CHINA FORTUNE HOLDINGS LIMITED
中 國 長 遠 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability, carrying on business in HK as CFH Limited)

(Stock Code: 110)

Final Results Announcement
For the year ended 31st December, 2008

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, 2008, together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Revenue	2	2,097,593	2,744,597
Cost of sales		(2,063,001)	(2,838,162)
Gross profit (loss)		34,592	(93,565)
Other income		11,262	17,791
Selling and distribution costs		(23,092)	(50,623)
Administrative expenses			
- Share-based payment expenses		—	(14,816)
- Other administrative expenses		(29,090)	(31,490)
Allowance for trade and other receivables		(47,364)	(46,379)
Impairment loss recognised in respect of available-for-sale investment		(632)	—
Impairment loss recognised in respect of goodwill		(5,105)	—
Impairment loss recognised in respect of interests in associates		(5,725)	(18,193)
Fair value gain on an investment property		—	2,240
Fair value gain on an embedded non-option derivative		5,538	—
Gain on disposal of an associate		104	—
Share of results of associates		(4,036)	(2,125)
Finance costs	3	(11,837)	(26,350)
Loss before taxation		(75,385)	(263,510)
Income tax expense	4	(3,459)	(3,337)
Loss for the year	5	(78,844)	(266,847)
Attributable to:			
Equity holders of the parent		(78,719)	(266,679)
Minority interests		(125)	(168)
		(78,844)	(266,847)
Dividend	6	—	3,151
Loss per share - basic	7	(21.12) cents	(79.5) cents

CONSOLIDATED BALANCE SHEET

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Non-Current Assets			
Plant and equipment		2,999	3,790
Goodwill		7,820	12,925
Investments in associates		4,880	14,561
Available-for-sale investment		286	918
Deposit paid for acquisition of a subsidiary		25,000	25,000
Other assets - non-current portion		11,400	21,400
Club memberships		1,276	600
		53,661	79,194
Current Assets			
Inventories		160,254	128,801
Trade and other receivables	8	76,820	137,505
Bills receivable	8	673	431
Other assets — current portion		11,400	—
Amount due from a minority shareholder of a subsidiary		5,691	5,350
Taxation recoverable		529	—
Pledged bank deposits		30,392	75,010
Bank balances and cash		45,912	82,891
		331,671	429,988
Asset classified as held for sale		—	11,800
		331,671	441,788
Current Liabilities			
Trade and other payables	9	80,180	82,783
Amount due to a director		—	1,742
Amount due to an associate		500	500
Taxation payables		4,582	1,270
Bank borrowings		52,660	120,223
Other financial liabilities		52,630	53,145
		190,552	259,663

	Notes	2008	2007
		HK$'000	HK$'000
Liability associated with asset classified as held for sale		—	1,180
		190,552	260,843
Net Current Assets		141,119	180,945
Total Assets less Current Liabilities		194,780	260,139
Capital and Reserves			
Share capital		37,279	37,279
Reserves		152,219	217,784
Equity attributable to equity holders of the parent		189,498	255,063
Minority interests		5,282	5,076
		194,780	260,139

Notes:-

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

   In the current year, the Group has applied the following amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — INT 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — INT 12	Service Concession Arrangements
HK(IFRIC) — INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

   The consolidated financial statements have been prepared on the historical cost basis except for 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.

Geographical segments

The Group's operations are located in the PRC and Hong Kong. The following table provides an analysis of the Group's sales by location of customers, irrespective of the origin of the goods:

2008

	The PRC	**Hong Kong**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
CONSOLIDATED INCOME STATEMENT			
Revenue	1,834,530	263,063	2,097,593
RESULTS			
Segment results	(56,574)	2,453	(54,121)
Unallocated corporate income			3,755
Unallocated corporate expenses			(8,431)
Impairment loss recognised in respect of available-for-sale investment			(632)
Impairment loss recognised in respect of interests in associates			(5,725)
Fair value gain on an embedded non-option derivative			5,538
Gain on disposal of an associate			104
Share of results of associates			(4,036)
Finance costs			(11,837)
Loss before taxation			(75,385)
Income tax expense			(3,459)
Loss for the year			(78,844)

CONSOLIDATED BALANCE SHEET

	The PRC	Hong Kong	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Segment assets	240,865	43,158	284,023
Interests in associates			4,880
Unallocated corporate assets			96,429
Consolidated total assets			385,332
Liabilities			
Segment liabilities	51,117	26,008	77,125
Unallocated corporate liabilities			113,427
Consolidated total liabilities			190,552

	The PRC	Hong Kong	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other information				
Allowance for trade and other receivables	47,347	17	—	47,364
Capital additions	—	—	1,315	1,315
Depreciation of plant and equipment	—	—	1,460	1,460
Impairment loss recognised in respect of club memberships	—	—	35	35
Impairment loss recognised in respect of goodwill	5,105	—	—	5,105
Loss on disposal of asset classified as held for sale	—	—	107	107
Loss on disposal of plant and equipment	—	—	117	117
Write down of inventories	5,061	2,177	—	7,238

2007

	The PRC *HK$'000*	Hong Kong *HK$'000*	Consolidated *HK$'000*
CONSOLIDATED INCOME STATEMENT			
Revenue	2,503,044	241,553	2,744,597
RESULTS			
Segment results	(208,220)	5,727	(202,493)
Unallocated corporate income			12,991
Unallocated corporate expenses			(14,764)
Impairment loss recognised in respect of interests in associates			(18,193)
Fair value gain on an investment property			2,240
Share-based payment expenses			(14,816)
Share of results of associates			(2,125)
Finance costs			(26,350)
Loss before taxation			(263,510)
Income tax expense			(3,337)
Loss for the year			(266,847)

CONSOLIDATED BALANCE SHEET

	The PRC *HK$'000*	Hong Kong *HK$'000*	Consolidated *HK$'000*
Assets			
Segment assets	291,072	61,461	352,533
Interests in associates			14,561
Unallocated corporate assets			153,888
Consolidated total assets			520,982
Liabilities			
Segment liabilities	34,901	45,452	80,353
Unallocated corporate liabilities			180,490
Consolidated total liabilities			260,843

	The PRC HK$'000	Hong Kong HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other information				
Allowance for trade and other receivables	45,509	870	—	46,379
Capital additions	—	—	3,514	3,514
Depreciation of plant and equipment	—	—	657	657
Gain on fair value changes of held for trading investments	—	—	1,375	1,375
Loss on disposal of plant and equipment	—	—	93	93
Write down of inventories	2,728	1,577	—	4,305

Business segments

No business segment information is presented as over 90% of the Group's revenue and contribution to loss for the year were derived from the distribution and trading of mobile phones.

3. **Finance costs**

	2008 HK$'000	2007 HK$'000
Interests on:		
Bank borrowings wholly repayable within five years	2,314	23,205
Other financial liabilities	9,523	3,145
	11,837	26,350

4. **Income tax expense**

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the year	281	—
PRC Enterprise Income Tax ("EIT")		
Current year	3,178	1,468
Overprovision in prior years	—	(877)
	3,459	591
Deferred tax	—	2,746
	3,459	3,337

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

PRC EIT 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"), 珠海市雷鳴達通訊設備有限公司 ("Zhuhai Reminda") and Telefortune (China) Investments Limited ("Telefortune").

Fortune Shanghai and Shanghai Yuanjia were established in Shanghai Waigaoqiao Free Trade Zone, the PRC; and Zhuhai Reminda was established in Zhuhai Special Economic Zone, the PRC. Accordingly, for the year ended 31st December, 2007, these three PRC subsidiaries were entitled to a preferential EIT rate of 15%. The profit of Telefortune derived from business operation in the PRC was subject to EIT at a rate of 33% for the year ended 31st December, 2007.

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. Under the New Law and Implementation Regulation, the EIT rate of Fortune Shanghai, Shanghai Yuanjia and Zhuhai Reminda will increase from 15% to 25% progressively in 5 years from 1st January, 2008 to 31st December, 2012. Accordingly, the relevant EIT rate for these PRC subsidiaries was 18% for the year ended 31st December, 2008. The EIT rate of Telefortune, under the New Law, was decreased from 33% to 25% from 1st January, 2008 onwards. Accordingly, the EIT rate for Telefortune was 25% for the year ended 31st December, 2008.

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

	2008	**2007**
	HK$'000	*HK$'000*
Loss before taxation	(75,385)	(263,510)
Tax at the domestic income tax rate of 18% (2007: 15%) *(Note)*	(13,569)	(39,527)
Tax effect of share of results of associates	726	319
Tax effect of expenses not deductible for tax purpose	5,417	7,804
Tax effect of income not taxable for tax purpose	(1,297)	(1,052)
Overprovision in respect of prior years	—	(877)
Reversal of tax effect of deductible temporary differences previously recognised	—	2,746
Tax effect of deductible temporary differences not recognised	8,523	5,151
Tax effect of tax losses not recognised	2,808	28,572
Utilisation of tax loss previously not recognised	(36)	(565)
Effect of different tax rates of group entities operating in other jurisdictions	887	766
Tax expense for the year	3,459	3,337

At the balance sheet date, the Group had unused tax losses of approximately HK$266,731,000 (2007: HK$251,332,000) 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$181,836,000 (2007: HK$173,172,000) that may be carried forward for a period of five years from their respective year of origination. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group also had deductible temporary differences of approximately HK$84,528,000 (2007: HK$37,181,000). 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 EIT rate where the Group's operations are substantially based.

5. **Loss for the year**

	2008	**2007**
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Allowance for trade receivables, net	6,283	38,259
Allowance for other receivables	41,081	8,120
Auditor's remuneration	1,519	1,443
Cost of inventories recognised as expense	2,055,763	2,833,857
Depreciation of plant and equipment	1,460	657
Impairment loss recognised in respect of club memberships	35	—
Loss on disposal of asset classified as held for sale	107	—
Loss on disposal of plant and equipment	117	93
Write down of inventories	7,238	4,305
Staff costs		
- directors' emoluments	3,313	4,569
- other staff costs	19,723	41,722
- share-based payment expenses (excluding directors)	—	7,636
- retirement benefit scheme contribution (excluding directors)	593	564
	23,629	54,491

	2008	2007
	HK$'000	*HK$'000*
and after crediting to other income:		
Bank interest income	1,557	7,406
Exchange gain	1,781	2,395
Gain on fair value changes of held for trading investments	—	1,375
Government grants	209	3,098
Rental income on an investment property, net of outgoings of nil (2007: approximately HK$34,000)	—	275
Service income from provision of logistics and promotion services	3,937	—
Waive of trade and other payables	3,262	—

6. **Dividend**

	2008	2007
	HK$'000	*HK$'000*
Final dividend recognised as distribution:		
Nil cent per share for the year ended 31st December, 2007 (2007: HK1 cent per share for the year ended 31st December, 2006)	—	3,151

7. **Loss per share**

The calculation of the basic loss per share is based on the loss for the year attributable to the ordinary equity holders of the parent of HK$78,719,000 (2007: HK$266,679,000) and on 372,790,000 (2007: 335,559,000) weighted average number of ordinary shares in issue during the year.

No diluted loss per share is presented as the exercise price of the Company's share options was higher than the average market price for the year ended 31st December, 2008.

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

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

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	51,790	91,502
Less: accumulated allowance	(27,398)	(55,395)
	24,392	36,107
Value-added-tax receivables	10,919	13,748
Rebates receivables	28,363	33,936
Other receivables and deposits, net of allowance	13,146	53,714
	76,820	137,505
Bills receivable	673	431
	77,493	137,936

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:

	2008	2007
	HK$'000	*HK$'000*
Trade and bills receivables:		
0 to 30 days	16,828	21,019
31 to 90 days	4,698	9,964
Over 90 days	3,539	5,555
	25,065	36,538

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.

9. **Trade and other payables**

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

	2008	**2007**
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	36,258	34,385
31 to 90 days	1,404	2,311
Over 90 days	7,036	7,345
	44,698	44,041
Other payables and accruals	35,482	38,742
	80,180	82,783

FINAL DIVIDEND

No dividend has been proposed for the year ended 31st December, 2008 and 2007.

REVIEW AND OUTLOOK

Financial Review

The performance of the Group was significantly improved due to the successful restructuring of the national distribution business which incurred a substantial loss in last year. The fulfillment distribution business for Nokia Stores ("NS") continues to be a core business of the Group in which the Group is appointed as the sole fulfillment distributor for NS in the People's Republic of China ("PRC") in 2006. Owing to the deterioration of the global economy in the latter half of this year, the contribution from this core business was inevitably reduced. In addition, the impairment losses on investments and further provisions on trade and other receivables mainly coming from the national distribution business increased the losses of the Group in this year. As a result, the Group incurred a net loss of HK$78.8 million in this year, as compared with a net loss of HK$266.8 million in last year, despite the fact that the Group has recorded a relatively small loss in the first half of this year.

The Group recorded a consolidated revenue of HK$2,097.6 million in this year when compared to HK$2,744.6 million of last year. The decrease in revenue was mainly attributable to the restructuring of the loss making national distribution business which had a significant contribution to the revenue in last year despite the fact that the revenue from the fulfillment distribution business for NS has increased by 55% to HK$1,773.0 million in this year.

The gross profit amounted to HK$34.6 million in this year as compared to a gross loss of HK$93.6 million in last year. The gross margin percentage also increased to 1.6% in this year from -3.4% in last year. As explained above, these improvements were mainly attributable to the restructuring of the loss making national distribution business.

The selling and distribution costs amounted to HK$23.1 million in this year when compared to HK$50.6 million of last year. The decrease of 54% in this year was mainly due to the decrease in staff cost as a result of the restructuring of the loss making national distribution business.

The administrative expenses amounted to HK$29.1 million, reduced by 37% when compared to HK$46.3 million of last year. The substantial reduction was mainly attributable to the one-off share-based payment expenses for share options of HK$14.8 million in last year.

The allowances for trade and other receivables amounted to HK$47.4 million in this year when compared to HK$46.4 million of last year. Further provisions on the trade and other receivables from the national distribution business were made in this year due to the uncertainty in the recoverability of these receivables.

There was an impairment loss on goodwill of HK$5.1 million made in this year for Zhuhai Reminda, a subsidiary acquired by the Group in late 2007, due to the weak market sentiment in the mobile retail business in Zhuhai.

The Group shared losses of HK$0.6 million and HK$3.5 million from two of its associates, namely DW Mobile and Intelligence Tech in this year. Such losses were slightly offset by a gain of HK$0.1 million from Artchief Industries Ltd. As a result, the share of losses from the associates amounted to HK$4.0 million in this year as compared to a share of losses of HK$2.1 million of last year. Owing to the intense competition and weak sentiment for electronic products in USA, the major market of Artchief Industries Ltd. during the year, Artchief Industries Ltd. was only able to make a slim profit despite the fact that its revenue was double in this year. Intelligence Tech has experienced intense competition in its software and hardware development and trading business in the PRC and dropped its software development business which has a higher margin during the year due to high operating costs and uncertain future. As a result, Intelligence Tech has suffered a substantial loss during the year as compared with last year. Owing to the unsatisfactory performance in DW Mobile in which the accumulated losses and the impairment loss recognised by the Group amounted to HK$2.7 million and HK$13.4 million respectively before its disposal by the Group in June 2008, the Group has disposed of this investment during the year. In view of the challenges facing by the remaining two associates, the Group has to recognise further impairment losses of HK$5.7 million in this year, as compared with HK$18.2 million in last year.

The finance costs for this year were reduced by 55% to HK$11.8 million, as compared to HK$26.4 million of last year due to the substantial decrease in the level of bank borrowings in this year.

As a result of the above, the Group reported a net loss of HK$78.8 million in this year when compared to HK$266.8 million of last year.

The net asset value of the Group as at 31st December, 2008 amounted to HK$189.5 million or HK$0.51 per share when compared to HK$255.1 million or HK$0.68 per share as at 31st December, 2007. The basic deficit per share was HK$0.21, while the basic deficit per share was HK$0.80 in last year.

As at 31st December, 2008, the aggregate bank borrowings of the Group amounted to HK$52.7 million when compared to HK$120.2 million as at 31st December, 2007. The decrease in bank borrowings was mainly attributable to the intention of the Group to reduce its borrowing level. Owing to breaches in certain financial covenants, the bank loans were classified as short-term in accordance with the corresponding accounting standards. The Group has informed the relevant bankers and the applications for the waiver to comply with such convenants are still in progress. The Group is confident that its applications 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, 2008. The total bank deposits and cash balances amounted to HK$76.3 million as at 31st December, 2008, of which HK$30.4 million has been pledged to a bank.

The Group is 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 funding and treasury policy of the Group. The Group considers the only potential currency exposure is in Renminbi as the majority of its revenue is derived in the PRC. The Group believes that its operation in the PRC will benefit from the recent upward appreciation of the Renminbi. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

The amount of inventories as at 31st December, 2008 was HK$160.3 million, as compared with HK$128.8 million as at 31st December, 2007. The increase in the inventories in this year was mainly attributable to the increasing level of inventory requirement for the fulfillment distribution business for NS. The inventory turnover period was 26 days in this year when compared to 47 days of last year. The shortening of the inventory turnover period was mainly due to the strict policy in inventory control in the fulfillment distribution business for NS.

The amount of trade receivables as at 31st December, 2008 was HK$24.4 million, as compared with HK$36.1 million as at 31st December, 2007. In order to minimize the credit risk for the trade receivables, the Group has implemented strict control on the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the revenue generated from the fulfillment distribution business for NS is mainly on cash basis which further reduces the credit risk of the Group.

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 NS in the PRC (the "Fulfillment Business"). TeleChoice injected HK$50 million for 40% equity interest in 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. In late December 2008, TeleChoice exercised its put option. The completion of the exercise of this put option is still pending for the agreement by the Group and TeleChoice on the final payment to be made to TeleChoice.

As at 31st December, 2008, the Group has in total 218 employees as compared to 270 employees as at 31st December, 2007. Employees were remunerated according to the nature of their job duties and market trend. The Group provided staff welfare and fund contribution to its employees in accordance with the prevailing regulations in the PRC and Hong Kong. There was no material change in the remuneration policy, bonus scheme and share option scheme during the year. The Group has a share option scheme under which the Company may grant share options to the participants, including directors and employees, to subscribe for shares of the Company.

Operational Review

Market Overview

According to the statistics released by the Ministry of Industry and Information Technology of the People's Republic of China ("MII"), there were more than 641 million subscribers to mobile phone services in the PRC as at the end of 2008, equivalent to a penetration rate of 48.5 users per 100 persons. The low penetration rate in the rural market, where more than half of the population in the PRC resides, together with the 3G services and the continued economic growth in the PRC, mean that the PRC market still has a lot of untapped potential.

While there are continuing intense competitions among the big 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".

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

After the complete transformation of the loss making national distribution business to the fulfillment distribution business for NS, the Group has made significant improvement in this year. The fulfillment distribution business for NS recorded significant growth during the year and its streamlined workforce further reduced the operating cost and hence the business risk of this business. The fulfillment distribution business for NS will continue to be a core business of the Group in view of the leading position of Nokia in the mobile phone market in the PRC. On the other hand, the business of the associates of the Group remained a challenge due to the intense competition in the market.

Prospect and Outlook

With a view to further diversify the business of the Group, in July 2007, the Group contracted to acquire 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. In November 2007, the Group further contracted to acquire another 10% equity interest in the PRC Mining Company. In January 2009, the Company issued a further circular on this transaction due to the restructuring of certain terms of these acquisitions. Such terms revision has been subsequently approved by the independent shareholders of the Company in February 2009 and the completion of this transaction is now pending for the fulfillment of certain conditions for the completion. The Group believes that this business segment in natural resources will become another core business of the Group in the near future as demand for mineral resources will be considerable in view of the continued growth of the PRC economy.

The continued economic growth in the PRC, supported by a high internal consumption, together with the room for expansion in the penetration rate of the mobile phone users in the PRC, and the recently launched 3G services create a huge market and great opportunities for the Group to move forward. The Group will continue to strengthen our existing relationships with the leading manufacturers and to look for new cooperation opportunities with all other manufacturers and operators with a view to establish a firm foundation for our future growth, based on our successful experience in the fulfillment distributorship business with Nokia.

With a view to diversify the business of the Group, the Group is actively looking for opportunities which will further enhance the shareholders' value.

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

During the year ended 31st December, 2008, 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, 2008, except that there is no separate of the role of Chairman and Chief Executive Officer and 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.

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 and the Company's website http://www.fortunetele.com.

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, 2008 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 engagements 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, 24th April, 2009

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*