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)
("the Company")

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2011

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, 2011, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Revenue	*2*	**1,765,862**	2,544,120
Cost of sales		**(1,704,539)**	(2,479,356)
Gross profit		**61,323**	64,764
Other income		**7,069**	4,668
Other gains and losses		**(4,016)**	9,280
Selling and distribution costs		**(14,885)**	(22,450)
Administrative expenses		**(31,823)**	(27,308)
Finance costs	*3*	**(6,535)**	(11,658)
Gain on disposal of a subsidiary		**2**	–
Share of result of an associate		**5**	444
Profit before income tax		**11,140**	17,740
Income tax credit/(expense)	*4*	**15**	(2,104)
Profit for the year	*5*	**11,155**	15,636

* *For identification purpose only*

	Notes	2011 HK$'000	2010 HK$'000
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**22,022**	20,931
Translation reserve released upon deregistration of a subsidiary		**–**	(3,941)
		22,022	16,990
Total comprehensive income for the year		**33,177**	32,626
Profit for the year attributable to:			
Owners of the Company		**15,922**	14,875
Non-controlling interests		**(4,767)**	761
		11,155	15,636
Total comprehensive income attributable to:			
Owners of the Company		**31,169**	24,989
Non-controlling interests		**2,008**	7,637
		33,177	32,626
Earnings per share basic and diluted	*6*	**1.94 cents**	1.82 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2011 HK$'000	2010 HK$'000
Non-Current Assets			
Plant and equipment		**9,861**	8,680
Mining right		**452,060**	433,683
Goodwill		**–**	2,910
Investment in an associate		**3,800**	4,463
Available-for-sale investment		**69**	69
Club memberships		**1,263**	1,376
		467,053	451,181
Current Assets			
Inventories		**132,365**	187,155
Trade and other receivables	*7*	**59,894**	173,150
Bills receivable		**1,476**	7,056
Amounts due from related parties		**3,590**	3,172
Cash and cash equivalents		**78,370**	45,667
		275,695	416,200
Current Liabilities			
Trade and other payables	*8*	**105,876**	203,873
Amounts due to related parties		**25,369**	8,770
Taxation payables		**6,462**	6,782
Bank and other borrowings		**15,250**	50,030
Promissory notes		**–**	45,796
		152,957	315,251
Net Current Assets		**122,738**	100,949
Total Assets less Current Liabilities		**589,791**	552,130

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Capital and Reserves			
Share capital		**82,166**	82,166
Reserves		**232,614**	201,445
Equity attributable to owners of the Company		**314,780**	283,611
Non-controlling interests		**164,703**	162,695
		479,483	446,306
Non-current Liabilities			
Deferred tax liabilities		**110,308**	105,824
		589,791	552,130

Notes:

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

(a) Adoption of new/revised HKFRSs – effective on 1st January, 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised HKFRSs has no significant impact on the Group's financial statements.

HKFRS 3 ((Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as there is no business acquisition during the year.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no material impact has been noted for comparative period's disclosure. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for comparative period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]

[1] *Effective for annual periods beginning on or after 1st July, 2011*

[2] *Effective for annual periods beginning on or after 1st July, 2012*

[3] *Effective for annual periods beginning on or after 1st January, 2013*

[4] *Effective for annual periods beginning on or after 1st January, 2014*

[5] *Effective for annual periods beginning on or after 1st January, 2015*

Amendments to HKFRS 7 - Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) - Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 - Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 - Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 - Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 - Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

2. SEGMENT INFORMATION

(a) Reportable segments and reconciliation of reportable segment revenue, profit or loss, assets and liabilities

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers (the "CODM") that are used to make strategic decisions.

During the year ended 31st December, 2011, the Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Mobile phone business

- Mining business

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Corporate expenses, corporate assets and corporate liabilities are not allocated to the reportable segments as they are not included in the measure of the segments' profit, segments' assets and segments' liabilities that are used by the CODM for assessment of segment performance.

For the year ended 31st December, 2011

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	**1,764,271**	**1,591**	**1,765,862**
Reportable segment profit/(loss)	**34,951**	**(6,651)**	**28,300**
Loss on disposal of plant and equipment	**2**	**948**	**950**
Depreciation and amortisation	**1,228**	**655**	**1,883**
Write down of inventories	**5,944**	**–**	**5,944**
Reversal of write down of inventories	**(6,162)**	**–**	**(6,162)**
Reportable segment assets	**269,673**	**466,251**	**735,924**
Additions to non-current assets	**229**	**3,574**	**3,803**
Reportable segment liabilities	**(87,852)**	**(142,222)**	**(230,074)**

	2011
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	**1,765,862**
Profit before income tax	
Reportable segment profit	**28,300**
Interest income	**1,385**
Impairment loss recognised in respect of goodwill	**(2,910)**
Miscellaneous loss	**(245)**
Corporate expenses	**(8,862)**
Gain on disposal of a subsidiary	**2**
Share of result of an associate	**5**
Finance costs	**(6,535)**
Consolidated profit before income tax	**11,140**
Assets	
Reportable segment assets	**735,924**
Unallocated corporate assets	
– Investment in an associate	**3,800**
– Others	**3,024**
Consolidated total assets	**742,748**
Liabilities	
Reportable segment liabilities	**230,074**
Unallocated corporate liabilities	**33,191**
Consolidated total liabilities	**263,265**

For the year ended 31st December, 2010

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	2,528,868	15,252	2,544,120
Reportable segment profit	27,710	6,150	33,860
Loss on write-off of plant and equipment	2	–	2
Depreciation and amortisation	1,058	1,156	2,214
Allowance for trade and other receivables	–	2,852	2,852
Write down of inventories	9,486	–	9,486
Reversal of write down of inventories	(2,871)	–	(2,871)
Reportable segment assets	407,642	452,394	860,036
Additions to non-current assets	3,429	139	3,568
Reportable segment liabilities	(225,115)	(133,752)	(358,867)

	2010
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	2,544,120
Profit before income tax	
Reportable segment profit	33,860
Interest income	317
Miscellaneous income	4,462
Corporate expenses	(9,685)
Share of result of an associate	444
Finance costs	(11,658)
Consolidated profit before income tax	17,740
Assets	
Reportable segment assets	860,036
Unallocated corporate assets	
– Investment in an associate	4,463
– Others	2,882
Consolidated total assets	867,381
Liabilities	
Reportable segment liabilities	358,867
Unallocated corporate liabilities	
– Promissory notes	45,796
– Others	16,412
Consolidated total liabilities	421,075

(b) Geographical information

During 2011 and 2010, the Group's operations and non-current assets are situated in the PRC in which all of its revenue was derived.

(c) Information about major customer

During 2011 and 2010, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

3. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interests on:		
Bank and other borrowings wholly repayable within five years	**2,624**	6,141
Promissory notes	**3,895**	4,263
Bills discounting	**16**	1,192
Convertible loan notes	**–**	62
	6,535	11,658

4. INCOME TAX CREDIT/EXPENSE

	2011	2010
	HK$'000	*HK$'000*
The amount of income tax (credit)/expense in the consolidated statement of comprehensive income represents:		
Current tax – PRC Enterprise Income Tax ("EIT"):		
– tax for the year	**–**	2,237
– over provision in respect of prior year	**(15)**	–
Deferred tax	**–**	(133)
Income tax (credit)/expense	**(15)**	2,104

Fortune (Shanghai) International Trading Co., Ltd ("Fortune Shanghai") 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 珠海市雷鳴達通訊設備有限公司 ("Zhuhai Reminda") was established in Zhuhai Special Economic Zone, the PRC. Accordingly, for the year ended 31st December, 2011, these PRC subsidiaries were entitled to a preferential EIT rate of 24% (2010: 22%). 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% (2010: 25%).

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

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

	2011	2010
	HK$'000	*HK$'000*
Profit before income tax	**11,140**	17,740
Tax charge at the domestic income tax rate of 24% (2010: 22%) *(note)*	**2,674**	3,903
Tax effect of share of result of an associate	**(1)**	(98)
Tax effect of expenses not deductible for tax purpose	**3,414**	4,428
Tax effect of income not taxable for tax purpose	**(165)**	(1,757)
Tax effect of tax losses not recognised	**3,693**	1,539
Utilisation of deductible temporary differences and tax losses previously not recognised	**(10,505)**	(6,016)
Over-provision in respect of prior year	**(15)**	–
Effect of different tax rates of group entities operating in other jurisdictions	**890**	238
Tax (credit)/expense for the year	**(15)**	2,237

At the end of reporting period, the Group had estimated unused tax losses of approximately HK$247,231,000 (2010: HK$231,727,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$150,303,000 (2010: HK$132,262,000) 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 reporting period, the Group also had deductible temporary differences of approximately HK$25,241,000 (2010: HK$69,612,000). 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. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**855**	821
Cost of inventories recognised as expense	**1,704,539**	2,479,356
Write down of inventories	**5,944**	9,486
Reversal of write down of inventories	**(6,162)**	(2,871)
Depreciation of plant and equipment	**1,896**	1,831
Amortisation of mining right	**–**	533
Staff costs		
– directors' emoluments	**3,975**	3,658
– other staff costs	**13,762**	11,606
– retirement benefit scheme contribution (excluding directors)	**2,581**	2,390
	20,318	17,654
and after crediting:		
Service income from provision of logistics and promotion services	**3,919**	3,118
Interest income	**1,385**	317
Government grants	**1,183**	–

6. EARNINGS PER SHARE

The calculation of earnings per share for the year is based on the profit for the year attributable to owners of the Company of HK$15,922,000 (2010: HK$14,875,000) and the weighted average number of 821,663,442 shares in issue during the year (2010: 820,489,274 shares in issue).

The computation of diluted earnings 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 2011 and 2010.

7. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**30,066**	19,583
Less: accumulated allowance	**(14,083)**	(14,713)
	15,983	4,870
Value-added-tax receivables	**2,756**	6,238
Rebates receivable	**11,988**	66,126
Prepayments to suppliers	**16,335**	71,332
Other receivables and deposits	**15,962**	27,589
Less: accumulated allowance	**(3,130)**	(3,005)
Trade and other receivables	**59,894**	173,150

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

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**11,412**	3,320
31 to 90 days	**2,438**	1,423
Over 90 days	**2,133**	127
	15,983	4,870

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 reporting period:

	2011	2010
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**1,463**	3,704
31 to 90 days	**128**	159
Over 90 days	**305**	599
	1,896	4,462
Rebates payable	**76,291**	116,190
Prepayments from customers	**9,615**	62,379
Other payables and accruals	**18,074**	20,842
	105,876	203,873

FINAL DIVIDEND

No dividend has been proposed for the year ended 31st December, 2011 and 2010.

REVIEW AND OUTLOOK

Financial Review

In an industry like the current telecommunication one with such an increasing velocity of change and fierce competitions, being a fulfillment distributor for Nokia Stores in the People's Republic of China ("PRC") since 2006, we have to adjust our business strategy in order to go along with Nokia and keep us valuable and competitive. In the current year, we accepted a lower turnover level in the Nokia fulfillment distribution business for the sake in obtaining a better gross margin, and as a result, the Group made a net profit of HK$11 million in this year, as compared to last year of HK$15.6 million. Although the net profit dropped in this year, the segment profit of our mobile phone business increased from HK$27.7 million in last year to HK$35 million in the current year.

For our mining business which was undergoing the development and construction of a new mining exploitation system throughout the year, no exploitation of minerals was made. The revenue in the current year represented selling out the inventories previously exploited which was limited in volume and as a result, this segment revenue dropped and recorded a loss in the year.

Owing to the above factors, the Group recorded a drop in the consolidated revenue from HK$2,544.1 million in last year to HK$1,765.9 million in this year. The gross profit amounted to HK$61.3 million, a slight decrease when compared to the last year of HK$64.8 million. However, the gross margin percentage during the year was 3.5% which was higher than the last year of 2.5% due to the improved gross margin achieved in the fulfillment distribution business in this year.

Included in the other gains and losses in last year was a one-off write back of HK$7.9 million from an amount due to a non-controlling shareholder of Sifa Mining. The post-tax net effect of this write back in the consolidated statement of comprehensive income was HK$5.9 million. No such write-back was recognised in this year.

The selling and distribution costs amounted to HK$14.9 million when compared to the last year of HK$22.5 million as the overall revenue achieved during the year was comparably lower than the last year in the fulfillment distribution business for Nokia Stores. The administrative expenses amounted to HK$31.8 million, an increase when compared to the last year of HK$27.3 million mainly due to higher staff costs incurred and majorities of expenses driven up by the appreciation of Renminbi and inflation throughout the year.

As far as the mobile phone retail chain business in Zhuhai was concerned, the revenue achieved during the year amounted to HK$43.6 million, increased by 6.6% as compared with last year of HK$40.9 million. However, the Group shared a loss from it during this year. In view of the fierce competitive business environment this retail chain facing, the Group took a more prudence and conservative view when in evaluating the carrying value of the goodwill in this retail chain, and provided a full-sum impairment over it in this year.

The Group shared net gains of HK$5,000 from the result of an associate during the year as compared to HK$0.4 million in last year.

The finance costs decreased from HK$11.7 million in last year to HK$6.5 million in this year due to the decrease in the level of bank and other borrowings.

The net asset value of the Group attributable to owners of the Company as at 31st December, 2011 amounted to HK$314.8 million or HK$0.38 per share when compared to HK$283.6 million or HK$0.35 per share as at 31st December, 2010. The basic earnings per share was 1.94 Hong Kong cents as compared to 1.82 Hong Kong cents in last year.

As at 31st December, 2011, the Group's aggregate bank and other borrowings amounted to HK$15.3 million when compared to HK$50 million as at 31st December, 2010, which was a result of the intention to reduce the burden in finance cost of the Group over the year.

The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.35 as compared to 0.37 as at 31st December, 2010.

The total cash and cash equivalents amounted to HK$78.4 million as at 31st December, 2011 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 there is no material potential currency exposure as the majority of its revenue and expenses are derived and incurred all in Renminbi in the PRC. It is the treasury policy of the Group to manage its foreign currency exposure whenever its financial impact is material to the Group.

The inventories of the Group as at 31st December, 2011 amounted to HK$132.4 million, when compared to HK$187.2 million as at 31st December, 2010, mainly since less inventories from the fulfillment distribution business for Nokia Stores as driven by a lower turnover volume in the year. The inventory turnover period was 34 days in this year when compared to 26 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, 2011 was HK$59.9 million, when compared to HK$173.2 million as at 31st December, 2010. Trade receivables mainly comprised receivables from the fulfillment distribution business for Nokia Stores. 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.

On 4th January, 2010, the Company issued and allotted a total of 142,857,142 ordinary shares of HK$0.10 each in the Company upon exercise in full by the holders of the convertible loan notes issued as a part of consideration in the acquisition of our mining business.

As at 31st December, 2011, the Group had in total 224 employees as compared to 234 employees as at 31st December, 2010. 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 996 million subscribers to mobile phone services in the PRC as at the end of January 2012, equivalent to a penetration rate of 73.6 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. On 11th February, 2011, Nokia and Microsoft announced their partnership plan to combine assets and develop innovative mobile products on an unprecedented scale. We believe this move of Nokia can further enhance its competitiveness in the industry. Besides, the mining business is now developing a new mining site exploitation system which is expected to be completed before the end of year 2013, and further exploitation can commence in year 2012 when about half of the new exploitation system is established. The management is exploring all commercially viable opportunities to maximize the return from this investment including but not limited to improvement of infrastructure and expansion into processing of the ore, subject to feasibility study and availability of funding.

Prospect and Outlook

The continued economic growth in the PRC is fuelled by a high internal consumption. As the world's biggest handset market, there were more than 996 million handset subscribers in the PRC with an annual growth rate of around 16% in terms of new subscribers and replacements. There were over 13% 3G users out of the total subscribers, and forecasted to increase much further in the near future. On the other hand, there were more than 320 million mobile Internet users which implies that there are huge business opportunities in both mobile application and mobile commerce. Nokia, whilst maintaining its lead in middle and lower range handsets market, is also moving to strengthen its presence in the higher end smartphone segment by upgrading the Symbian platform and by forming collaboration with Microsoft Windows Mobile. Its coming high-ended handsets with Windows 8 system are highly anticipated. In the longer term, the pass away of Steve Jobs and the acquisition of Motorola Inc. by Google Inc. will potentially change the competitive profile in the market. We believe that Nokia will remain as one of the leaders of global mobile phone industry.

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

During the year ended 31st December, 2011, 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, 2011, 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 BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2011 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

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

Hong Kong, 30th March, 2012

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; one Non-executive Director, Mr. Fung Oi Ip, Alfonso; and three Independent Non-executive Directors, Mr. Chang Wing Seng, Victor, Mr. Wong Lit Chor, Alexis and Mr. Chen Yi Gang.