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, 2009

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, 2009, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	**2009**	2008
		HK$'000	*HK$'000*
Revenue	2	**2,100,080**	1,834,530
Cost of sales		**(2,057,928)**	(1,810,461)
Gross profit		**42,152**	24,069
Other income		**6,201**	7,040
Other gains and losses		**(170,998)**	(51,797)
Selling and distribution costs		**(25,083)**	(14,988)
Administrative expenses		**(20,259)**	(26,446)
Finance costs	3	**(2,282)**	(11,620)
Loss on disposal of subsidiaries		**(4,974)**	—
Gain on disposal of an associate		**1,437**	104
Share of results of associates		**732**	(4,036)
Loss before taxation		**(173,074)**	(77,674)
Income tax expense	4	**(26)**	(3,178)

	NOTES	2009 HK$'000	2008 HK$'000
Loss for the year from continuing operations	5	(173,100)	(80,852)
Profit for the year from discontinued operation		671	2,008
Loss for the year		(172,429)	(78,844)
Other comprehensive (expense) income			
Exchange differences arising on translation		(1,476)	13,509
Share of translation reserves of associates		3	80
Translation reserves released upon disposal of associates		(133)	(104)
		(1,606)	13,485
Total comprehensive expense for the year		(174,035)	(65,359)
Loss for the year attributable to:			
Owners of the Company		(171,983)	(78,719)
Minority interests		(446)	(125)
		(172,429)	(78,844)
Total comprehensive expense attributable to:			
Owners of the Company		(173,542)	(65,565)
Minority interests		(493)	206
		(174,035)	(65,359)
From continuing and discontinued operations			
Loss per share — basic and diluted	6	(45.32) cents	(21.12) cents
From continuing operations			
Loss per share — basic and diluted	6	(45.49) cents	(21.65) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**2009**	2008
		HK$'000	*HK$'000*
Non-Current Assets			
Plant and equipment		**6,701**	2,999
Mining right		**415,840**	—
Goodwill		**2,910**	7,820
Investments in associates		**4,919**	4,880
Available-for-sale investment		**69**	286
Deposit paid for acquisition of subsidiaries		**—**	25,000
Other assets — non-current portion		**—**	11,400
Club memberships		**1,358**	1,276
		431,797	53,661
Current Assets			
Inventories		**164,774**	160,254
Trade and other receivables	7	**85,849**	76,820
Bills receivable	7	**—**	673
Other assets — current portion		**1,469**	11,400
Amount due from a related party		**5,721**	5,691
Taxation recoverable		**2,063**	529
Pledged bank deposits		**—**	30,392
Bank balances and cash		**7,264**	45,912
		267,140	331,671
Current Liabilities			
Trade and other payables	8	**89,797**	80,180
Amounts due to related parties		**25,781**	500
Taxation payables		**4,579**	4,582
Bank and other borrowings		**14,010**	52,660
Promissory notes		**7,549**	—
Other financial liabilities		**—**	52,630
		141,716	190,552
Net Current Assets		**125,424**	141,119
Total Assets less Current Liabilities		**557,221**	194,780

	NOTES	2009 HK$'000	2008 HK$'000
Capital and Reserves			
Share capital		67,881	37,279
Reserves		90,373	152,219
Equity attributable to owners of the Company		158,254	189,498
Minority interests		155,058	5,282
		313,312	194,780
Non-current Liabilities			
Deferred tax liabilities		101,473	—
Convertible loan notes		100,306	—
Promissory notes		42,130	—
		243,909	—
		557,221	194,780

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39, paragraph 69 of HKAS 1 and paragraph 5B of HKFRS 5

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements. The consolidated statement of financial position as at 1st January, 2008 is not presented, as the application of the above new and revised HKFRSs do not have any impact on the financial position as at 1st January, 2008.

HKAS 23 (Revised 2007) Borrowing costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st January, 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1st January, 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

No borrowing costs was capitalized as part of the cost of manufacturing plant for the year ended 31st December, 2009.

The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments (see Note 2), nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. In accordance with the transitional provision set out in the amendments, no comparative information for the expanded disclosures is required.

In addition, the Group has early applied the following amendments that have been issued but are not yet effective:

Amendments to HKAS 1 Presentation of Financial Statements

As part of Improvements to HKFRSs (2009), HKAS 1 "Presentation of Financial Statements" has been amended to clarify the classification of liability as current or non-current. The amendment requires, terms of liability that could result in its settlement by the issue of the equity instruments at the option of the counterparty do not affect its classification. This resulted the classification of the Group's convertible loan notes as non-current and presented as a whole, including the liability component and its embedded derivative. Such early adoption does not have any impact on the financial position as at 31st December, 2008.

The early adoption of the amendment has had no material impact on the Group's result for the reported periods.

Amendment to HKFRS 5 Non-Current Asset Held for sale and Discontinued operations

The amendment has clarified that HKFRS 5 has specified the disclosures required in respect of disposal groups classified as discontinued operations. Disclosure requirements in other HKFRSs do not generally apply to such disposal groups.

Such early adoption results the discontinued operations of the Group were disclosed in accordance with HKFRS 5.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), the Chairman and the Chief Executive Officer, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary operating segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Prior to 24th August, 2009, the Group was engaged in the distribution and trading of mobile phones and related accessories in both the PRC (excluding Hong Kong) and Hong Kong, which is known as "Mobile phone business" segment. The CODM used to measure and assess the Group's performance and allocate resources based on the contribution by these two geographical markets. In August, 2009, the Group discontinued its operations in Hong Kong upon disposal of its subsidiary, the Synergy sub-group. On 23rd December, 2009, the Group completed its acquisition of a 50.8% equity interest in a mining company established in the PRC and henceforth became engaged in the mining business. However, no active operation took place between the date of acquisition and the end of the reporting period. Therefore no segment information relevant to the mining segment is presented.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 1. Segment results represent the profit (loss) from each segment without allocation of interest income, miscellaneous income, finance costs, central administration costs, impairment losses recognised in respect of goodwill and available-for-sale investment, fair value loss on derivative financial instrument, loss on disposal of subsidiaries, gain on disposal of an associate and share of results of associates.

Inter-segment sales are charged at prevailing market rates.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment.

For the year ended 31st December, 2009

	Mobile phone business			
	Continuing	**Discontinued**		
	The PRC	**Hong Kong**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	**2,100,080**	**56,276**	**—**	**2,156,356**
Inter-segment sales	**32,916**	**491**	**(33,407)**	**—**
	2,132,996	**56,767**	**(33,407)**	**2,156,356**
RESULTS				
Segment results	**27,068**	**820**	**—**	**27,888**
Interest income				**452**
Miscellaneous income				**972**
Finance costs				**(2,330)**
Central administration costs				**(11,596)**
Impairment loss recognised in respect of available-for-sale investment				**(217)**
Impairment loss recognised in respect of goodwill				**(184,340)**
Fair value loss on derivative financial instrument				**(326)**
Loss on disposal of subsidiaries				**(4,974)**
Gain on disposal of an associate				**1,437**
Share of results of associates				**732**
Loss before taxation				**(172,302)**
Income tax expense				**(127)**
Loss for the year				**(172,429)**

For the year ended 31st December, 2008

	Mobile phone business			
	Continuing	Discontinued		
	The PRC	Hong Kong	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	1,834,530	263,063	—	2,097,593
Inter-segment sales	113,200	13,467	(126,667)	—
	1,947,730	276,530	(126,667)	2,097,593
RESULTS				
Segment results	(9,183)	2,497	—	(6,686)
Interest income				1,557
Miscellaneous income				9,503
Finance costs				(11,837)
Central administration costs				(57,959)
Impairment loss recognised in respect of available-for-sale investment				(632)
Impairment loss recognised in respect of goodwill				(5,105)
Share of results of associates				(4,036)
Fair value gain on an embedded non-option derivative				5,538
Gain on disposal of an associate				104
Impairment loss recognised in respect of interests in associates				(5,725)
Loss on disposal of held-for-sale property				(107)
Loss before taxation				(75,385)
Income tax expense				(3,459)
Loss for the year				(78,844)

Inter-segment sales are charged at prevailing market rate.

Other segment information and information about major customers

	Mobile phone business									
	Continuing The PRC		Discontinued Hong Kong		Segment Total		Unallocated		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment results:										
Allowance for trade and other receivables	**994**	47,347	**—**	17	**994**	47,364	**—**	—	**994**	47,364
Write down of inventories	**8,249**	5,061	**—**	2,177	**8,249**	7,238	**—**	—	**8,249**	7,238
Depreciation of plant and equipment	**1,253**	1,376	**25**	84	**1,278**	1,460	**—**	—	**1,278**	1,460
Gain (loss) on disposal of plant and equipment	**136**	(111)	**(9)**	(6)	**127**	(117)	**—**	—	**127**	(117)
Amounts regularly provided to the CODM but not included in the measure of segment results:										
Finance costs	**—**	—	**—**	—	**—**	—	**2,330**	11,837	**2,330**	11,837
Share of (profit) loss of associates	**—**	—	**—**	—	**—**	—	**(732)**	4,036	**(732)**	4,036

Revenue from major product and services

The Group's revenue for both years from continuing operations is solely from mobile phone business.

Geographical information

The Group's operations are located in the PRC and Hong Kong. The operation in Hong Kong was discontinued during 2009.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended		Non-current assets	
	31st December, 2009	31st December, 2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC (continuing operations)	**2,100,080**	1,834,530	**431,728**	53,301
Hong Kong (discontinued operations)	**56,276**	263,063	**—**	74
	2,156,356	2,097,593	**431,728**	53,375

note: Non-current assets excluded those relating to available-for-sale investment.

During the year, only one single customer contributed to more than 10% of the Group's total revenue (2008: none), from whom the revenue is approximately HK$330,507,000.

3. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest on:		
Bank and other borrowings wholly repayable within five years	**1,107**	2,036
Bills discounting	**382**	61
Convertible loan notes	**187**	—
Earnest money received	**501**	—
Other financial liabilities	**—**	9,523
Promissory notes	**105**	—
	2,282	11,620

4. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**—**	—
PRC Enterprise Income Tax ("EIT")	**26**	3,178
	26	3,178

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 2008/2009. No provision for Hong Kong Profits Tax made as the Group has no assessable profit for the year.

PRC EIT represents tax charge on the assessable profits of the Company's subsidiary, 珠海市雷鳴達通訊設備有限公司 ("Zhuhai Reminda").

Fortune (Shanghai) International Trading Co., Ltd ("Fortune Shanghai"), 上海長遠忻科貿易有限公司 ("Shanghai Telefortune") and 上海遠嘉國際貿易有限公司("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, 2009, these PRC subsidiaries were entitled to the EIT rate of 20%. 黃石鍶發礦業有限公司 ("Sifa Mining") was established in the PRC and subject to the EIT rate of 25% for the year ended 31st December, 2009.

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

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation from continuing operations	**(173,074)**	(77,674)
Tax at the domestic income tax rate of 20% (2008: 18%) (note)	**(34,615)**	(13,981)
Tax effect of share of results of associates	**(147)**	726
Tax effect of expenses not deductible for tax purpose	**39,912**	5,414
Tax effect of income not taxable for tax purpose	**(1,164)**	(1,179)
Reversal of tax effect of deductible temporary differences previously recognised	**(2,983)**	—
Tax effect of deductible temporary differences not recognised	**199**	8,523
Tax effect of tax losses not recognised	**1,572**	2,824
Utilisation of tax loss previously not recognised	**(2,748)**	(36)
Effect of different tax rates of group entities operating in other jurisdictions	**—**	887
Tax expense for the year	**26**	3,178

At the end of reporting period, the Group had unused tax losses of approximately HK$260,852,000 (2008: HK$266,731,000) 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$168,098,000 (2008: HK$181,836,000) 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 end of the reporting period, the Group also had deductible temporary differences of approximately HK$69,811,000 (2008: HK$84,528,000). 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 PRC EIT rate where the Group's operations are substantially based.

5. LOSS FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**1,357**	1,475
Cost of inventories recognised as expense	**2,049,640**	1,805,399
Depreciation of plant and equipment	**1,253**	1,376
Write down of inventories (included in cost of sales)	**8,249**	7,238
Staff costs		
- directors' emoluments	**2,385**	3,313
- other staff costs	**11,205**	13,575
- retirement benefit scheme contribution (excluding directors)	**580**	404
	14,170	17,292
and after crediting:		
Bank interest income	**452**	1,548
Government grants	**664**	209
Service income from provision of logistics and promotion services	**2,458**	3,937
Waiver of trade and other payables	**—**	1,104

6. LOSS PER SHARE

For continuing and discontinued operations

The calculation of loss per share for the year is based on the loss for the year attributable to owners of the Company of HK$171,983,000 (2008: HK$78,719,000) and the weighted average number of 379,497,000 shares in issue during the year (2008: 372,790,000 shares in issue).

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for both 2009 and 2008.

For continuing operations

The calculation of loss per share for the year is based on the loss for the year attributable to owners of the Company of HK$172,654,000 (2008: HK$80,727,000) and the weighted average number of 379,497,000 shares in issue during the year (2008: 372,790,000 shares in issue).

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for both 2009 and 2008.

7. TRADE, BILLS AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**24,922**	51,790
Less: accumulated allowance	**(15,501)**	(27,398)
	9,421	24,392
Value-added-tax receivables	**10,620**	10,919
Rebates receivable	**50,020**	28,363
Other receivables and deposits	**28,414**	57,507
Less: accumulated allowance	**(12,626)**	(44,361)
Trade and other receivables	**85,849**	76,820
Bills receivable	**—**	673
	85,849	77,493

The Group allows its 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 the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**8,555**	16,155
31 to 90 days	**486**	4,698
Over 90 days	**380**	3,539
	9,421	24,392

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.

8. TRADE AND OTHER PAYABLES

The following is an aged analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**3,539**	36,258
31 to 90 days	**99**	1,404
Over 90 days	**2,163**	7,036
	5,801	44,698
Rebates payable	**47,983**	10,645
Other payables and accruals	**36,013**	24,837
	89,797	80,180

FINAL DIVIDEND

No dividend has been proposed for the year ended 31st December, 2009 and 2008.

REVIEW AND OUTLOOK

Financial Review

The operational performance of the Group was improved due to the amounts recovered from previous provision made for accounts and other receivables and also the improved result of the fulfillment distribution business for Nokia Stores in the People's Republic of China ("PRC") which is the core business of the Group. However, owing to a substantial impairment loss amount to HK$184.3 million in respect of a goodwill arising from the acquisition of a mining company in the PRC (the "PRC Mining Company"). The Group incurred a net loss of HK$172.4 million in this year, as compared with a net loss of HK$78.8 million in last year, despite the fact that the Group has recorded a profit in the first half of this year.

On 23rd December, 2009 (the "Completion Date"), the Group completed the acquisition of a total of 50.8% effective equity interest (the "Acquisition") in Huangshi Sifa Mining Company Limited (the"PRC Mining Company") from Mr. Lau Siu Ying, the Chairman and the Chief Executive Officer of the Group, and his affiliates (collectively referred to as the "Vendors").

As part of the agreement to the acquisition, the Vendors have undertaken to the Group that the audited profit before tax of the PRC Mining Company will not be less than RMB72 million for the first twelve months following the Completion Date (the "Profit Guarantee"). If the PRC Mining Company makes profit before tax of less than

RMB72 million, the compensation for the shortfall of Profit Guarantee payable by the Vendors to the Group is equivalent to 50.8% of the shortfall amount of the audited profit before tax compared to RMB72 million, net of tax effect. If the PRC Mining Company incurs a loss after tax, the compensation payable by the Vendors to the Group is equivalent to 50.8% of either the total loss after tax incurred by the PRC Mining Company or RMB10 million (whichever is lower) in addition to the compensation payable if the PRC Mining Company makes profit before tax of less than RMB72 million as detailed above. The compensation payable by the Vendors to the Group will be set off by the first tranche of the promissory notes issued to the Vendors as part of the consideration for the Acquisition.

In compliance with Rule 14A.59(10)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Independent Non-executive Directors will provide an opinion in the Company's next published annual report as to whether the Profit Guarantee is fulfilled, and the Company will publish an announcement if the audited profit before tax of the PRC Mining Company for the first twelve months following the Completion Date is less than the Profit Guarantee.

In January 2009, the Group entered into a revised agreement for the Acquisition. The consideration payable for the Acquisition comprised cash, promissory notes, convertible loan notes and the Company's shares. Completion of the acquisition finally took place on 23rd December, 2009. Because of the elapse of time between January and December 2009, market conditions changed and as a result, the fair value of the consideration payable has increased while the fair value of the PRC Mining Company's major asset, a mining right, has decreased. Accordingly, the acquisition gave rise to goodwill of approximately HK$184.3 million which represents the excess of the fair value of the consideration payable, as adjusted by the Profit Guarantee, over the fair value of the net assets acquired.

The directors have carefully reviewed the PRC Mining Company as a cash-generating unit based on a value in use calculation. Based on the above review, the directors of the Company are of the opinion that the goodwill arising from the acquisition of the PRC Mining Company may not be recoverable. In the sake of conservatism, such goodwill was fully impaired and charged to the profit or loss for this year. This impairment loss was a non-cash expense which has no impact on the Group's cash flows or operations.

The Group recorded a consolidated revenue during this year of HK$2,100.0 million when compared to the last year of HK$1,834.5 million. This was resulted from an increase in revenue from the fulfillment distribution business for Nokia Stores which could offset the drop in revenue contribution to the Group from the distribution business in Hong Kong.

The gross profit amounted to HK$42.2 million, an increase when compared to the last year of HK$24.1 million. The gross margin percentage during the year was 2.0% which was slightly higher than the last year of 1.3% due to the improvement in the fulfillment distribution business in this year.

The selling and distribution costs amounted to HK$25.1 million when compared to the last year of HK$15.0 million as the overall revenue achieved during the year was comparably higher than the last year in the fulfillment distribution business for Nokia Stores. The administrative expenses amounted to HK$20.3 million, a decrease when compared to the last year of HK$26.4 million mainly due to the streamlining of staff cost in the year.

Owing to the amounts recovered from previous provision made for accounts and other receivables in the old business (i.e. the national distribution business in the PRC), the Group has made an one-off gain of HK$14.9 million during the year.

As far as the distribution business in Hong Kong is concerned, due to the weak sentiment in the Hong Kong market which was experienced by the substantial drop in revenue during the year, the Group has disposed of this business in August 2009 with a view to focus its resources in the PRC market which offers more opportunities to the Group. For disposing this Hong Kong distribution business, the Group incurred a loss of HK$5.1 million. The Group disposed one of the associates named Intelligence Tech Limited in this year which achieved an one-off gain on disposal of HK$1.4 million.

As far as the mobile phone retail chain business in Zhuhai was concerned, the revenue achieved during the year amounted to HK$30.7 million, a drop of 27.7% as compared with last year of HK$42.5 million. Although there was a drop of revenue, the Group could share a profit from it during this year rather than sharing a loss in last year due to the streamlining of its operating costs during the year. The Group shared net gains of HK$0.7 million from the results of two associates during the year as compared to the losses in last year of HK$4.0 million due to the better performance achieved during the year.

The finance costs were substantially reduced from HK$11.6 million in last year to HK$2.3 million in this year due to the decrease in the level of bank borrowings and decrease in other financial liabilities.

As a result of the above, the Group reported a net loss of HK$172.4 million during the year when compared to the net loss of HK$78.8 million in last year.

The net asset value of the Group as at 31st December, 2009 amounted to HK$158.3 million or HK$0.23 per share when compared to HK$189.5 million or HK$0.51 per share as at 31st December, 2008. The basic deficit per share was HK$0.45 as compared to HK$0.21 in last year.

As at 31st December, 2009, the Group's aggregate bank and other borrowings amounted to HK$14 million when compared to HK$52.7 million as at 31st December, 2008. Less borrowings as at the year end was mainly attributable to the intention of the Group to reduce bank borrowing level and to restructure a better borrowing facilitate in the future. The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 1.54 as compared to zero as at 31st December, 2008. The Group did not have any long term liability in last year but incurred long term deferred tax liabilities, convertible loan notes and promissory notes in the acquisition of the PRC Mining Company in this year.

The total bank deposits and cash balances amounted to HK$7.3 million as at 31st December, 2009 without any deposit pledged to banks. 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. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

The inventories of the Group as at 31st December, 2009 amounted to HK$164.8 million, mainly comprised inventories from the fulfillment distribution business for Nokia Stores. The inventories of the Group as of 31st December, 2008 amounted to HK$160.3 million in which around HK$20 million was coming from the distribution business in Hong Kong which was disposed during this year. The inventory turnover period was 29 days in this year when compared to 32 days of last year. The Group will continue to apply strict policy in inventory control in the future.

The amount of trade and other receivables as at 31st December, 2009 was HK$85.8 million, mainly comprised receivables from the fulfillment distribution business for Nokia Stores. The trade and other receivables of the Group as of 31st December, 2008 amounted to HK$76.8 million in which around HK$17.4 million was coming from the distribution business in Hong Kong which was disposed during this year. 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 Nokia Stores is mainly on cash basis which further reduces the credit risk of the Group.

Upon completion of the acquisition of the PRC Mining Company in this year, the Company issued convertible bonds and promissory notes as part of the consideration in the Acquisition with carrying values amounted to HK$100.3 million and HK$49.7 million respectively as at 31st December, 2009. Besides, the Company issued approximately 306 million new shares as part of the consideration in the Acquisition, amounted to HK$30.6 million at par value.

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 Stores 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 financial liabilities due to TeleChoice amounted to HK$52.6 million as of 31st December, 2008 had been fully settled by the Group in the year.

As at 31st December, 2009, the Group had in total 243 employees as compared to 218 employees as at 31st December, 2008. 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 747 million subscribers to mobile phone services in the PRC as at the end of 2009, equivalent to a penetration rate of 56.3 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

The fulfillment distribution business for Nokia Stores, contributing to more than 90% of the Group's revenue, continued to make significant contribution to the overall performance of the Group during the year. It will continue to be a core business of the Group in view of the enormous mobile phone market in the PRC and the leading position of Nokia in the PRC market. On the other hand, the businesses of the associate and the subsidiary engaging in the mobile phone retail chain in Zhuhai of the Group remained a challenge due to the intense competition in the market. As far as the distribution business in Hong Kong is concerned, due to the weak sentiment in the Hong Kong market which was experienced by the substantial drop in revenue as explained before, the Group had disposed of this Hong Kong business in August 2009 with a view to focus its resources in the PRC market which offers more opportunities to the Group. In October 2009, the Group had also disposed one of the associates named Intelligence Tech Limited with the same reason. In June 2009, the Group had entered into a deed of termination by mutual consents of the vendor (a wholly-owned subsidiary of the Company) and the purchaser (Mr. Lau Siu Ying, Chairman and CEO of the Company) to terminate the proposed disposal of 49% interest in the FTC distribution business.

In December 2009, the Group completed the acquisition of 50.8% interest in the PRC Mining Company, which owns the right to conduct mining activities in a mining site which is located in Huangshi, southeastern Hubei. The said 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.

Prospect and Outlook

The Group entered into the market of natural resources in the year after completing the acquisition of the PRC Mining Company. After this, the Group can further explore business and investment opportunities in the natural resources industry.

The continued economic growth in the PRC, supported by a high internal consumption and together with the room for expansion in the penetration rate of the mobile phone users in the PRC, creates 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, 2009, 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, 2009, 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 statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2009 as set out in this 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 Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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

Hong Kong, 20th April, 2010

As at the date of this announcement, the Board of Directors of China Fortune Holdings Limited comprises three Executive Directors, Mr. Lau Siu Ying, Mr. Luo Xi Zhi and Mr. Wang Yu; 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*