences	**2,482**	6,205
Effect of tax concession granted to subsidiary	**(155)**	–
Effect of different tax rates of group entities operating in other jurisdictions	**(537)**	915
Income tax expense/(credit)	**148**	(41,116)

At the end of reporting period, the Group had estimated unused tax losses of approximately HK$182,731,000 (2017: HK$166,364,000) available for offsetting 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$43,043,000 (2017: HK$32,071,000) 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$8,854,000 (2017: HK$8,808,000). 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.

8. PROFIT/(LOSS) BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) before income tax is arriving at		
after charging:		
Auditor's remuneration	**1,134**	970
Cost of inventories recognised as expenses	**213,966**	7,147
Depreciation of plant and equipment	**211**	331
Staff costs		
– directors' emoluments	**3,631**	4,253
– salaries and allowances for other staffs	**3,742**	4,199
– retirement benefit scheme contribution (excluding directors)	**267**	198
	7,640	8,650
and after crediting:		
Service income from provision of logistics and promotion services	**–**	44
Interest income	**45**	156
Recovery of write down of inventories	**155**	516

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of earnings/(loss) per share for the year is based on the profit for the year attributable to owners of the Company of HK$7,799,000 (2017: loss of HK$111,714,000) and the weighted average number of 917,779,442 (2017: 911,673,645) shares in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings per share is the same as basic earnings per share because the Group has no dilutive potential shares for the year ended 31 December 2018.

No diluted loss per share was presented as the effect of all potential ordinary shares is anti-dilutive for the year ended 31 December 2017.

10. MINING RIGHT

	HK$'000
COST	
At 1 January 2017	408,480
Exchange adjustments	33,120
At 31 December 2017	441,600
Exchange adjustments	(22,080)
At 31 December 2018	419,520
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2017	239,964
Exchange adjustments	27,047
Impairment for the year	174,589
At 31 December 2017	441,600
Exchange adjustments	(22,080)
At 31 December 2018	419,520
CARRYING VALUE	
At 31 December 2018	–
At 31 December 2017	–

The mining right represents the right of Sifa Mining to conduct mining activities in Huangshi City, Hubei Province, the PRC. The mining right was amortised using the units of production method based on the proven and probable mineral reserves.

Mining exploitation/operating 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. Since then, the Group had been preparing for the application of renewal for the mining operation permit.

On 21 December 2017, the Department of Land and Resources of Hubei Province of the People's Republic of China (the "DLR") issued an announcement (the "DLR Announcement") in respect of the deadline for the application of renewal for the expired mining operating permit. The DLR instructed the owners of the expired mining operating permits as identified in the DLR Announcement had to furnish the application procedures for the renewal before 28 February 2018. If the owners fail to do so, they were required to de-register the mining operating permits before 31 March 2018 by themselves or the DLR will de-register their permits instead. The Group, through its lawyer, submitted a letter on 8 February 2018 to the DLR for the clarification of the Group's situation on whether the Group was allowed to extend the renewal application deadline or submit a new application for the mining operating permit in the future.

Up to the date of the 2017 Annual Report, the Group had not received the reply from the DLR and was not able to furnish the application before the deadline. The directors were of the opinion that there was a material uncertainty on whether the Group would be successful in the future application for the mining operating permit because of the DLR Announcement. The directors had factored this into their assessment of the recoverable amount of the Group's mining right and related plant and equipment, and the carrying amount of the related deferred tax liability (the "mining activities related assets and liability") as at 31 December 2017, and on the assumption that the Group could not renew the permit, provided a full impairment of the mining right of HK$174,589,000 and related plant and equipment of HK$8,965,000 and derecognised the related deferred tax liability of HK$41,116,000 in profit or loss during the year ended 31 December 2017.

During the year ended 31 December 2018, the Group, through its lawyer, has tried to approach DLR by telephone calls and resubmission of the letter sent in February 2018 for the clarification of the Group's situation. However, DLR did not make reply to the Group's enquiries. The directors were advised by the lawyer that, in accordance with the rules and regulations in the PRC, the Group has lost its mining right and no longer entitled to any benefit to be derived from the mining right.

The directors had carefully reassessed and reviewed the recoverable amount of the cash-generating unit of the mining business (the "CGU") to which the mining right is allocated. As at 31 December 2018, the directors determined the recoverable amount of the CGU should be nil as the directors are of the opinion that the DLR is unlikely to grant the mining operating permit to the Company nor to other market participants, if any. The directors had also considered the fair value of the plant and equipment related to the mining business is minimal as most of them were the infrastructure that attached to the mining site which were not removable and not saleable.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**508**	14,148
Less: accumulated allowance	**(52)**	(14,135)
	456	13
Value-added tax receivables	**259**	379
Prepayments to suppliers	**40,122**	36,641
Other receivables and deposits	**32,262**	7,847
Less: accumulated allowance	**(30,917)**	(32,239)
Trade and other receivables	**42,182**	12,641

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**–**	3
31 to 90 days	**–**	9
91 to 365 days	**456**	1
	456	13

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.

12. 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:

	2018	2017
	HK$'000	*HK$'000*
Trade payables:		
Over 90 days	**42**	204
	42	204
Value-added tax payables	**18**	–
Prepayments from customers	**143**	1,221
Other payables and accruals	**38,836**	24,379
	39,039	25,804

13. OTHER BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Secured other borrowings – repayable within one year	**–**	14,878

During the year ended 31 December 2018, two subsidiaries of the Group and a lender of the above borrowings entered into a waiver of debt assignments. The lender is also the debtor of one of the above subsidiaries of the Group with the outstanding trade receivables of HK$14,083,000 being fully impaired in previous years. Under the waiver of debt assignments, all the parties agreed that the outstanding trade receivables would be fully set off with other borrowings. The interest payables of HK$11,922,000 were also waived accordingly. Therefore, a recovery of bad debts of HK$14,083,000 and write back of interest payables of HK$11,922,000 were recongised in profit or loss in current year.

At 31 December 2018 and 2017, the Group did not have any banking facilities.

14. GOVERNMENT GRANT

A government grant of HK$5,700,000 was awarded to a subsidiary of the Group by the local government agencies as an incentive primarily to encourage and support its business development in local district. Under the terms of this government grant, the grant would be recalled if the subsidiary could not meet certain level of accumulated Value-added tax ("VAT") and EIT payment during a period of three years up to 2021.

15. AMOUNT DUE TO A RELATED PARTY

	2018	2017
	HK$'000	*HK$'000*
Current Liabilities		
– Mr. Lau Siu Ying (Mr. LAU) *(Note i)*	**6,493**	165
Non-current Liabilities		
– Mr. LAU (Note ii)	**11,866**	–
	18,359	165

i) The balance is unsecured, interest-free and repayable on demand.

ii) On 31 December 2018, Mr. LAU advanced HK$13,680,000 (equivalent to RMB12,000,000) to the Company which is due on 31 December 2021. The borrowing is carried at amortised cost using an imputed interest rate of 4.75% per annum. The imputed interest portion of HK$1,814,000 was credit to other reserve under attributable to owners of the Company.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expressed a qualified opinion in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2018. The basis for qualified opinion is extracted as follow:

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. *The mining activities related assets and liability*

   In our audit of the Group's consolidated financial statements for the year ended 31 December 2016, the Group's mining operating permit was expired during the year. Up to the date of our audit report of 30 March 2017, the Group was preparing for the application of renewal for a mining operating permit. There was no sufficient appropriate audit evidence for us to assess the appropriateness of the assumptions used by the directors in assessing the recoverable amounts of the Group's mining right and related plant and equipment, and the carrying amount of the related deferred tax liability ("the mining activities related assets and liability") as at 31 December 2016. Limitations on our work on the carrying amounts of the mining activities related assets and liability as at 31 December 2016 remained unresolved in our audit of the Group's consolidated financial statements for the year ended 31 December 2017. Any adjustment to the carrying amounts of the mining right and related plant and equipment as at 31 December 2016 would have consequential impact on their related impairment losses of HK$174,589,000 and HK$8,965,000 respectively recognised for the year ended 31 December 2017, and on the related deferred tax liability of HK$41,116,000 fully derecognised for the year then ended. As a result, we were unable to satisfy ourselves as to whether the impairment losses recognised and the derecognition of the related deferred tax liability for the year ended 31 December 2017 were appropriately estimated.

Our audit opinion on the consolidated financial statements for the year ended 31 December 2018 is modified for the possible effect of our audit scope limitation in 2017 on the comparability of the related 2018 figures and the 2017 figures in the consolidated statement of comprehensive income for the year ended 31 December 2018.

2. Prepayments to suppliers

In our audit of the Group's consolidated financial statements for the year ended 31 December 2016, we were unable to obtain the financial information regarding two suppliers to assess the recoverability of the Group's prepayments to them amounted to HK$33,688,000 at 31 December 2016. Impairment loss of HK$24,903,000 on the aforesaid prepayments was recognised in profit or loss for the year ended 31 December 2017. Due to the limitation on our work as at 31 December 2016 as stated above remained unresolved in our audit of 2017 financial statements, any adjustment to the carrying amount of the prepayments as at 31 December 2016 would have consequential impact on the amount of impairment loss recognised in the year ended 31 December 2017. As a result, we were unable to satisfy ourselves as to whether the amount of impairment loss recognised for the year ended 31 December 2017 was appropriately estimated.

Our audit opinion on the consolidated financial statements for the year ended 31 December 2018 is modified for the possible effect of our audit scope limitation in 2017 on the comparability of the related 2018 figures and the 2017 figures in the consolidated statement of comprehensive income for the year ended 31 December 2018.

FINAL DIVIDEND

The Board do not recommend the payment of any dividend in respect of the year. (2017: Nil).

REVIEW AND OUTLOOK

Revenue

For the year ended 31 December 2018, the Group recorded total revenue of HK$216.1 million, which was approximately HK$208.7 million or 28 times higher than the revenue of HK$7.4 million reported in 2017. The increase in Group's revenue was primarily attributable to the increase in revenue from mobile phone trading business in PRC.

The Group's revenue was entirely derived from mobile phone trading business in both reporting years. During the year ended 31 December 2018, revenue contribution from Zhejiang was HK$133.8 million representing 61.9% of the total revenue of the Group, whereas Shanghai contributed HK$80.5 million or 37.3% of the total revenue of the Group.

The increase in revenue was attributable to expansion of the Group's mobile phone wholesale business network in various PRC cities, such as Zhejiang, Shanghai and Chongqing, higher demand and growth in the mobile phone market due to customers expected to focus in 4G era mobile phone for shopping experience etc., which benefit the Group's performances in this area and the revenue was increased significantly.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 6.4 times, from HK$0.3 million for the year ended 31 December 2017 to HK$2.1 million for the year ended 31 December 2018. The increase of gross profit was attributable to the significant increase in Group's performance on mobile phone trading business.

Although there was significant growth in the mobile phone trading business during the year ended 31 December 2018, the competition in the mobile phone retail market was very keen, as a result, the Group's gross profit margin was decreased from 3.9% for the year ended 31 December 2017 to 1.0% for the year ended 31 December 2018. Such decrease was mainly due to the increased bargaining power from telecommunications chain stores and mobile carriers which purchasing mobile phone.

Other income

Other income was approximately HK$0.9 million for the year ended 31 December 2018, representing a decrease of HK$0.1 million or 11.7% when compared to HK$1.0 million for the year ended 31 December 2017. The decrease was mainly due to decrease of interest income and other miscellaneous income.

Other gains and losses

We had a net loss of HK$38.2 million in 2017 and a net gain of HK$23.0 million in 2018. For the year ended 31 December 2018, the net gain consisted of recovery of bad debts of HK$14.1 million, write back of interest payables of HK$11.9 million, an impairment loss recognised in respect of inventories of HK$1.2 million and fair value loss on financial assets at fair value through profit or loss of HK$0.5 million.

Selling and distribution costs

Selling and distribution costs were approximately HK$11 thousand for the year ended 31 December 2018, representing a decrease of approximately HK$0.4 million or 97.3% when compared to HK$0.4 million for the year ended 31 December 2017. The decrease was mainly due to the decrease of staff costs and rental expenses during the current year.

Administrative expenses

Administrative expenses amounted to HK$14.9 million when compared to the last year of HK$14.7 million, which was maintained at a similar level.

Finance costs

During the year ended 31 December 2018, no finance costs was recorded while HK$1.2 million of finance costs was recorded during the year ended 31 December 2017. The decrease of finance costs was due to the waiver of debt assignments entered during the current year. For details, please refer to Note 13 to the announcement.

Impairment loss recognised in respect of mining right

During the year ended 31 December 2017, owning to the re-assessment on the valuation of mining right, an impairment loss on mining right of HK$174.6 million and an impairment loss on related plant and equipment of HK$9.0 million were recognised, while no such impairment during the year ended 31 December 2018. For details, please refer to Note 10 to the announcement.

Share of results of associates

For the year ended 31 December 2018, our share of results of associates was a loss of HK$0.7 million (2017: loss of HK$6 thousand), mainly because of a loss on disposal of an investment held by an associate during the current year. As the performance of the associate was unpromising, the Group shared net losses of approximately HK$0.7 million from the results of the associates during the current year as compared to share of net losses of HK$6 thousand for the year ended 31 December 2017.

Income tax (expense)/credit

As set out in Note 7 of the announcement, income tax expense amounted to HK$0.1 million for the year ended 31 December 2018, as compared to income tax credit amounted to HK$41.1 million in last year. The turnaround of income tax represented an offset of HK$41.1 million deferred tax credit associated with the impairment loss in respect of mining right in last year, no such income tax credit in current year.

Profit/(loss) for the year attributable to owners of the Company

As a result of the factors set out above, the Group's share of profit amounted to HK$7.8 million for the year ended 31 December 2018, as compared to HK$111.7 million of loss for the year attributable to owners of the Company in last year.

Earnings/(loss) per share

The basic earnings per share was HK0.85 cents as compared to the basic loss per share of HK12.25 cents in last year. The diluted earnings per share was HK0.85 cents for the year ended 31 December 2018, while no diluted loss per share was presented as the effect of all potential ordinary shares is anti-dilutive for the year ended 31 December 2017.

Financial assets at fair value through profit or loss

As at 31 December 2018, the Group held various unlisted equity investments and unlisted fund investment engaged in developing mobile devices and operating system, manufacturing and distribution of mobile devices in different jurisdictions and engaged in different business.

The investments in unlisted equity investment and unlisted fund investment are measured at cost less impairment as at 31 December 2017 because the range of reasonable fair values estimates is so significant that the directors of the Group are of the opinion that fair value of the investments cannot be measured reliably. The unlisted equity investment and unlisted fund investment were reclassified at financial assets as fair value through profit or loss as at 1 January 2018 as the Group considers these investments to be strategic in nature.

Inventories

Inventories decreased by 95.5% from HK$2.1 million as at 31 December 2017 to HK$95 thousand as at 31 December 2018 primarily due to an impairment loss on inventories of HK$1.2 million was recognised. The Group will continue to apply strict policy in inventory control in the future.

Trade and other receivables

Trade and other receivables of the Group increased by 233.7% from approximately HK$12.6 million as at 31 December 2017 to approximately HK$42.2 million as at 31 December 2018, primarily due to (i) the growth of the Group's business and (ii) an increase in prepayments to suppliers. No impairment loss on prepayments paid to suppliers was recognised during the year ended 31 December 2018, while an impairment loss on prepayments paid to suppliers of HK$24.9 million was recognised for the year ended 31 December 2017.

Cash and cash equivalents

The total cash and cash equivalents amounted to HK$26.6 million as at 31 December 2018 as compared to HK$18.4 million as at 31 December 2017, without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation. During the year, there was no material change in the funding and treasury policy of the Group. The Group considers there is no material potential currency exposure as the majority of its revenue and expenses are derived and incurred in Renminbi in the PRC. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

Trade and other payables

The trade and other payables of the Group increased by 51.3% from approximately HK$25.8 million as at 31 December 2017 to approximately HK$39.0 million as at 31 December 2018, primarily due to an increase in other payables to third parties along with its business growth.

Other borrowings

As at 31 December 2017, the Group's other borrowings amounted to HK$14.9 million, while no other borrowings as at 31 December 2018. For details, please refer to Note 13 to the announcement.

Liquidity and gearing ratio

The net asset value of the Group attributable to owners of the Company as at 31 December 2018 amounted to HK$40.6 million or HK$0.04 per share when compared to HK$31.4 million or HK$0.03 per share as at 31 December 2017. As at 31 December 2018, the Group had net current assets of approximately HK$12.6 million when compared to net current liabilities of HK$10.6 million as at 31 December 2017. As at 31 December 2018, the Group had a current ratio of 1.2 times (31 December 2017: 0.8 times). The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.43 and N/A as at 31 December 2018 and 2017.

Capital commitments

As at 31 December 2018, the Group had capital expenditure contracted for but not provided in the financial statements in respect of leasehold improvements amounted to HK$0.2 million (31 December 2017: HK$1.4 million).

Contingent liabilities

As at 31 December 2018, the Group did not have any contingent liabilities or guarantees (31 December 2017: nil).

Material acquisitions and disposals of subsidiaries or associates

During the year ended 31 December 2018 and 2017, the Group did not have any material acquisitions and disposals of subsidiaries or associates.

Significant investments held by the Group

During the year ended 31 December 2018 and 2017, the Group did not make any significant investments.

Employees and remuneration policies

As at 31 December 2018, the Group has in total 25 employees as compared to 15 employees as at 31 December 2017. Employees were remunerated according to the nature of their job duties and market trend. The Group provided staff welfare and fund contribution to its employee in accordance with the prevailing regulations in the PRC and Hong Kong. There was no material change in the remuneration policy, bonus scheme and share option scheme during the year. The Group has a share option scheme under which the Company may grant share options to the participants, including directors and employees, to subscribe for shares of the Company.

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 1.6 billion subscribers to mobile phone services in the PRC as at the end of 2018. While there are continuing intense competitions among the major mobile phone manufacturers in the PRC, they are trying to cut the distribution layers by directly supplying to the provincial distributors and leading retailers with a view to increase their profitability. Because of this, leading vendors have developed multi-channel distribution models which include "national distribution", "provincial distribution", "direct to retail" and "direct to operator".

On the other hand, mobile carriers are key participants in the mobile phone industry chain. The restructuring of mobile carriers in past years and the issuance of 4G 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.

Looking back at 2018, on the eve of the launch of 5G, the smartphone market became more mature, the international trade conflicts escalated, and the overall economic development was overshadowed with uncertainties.

Business Review

Mobile Phone Business

The Group was involved in the business of trading, wholesale and retail of mobile phones and telecom equipments in China. As for the PRC market, its economy grew steadily in 2018. Yet, the continuous development of mobile phone market business model intensifying competition in the retail industry and the uncertainties arising from the emerging US-China trade war presented challenges the development of the Group's operations and performance.

Customers focus is expected to gradually shift from the functionality of mobile phone to the shopping experience. Customers will normally require services such as function presentations, digital phone books synchronization and pre-installing software, etc, in purchasing a mobile phone. In the 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 Business

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

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

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

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

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

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

During the year ended 31 December 2018, the Group, through its lawyer, has tried to approach DLR by telephone calls and resubmission of the letter sent in February 2018 for the clarification of the Group's situation. However, DLR did not make reply to the Group's enquiries. The Group's lawyers have come to the opinion that the mining right has already expired and will be unable to be renewed and hence be deregistered eventually. For the avoidance of doubt, such opinion will not affect the financial statements of the Group for the year ended 31 December 2018.

Prepayments to suppliers and related legal proceedings

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

The said subsidiary commenced arbitral proceedings and, on 14 January 2019, has obtained the final arbitral award of, amongst others, HK$19.8 million, being the prepayment against the Chongqing supplier. In the course of such arbitral proceedings, a sum of HK$7.9 million has been repaid by such supplier whilst enforcement proceedings will be commenced against such supplier.

The said subsidiary also commenced legal proceedings for recovery of the prepayment of HK$14.8 million against the Guangzhou supplier in the People's Court in Guangzhou, China. After three hearings, the outcome has yet to be determined.

No impairment was made in respect of these two prepayments for the year ended 31 December 2018.

Prospects and Outlook

In the coming year, the Group expects the uncertainties in the PRC economies, in particular those arising from the ongoing US-China trade conflict, will continue to affect consumption and retail segment. Affected adversely by the external uncertainties such as trade dispute between the PRC and the US, the economic growth of the PRC is likely to slow. However, 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 1.6 billion handset subscribers in the PRC with an increase of over 90 million subscribers in 2018 which benefit from preferential mobile internet traffic policies. There were around 1 billion 4G users among the total subscribers, and forecasted to increase much further in the near future. On the other hand, there were more than 1.1 billion mobile Internet users which implies that there are huge business opportunities in both mobile application and mobile commerce. China has the world's largest 4G network and continues to strive for further expansion. With a goal to add new 4G base stations last year to improve signal coverage in buildings, elevators, and other indoor space, as well as on railways and expressway. Since the Group has been in the related mobile phone industry for decades, big data, mobile phone operating system and mobile internet would be surely the key business areas that the Group is interested in. As the technology for 5G telecommunications networks matured and was ready for takeoff demand for related equipment has remained robust. Blockchain technology is another area that the Group is pursuing. 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 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company had complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2018, with deviations as stated below:

Code Provision A.2.1

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

Code Provision A.4.1

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

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

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. Lam Man Kit (Chairman of the Audit Committee), Dr. Law Chun Kwan and Dr. Lo Wai Shun.

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

SCOPE OF WORK OF 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 2018 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.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.fortunetele.com). The annual report for the year ended 31 December 2018 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Lau Siu Ying and Mr. Wang Yu; one non-executive director, namely Mr. Bao Kang Rong; three independent non-executive directors, namely Dr. Law Chun Kwan, Mr. Lam Man Kit and Dr. Lo Wai Shun.