CHINA FORTUNE HOLDINGS LIMITED
中國長遠控股有限公司*

(Incorporated in Bermuda with limited liability, carrying on business in H.K. as CFH Limited)
(Stock code : 110)

Final Results Announcement
For the year ended 31st December, 2007

The board of directors (the "Board") of China Fortune Holdings Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31st December, 2007, together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Revenue	2	2,744,597	3,046,805
Cost of sales		(2,838,162)	(2,933,472)
Gross (loss) profit		(93,565)	113,333
Other income		17,791	17,904
Selling and distribution costs		(50,623)	(36,716)
Administrative expenses			
- Share-based payment expenses		(14,816)	—
- Other administrative expenses		(31,490)	(24,122)
Allowance for trade and other receivables		(46,379)	(5,380)
Impairment loss recognised in respect of interests in associates		(18,193)	–
Fair value gain on an investment property		2,240	60
Share of results of associates		(2,125)	–
Finance costs	3	(26,350)	(27,535)
(Loss) profit before taxation		(263,510)	37,544
Income tax expense	4	(3,337)	(6,205)
(Loss) profit for the year	5	(266,847)	31,339
Attributable to:			
Equity holders of the parent		(266,679)	31,339
Minority interests		(168)	–
		(266,847)	31,339
Dividend	6	3,151	3,021
(Loss) earnings per share - basic	7	(79.5 cents)	10.4 cents

CONSOLIDATED BALANCE SHEET

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Non-Current Assets			
Plant and equipment		3,790	886
Investment property		–	9,560
Goodwill		12,925	4,910
Investments in associates		14,561	–
Available-for-sale investment		918	918
Deposit paid for acquisition of a subsidiary		25,000	–
Other non-current assets		21,400	–
Club membership		600	600
Deferred tax assets		–	2,697
		79,194	19,571
Current Assets			
Inventories		128,801	600,871
Trade and other receivables	8	137,505	333,346
Bills receivable	8	431	15,845
Amount due from a minority shareholder of a subsidiary		5,350	–
Taxation recoverable		–	312
Held for trading investments		–	12,064
Pledged bank deposits		75,010	150,567
Bank balances and cash		82,891	50,448
		429,988	1,163,453
Asset classified as held for sale		11,800	—
		441,788	1,163,453
Current Liabilities			
Trade and other payables	9	82,783	108,453
Amount due to a director		1,742	–
Amount due to an associate		500	–
Taxation payables		1,270	1,737
Bank borrowings		120,223	675,608
Bank overdrafts - secured		–	1,058
Other financial liabilities		53,145	–
		259,663	786,856

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Liabilities associated with asset classified as held for sale		1,180	—
		260,843	786,856
Net Current Assets		180,945	376,597
Total Assets less Current Liabilities		260,139	396,168
Capital and Reserves			
Share capital		37,279	30,210
Reserves		217,784	365,200
Equity attributable to equity holders of the parent		255,063	395,410
Share option reserve of a subsidiary		–	758
Minority interests		5,076	–
		260,139	396,168

Notes:-

1. **Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")**

In the current year, the Group and the Company have applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1(Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. **Segment information**

Revenue represents the net amounts received and receivable for goods sold and services provided by the Group to outside customers during the year.

No segment analysis is provided as substantially all the Group's revenue and contribution to loss for the year were derived from the distribution and trading of mobile phones. In addition, no geographical market analysis is provided as substantially all the Group's revenue and contribution to the loss for the year were derived from the PRC and substantially all the assets are located in the PRC.

3. **Finance costs**

	2007	2006
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings wholly repayable within five years	23,205	27,522
Other financial liabilities	3,145	–
Obligations under finance leases	–	13
	26,350	27,535

4. **Income tax expense**

	2007	2006
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for the year	–	–
PRC Enterprise Income Tax		
– Current year	1,468	7,850
– Overprovision in prior years	(877)	–
	591	7,850
Deferred tax	2,746	(1,645)
	3,337	6,205

PRC Enterprise Income Tax represents tax charge on the assessable profits of the Company's subsidiaries, Fortune (Shanghai) International Trading Co., Ltd. ("Fortune Shanghai"), 上海遠嘉國際貿易有限公司 ("Shanghai Yuanjia") and 珠海市雷鳴達通訊設備有限公司 ("Zhuhai Reminda").

Fortune Shanghai and Shanghai Yuanjia are established in Shanghai Waigaoqiao Free Trade Zone, the PRC and are entitled to a preferential PRC Enterprise Income Tax rate of 15% which is granted to companies established in Shanghai Waigaoqiao Free Trade Zone. Zhuhai Reminda is established in Zhuhai Special Economic Zone and is entitled to a preferential PRC Enterprise Income Tax rate of 15%.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15% to 25% for Fortune Shanghai and Shanghai Yuanjia from 1st January, 2008 onwards. For Zhuhai Reminda, the tax rate will ratchet up to 18%, 22%, 24%, 25% in 2008 to 2011 respectively.

The charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
(Loss) profit before taxation	(263,510)	37,544
Tax at the domestic income tax rate of 15% (2006: 15%) *(Note)*	(39,527)	5,632
Tax effect of share of results of associates	319	–
Tax effect of expenses not deductible for tax purpose	8,570	1,615
Tax effect of income not taxable for tax purpose	(1,052)	(2,397)
Overprovision in respect of prior years	(877)	–
Reversal of tax effect of deductible temporary differences previously recognised	2,746	–
Tax effect of (reversal of tax effect of) deductible temporary differences not recognised	5,151	(9)
Tax effect of tax losses not recognised	28,572	1,364
Utilisation of tax loss previously not recognised	(565)	—
Tax expense for the year	3,337	6,205

At the balance sheet date, the Group had unused tax losses of approximately HK$251,332,000 (2006: HK$64,619,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$173,172,000 (2006: Nil) that will expire in 2012. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group also had deductible temporary differences of approximately HK$37,181,000 (2006: HK$2,839,000). No deferred tax asset has been recognised in relation to such deductible temporary difference 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 preferential PRC Enterprise Income Tax rate where the Group's operations are substantially based.

5. **(Loss) profit for the year**

	2007	**2006**
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Allowance for trade receivables, net	38,259	5,380
Allowance for other receivables	8,120	–
Auditor's remuneration	1,443	989
Cost of inventories recognised as expense	2,833,857	2,928,079
Depreciation of plant and equipment	657	401
Impairment loss recognised in respect of club membership	–	60
Loss on disposal of plant and equipment	93	–
Write down of inventories	4,305	5,393
Staff costs		
- directors' emoluments	4,569	3,216
- other staff costs	41,722	41,191
- share-based payment expenses (excluding directors')	7,636	–
- retirement benefit scheme contribution (excluding directors')	564	600
	54,491	45,007
and after crediting to other income:		
Bank interest income	7,406	8,515
Exchange gain	2,395	2,000
Gain on fair value changes of held for trading investments	1,375	6,185
Government grants	3,098	–
Rental income on an investment property, net of outgoings of approximately HK$34,000 (2006: HK$39,000)	275	273

6. **Dividend**

	2007	**2006**
	HK$'000	*HK$'000*
Final dividend recognised as distribution: HK1 cent per share for the year ended 31st December, 2006 (2006: HK1 cent per share for the year ended 31st December, 2005)	3,151	3,021

7. **(Loss) earnings per share**

The calculation of the basic (loss) earnings per share is based on the loss for the year attributable to the ordinary equity holders of the parent of HK$266,679,000 (2006: profit for the year of HK$31,339,000) and on 335,559,000 (2006: 302,100,000) weighted average number of ordinary shares in issue during the year.

No diluted loss per share is presented for the year ended 31st December, 2007 as the exercise of the Company's outstanding share options for the year ended 31st December, 2007 would result in a decrease in loss per share.

8. **Trade, bills and other receivables**

	2007	**2006**
	HK$'000	*HK$'000*
Trade receivables	91,502	187,320
Less: accumulated allowance	(55,395)	(16,329)
	36,107	170,991
Value-added-tax receivables	13,748	66,920
Rebates receivables	33,936	62,359
Other receivables and deposits	53,714	33,076
	137,505	333,346
Bills receivable	431	15,845
	137,936	349,191

The Group allows credit period ranged from 30 to 90 days to its trade customers. The following is an aged analysis of the trade and bills receivables (net of allowance) at the reporting date:

	2007	**2006**
	HK$'000	*HK$'000*
Trade and bills receivables:		
0 to 30 days	21,019	119,415
31 to 90 days	9,964	57,360
Over 90 days	5,555	10,061
	36,538	186,836

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

9. **Trade and other payables**

The following is an aged analysis of the trade payables at the balance sheet date:

	2007	**2006**
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	34,385	40,865
31 to 90 days	2,311	12,369
Over 90 days	7,345	2,004
	44,041	55,238
Other payables and accruals	38,742	53,215
	82,783	108,453

FINAL DIVIDEND

No dividend has been proposed for the year ended 31st December, 2007 (2006: HK1 cent per share).

REVIEW AND OUTLOOK

Financial Review

During 2006, the Group reached an agreement with Nokia regarding the Fulfillment Distributorship for Nokia Stores ("NS"). According to the said agreement, the Group is appointed as the fulfillment distributor for NS in the People's Republic of China (the "PRC") and supplies to over 150 NS all over the country. At present, the Group is the sole fulfillment distributor for NS in the PRC. In order to facilitate the order placing and management processes, the Group self-invented a web-based distribution resources planning system. The NS can place orders and make enquiry on order status real-time on-line. After more than 1 year of operation and fine-tuning, the fulfillment business became mature and stable during the year and made a great contribution to the Group.

However, the Group suffered from tough price competition among the mobile phone models, namely N3220 and N7610, as these models were running towards the ends of their product life cycles. For Samsung mobile phone national distribution, due to the repeated delay in the launch of 2 new Samsung models from 2nd quarter to 3rd quarter of the year, the Group did not deliver any new model during such time and result in loss of operating costs. The unexpected quality problem in one of the Group's key models, namely D848 of Samsung, and the loss due to the provision made for the slow moving models like, N9300, E50, 788e, i858, N3220, N6708, N7610 and D848 further increased the loss during the year. Because of the above, the Group suffered a first time net loss for the year since its first listing in 2000.

The Group recorded a consolidated revenue during the year of HK$2,744.6 million when compared to the previous year of HK$3,046.8 million. The total number of handsets sold during the year was approximately 2,189,000 sets which was around 22% lower when compared to the previous year of approximately 2,802,000 sets. The intense competition and quality issue, as explained above, accounted for the decrease in revenue for the year, as well as the drop in gross profit margin from 3.7% last year to -3.4% this year.

The selling and distribution costs, amounted to HK$50.6 million for the year, increased 38% when compared to the previous year of HK$36.7 million. It was mainly because of the increase in marketing expenses for the promotion of Samsung mobile phones and inventory clearance of Nokia mobile phones. The other administrative expenses together with the provisions for trade and other receivables, amounted to HK$77.9 million, increased by 164% when compared to the previous year of HK$29.5 million, mainly due to the increase in provision of HK$41 million for trade and other receivables. Besides, the Group took up HK$14.8 million one-off share-based payment expenses for share options granted during the year.

The Group shared losses of HK$2.1 million from the results of associates in the year, and recognised an impairment loss of HK$18.2 million in respect of interests in associates.

The finance costs for the year reduced by 4.3% as the Group had reduced its bank borrowings from HK$676.7 million as at 31st December, 2006 to HK$120.2 million as at 31st December, 2007, for the purpose of lowering the finance costs and so as the liability level.

As a result of the above, the Group reported a net loss of HK$266.8 million for the year when compared to the net profit of HK$31.3 million of previous year.

The net asset value of the Group as at 31st December, 2007 amounted to HK$255.1 million or HK$0.68 per share when compared to HK$395.4 million or HK$1.31 per share as at 31st December, 2006. The basic deficit per share for the year was HK79.5 cents, while the basic earning per share was HK10.4 cents previous year.

As at 31st December, 2007, the Group's aggregate borrowings amounted to HK$120.2 million, of which HK$20.2 million was revolving working capital loans denominated in Renminbi to provide flexibility to the Group in response to the changing monthly trading volume. The decrease in bank borrowings from HK$676.7 million as at 31st December, 2006 to HK$120.2 million as at 31st December, 2007 was mainly attributable to the Group's intention to reduce its borrowing level. As at 31st March, 2008, the Group further cut down the bank borrowings to HK$47.3 million, while the unsecured portion was HK$8 million. A 3-year syndicated loan, which was raised in September 2005 and amounted to US$13 million as at 31st December, 2006, had been fully settled during the year. Owing to breaches in certain financial covenants, bank loans were classified as short-term in accordance with the corresponding accounting standards. On discovery of the breaches, the directors of the Company informed the relevant bankers and commenced a renegotiation of the terms of the loan with them. As at 31st December, 2007, those negotiations had not been concluded and are still in progress. The directors of the Company are confident that their negotiations will ultimately reach a successful conclusion. The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was zero as the Group did not have any long term liability as at 31st December, 2007. The total bank deposits and cash balances was HK$157.9 million as at 31st December, 2007, of which HK$75.0 million has been pledged to a bank. The finance costs for the year of HK$26.4 million were lower than that of previous year because of the decrease in borrowings.

In June 2007, the Group had carried out a placement of 40,000,000 ordinary shares of HK$0.10 each at a price of HK$1.35 per share. The net proceeds generated from such placement amounted to approximately HK$51.4 million and had been applied as general working capital of the Group. During the year, the Group allotted and issued a total of 7,690,000 ordinary shares of HK$0.10 each as a result of the exercise of share options. The net proceeds amounted to approximately HK$9.9 million and had been applied as general working capital of the Group.

The Group was financed by a combination of its equity capital, cash flow generated from its operation and bank borrowings. During the year, there was no material change in the Group's funding and treasury policy. The Group considers the only potential currency exposure is in Renminbi as the majority of the Group's revenue is derived in the PRC. The management considers that the Group's operation in the PRC will benefit from the recent upward appreciation of the Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

The amount of inventories as at 31st December, 2007 was HK$128.8 million when compared to HK$600.9 million previous year. The decrease in inventories was mainly attributable to the stabilized NS fulfillment distribution business during the year, and the Samsung mobile phone national distribution business had been streamed down owing to the loss suffered. The inventories as at 31st December, 2007 were on a normal level for the NS fulfillment business, with a short inventory turnover period. The Group keeps on taking a cautious approach in inventory ordering and price negotiation with the suppliers such that most inventories are covered by the pre-arranged price protection rebates from the suppliers.

The amount of trade receivables as at 31st December, 2007 was HK$36.1 million when compared to HK$171.0 million previous year. The trade receivables as at 31st December, 2007 mainly comprised trade receivables from the NS fulfillment distribution business and the business in Hong Kong, with either cash basis or credit period of around 30 days, this explained the decrease of trade receivables for the year. In order to minimise credit risk for trade receivables, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

On 4th September, 2007, the Group and TeleChoice International Limited ("TeleChoice"), entered into an agreement to establish a subsidiary (the "Fulfillment Subsidiary) to engage in the logistics and fulfillment business for Nokia-branded mobile handsets and accessories in the PRC (the "Fulfillment Business"). TeleChoice injected HK$50 million for 40% equity interest of the Fulfillment Subsidiary, while the Group injected HK$25 million for 60% equity interest therein. At the same time, the Company granted a put option to TeleChoice pursuant to which TeleChoice can require the Company to purchase its entire 40% equity interest in the Fulfillment Subsidiary at a price of HK$50 million during the period from 1st March, 2008 to 31st December, 2008. The put option liability, representing a host debt instrument with a not closely related embedded non-option derivative which is linked to the profitability of the fulfillment Business, was recognised as other financial liabilities.

As at 31st December, 2007, the Group had in total 270 employees as compared to 1,620 employees previous year. The decrease in the number of employees was mainly due to the restructuring of the mobile handset distribution businesses during the year, in which the NS fulfillment business required much less manpower than that as required by the national distribution business. Employees were remunerated according to the nature of their job duties and market trend. Quarterly performance evaluation was done in order to determine rewards in motivating individual employee. The Group provided staff welfare and fund contribution to its employees in accordance with prevailing regulations in the PRC and Hong Kong. There was no material change in remuneration policy, bonus 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. 28,262,000 share options were granted, in which 7,690,000 share options were exercised and 10,714,000 share options were lapsed during the year. As at 31st December, 2007, 9,858,000 share options were outstanding.

OPERATIONAL REVIEW

Market Overview

According to the statistics released by the Ministry of Information Industry ("MII"), the PRC, there were more than 547 million subscribers to mobile phone services in the PRC as at the end of 2007, equivalent to a penetration rate of 41.6 users per 100 persons. The number of mobile phone users in China increased by approximately 86.2 million during the year. The existing penetration rate is, nevertheless, still low in comparison with that of other developed countries of more than 50%. With a continuous economic growth rate in the PRC, it is expected that the PRC mobile phone market will still continue to grow in a high rate every year. The Chinese government has already carried out its preliminary testing launch of 3G services in its eight "Olympic Cities" in April 2008. So the provision of 3G services during the 2008 Olympic Game is expected to be available and the nationwide provision of 3G services is expected soon after the 2008' Olympic Game. The launch of 3G service will definitely attract new customers and create additional demands for the market, especially demands for new 3G mobile handsets.

While there are continuing intense competitions among the big mobile phone manufacturers in the PRC, they are trying to cut distribution layers by directly supplying to 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".

As one of the integrated fulfillment distributors in the PRC, the Group provides all necessary services, which include but not limited to transaction handling, credit financing, delivery, rebate execution, stock buffering and B2B system integration, etc. In return, the Group receives a contractual margin, as well as various rebates as its service income. This business model is more transparent, allowing the buyers, the suppliers and the Group to share common information and enhances the efficiency of all the activities of the value chain.

Business Review

Mobile phone distribution continued to be the Group's core business for the year, which accounted for over 90% of the Group's revenue. Owing to the unexpected loss from the national distribution business and some one-off provisions as mentioned before, the Group, for the first time since its listing in 2000, incurred a net loss for the year. However, in view of the recent years of changes in the distribution market, the Group has already successfully obtained the fulfillment distributorship from Nokia for its full range of models to all its Nokia Stores in the PRC in 2006. In 2007, the Group has already accomplished its transformation from national distributorship to this fulfillment distributorship. The fulfillment business recorded significant growth during the year and it will continue to be a core business of the Group in the future.

With a view to reflect the new positioning of the Group as a diversified business in telecommunication, mining and other investments, the Company has changed its name to "China Fortune Holdings Limited" in October 2007.

Prospect and Outlook

In February 2007, the Group contracted to acquire 51% stake in Zhuhai Reminda Telecom Equipment Company Limited (珠海市雷鳴達通訊設備有限公司), a company which is principally and actively involved in the business of distribution and retailing of mobile phones, telecommunication equipments and their repairing services in Zhuhai area, in consideration of the issuance and allotment of 8,000,000 ordinary shares of HK$0.10 each in the Company. This acquisition leads the Group entering the retailing area of the mobile phone industry in which it is complementary and synergistic to the Group's existing business.

In April 2007, the Group contracted to acquire 50% shareholding in DW Mobile Technology Limited which is principally and actively involved in the business of outlook and content design, marketing and distribution of licensed, characterized and premium mobile phones in consideration of the issuance and allotment of 9,000,000 ordinary shares of HK$0.10 each in the Company.

In June 2007, the Company entered into an agreement with TeleChoice International Limited ("TeleChoice"), an indirect subsidiary of Singapore Technologies Telemedia Pte Ltd, to establish a joint venture to engage in the logistics and fulfillment business for Nokia-branded mobile handsets and accessories in the PRC. The agreement was completed in September 2007 whereas TeleChoice had injected HK$50 million for a 40% stake of the joint venture. At the same time, the Company had paid HK$1 million in cash and would pay the balance of HK$24 million in cash and/or via transfer of inventories and assets into the joint venture for a 60% equity stake.

In July 2007, the Group entered into an agreement (amended by supplemental agreements in July and November 2007) to acquire from Mr. Lau Siu Ying (the Chairman and CEO of the Company), Mr. Lau Hung Bing and Mr. Lau Kin Ying (both are brothers of Mr. Lau Siu Ying) (collectively the "Vendors") approximately 40.8% equity interest in a mining company in the PRC (the "PRC Mining Company"). The PRC Mining Company has the right to conduct mining activities in a mining site which is located in Huangshi, southeastern Hubei. The mining site has a general mining area of approximately 0.62 square kilometers and the mineral resources of the mining site include Celestite, Zinc and Lead. The total consideration of HK$367.2 million makes up of cash of HK$40 million and 240 million ordinary shares of the Company. In November 2007, the Group entered into an agreement to further acquire another 10% equity interest in the PRC Mining Company at a consideration of HK$90 million. Upon the completion of these two acquisitions, the PRC Mining Company is expected to become a subsidiary of the Group. The management of the Group (the "Management") is optimistic and confident in the future performance of the PRC Mining Company. It is believed that this business segment in natural resources will become another core business of the Group in the near future.

In August 2007, the Group acquired 25% stake of Intelligence Tech Limited, a company providing software and hardware design, as well as total integrated solutions for mobile terminal technology, particularly focusing in the development of unique feature phone, smartphone and PDA phone targeting the PRC market in consideration of HK$100,000 in cash and the issuance and allotment of 6,000,000 shares of HK$0.10 each in the Company. In the same month, the Group also acquired 50% interest in Artchief Industries Limited, which is principally and actively involved in the business of trading and development of consumable wireless audio products for a cash consideration of HK$11.5 million.

To reflect the new business direction of the Group, in October 2007, the Group changed its name to "China Fortune Holdings Limited". The Group has also successfully secured a new domain name "www.chinafortune.com".

Besides the acquisitions made during the year, in October 2007, the Group contracted to dispose 49% interest in its mobile handset national distribution business in the PRC to Mr. Lau Siu Ying (the Chairman and CEO of the Company) at a consideration of HK$57.8 million.

Other than the business investments as described above, the Group also intends to enhance the Company's value by further exploring the viability of diversifying its business into other related areas.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance with a view to assuring the integrity, transparency and quality of disclosure to protect the interests of all shareholders. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (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") for the year ended 31st December, 2007, except that there is no separation of the role of Chairman and Chief Executive Officer; all Non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company and the Chairman of the Board of the Company does not need to retire by rotation and only three meetings of the Board of the Company are held during the year.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure the business activities and decision making processes are regulated in a proper and prudent manner.

AUDIT COMMITTEE OF THE BOARD

The audit committee of the Board comprises two Independent Non-executive Directors, Mr. Chang Wing Seng, Victor and Mr. Wong Lit Chor, Alexis and one Non-executive Director, Mr. Fung Oi Ip, Alfonso. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2007 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 25th April, 2008

As at the date of this announcement, the Board of Directors of China Fortune Holdings Limited comprises two Executive Directors, Mr. Lau Siu Ying and Mr. Luo Xi Zhi; two Non-executive Directors, Mr. Fung Oi Ip, Alfonso and Mr. Lo Wing Yat; and three Independent Non-executive Directors, Mr. Chang Wing Seng, Victor, Mr. Wong Lit Chor, Alexis and Mr. Chen Yi Gang.

* *For identification purpose only*

This announcement will also be posted on the Company's website www.fortunetele.com.