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**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”)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**INTERIM RESULTS**

The board of directors (the “Board”) of China Fortune Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013, together with the comparative figures set out below. These condensed consolidated interim results have not been audited, but have been reviewed by the audit committee (the “Audit Committee”) of the Company.

\* For identification purpose only

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

|                                 |      | Six months ended       |                        |
|---------------------------------|------|------------------------|------------------------|
|                                 |      | 30/6/2013              | 30/6/2012              |
|                                 | Note | HK\$'000               | HK\$'000               |
|                                 |      | (unaudited)            | (unaudited)            |
| Turnover                        | 4    | 116,210                | 331,709                |
| Cost of sales                   |      | <u>(112,081)</u>       | <u>(327,613)</u>       |
| Gross profit                    |      | 4,129                  | 4,096                  |
| Other income                    |      | 3,269                  | 4,415                  |
| Other gains and losses          |      | (2,150)                | 479                    |
| Selling and distribution costs  |      | (5,998)                | (5,306)                |
| Administrative expenses         |      | (11,633)               | (13,673)               |
| Finance costs                   | 5    | (656)                  | (694)                  |
| Share of result of an associate |      | <u>(320)</u>           | <u>(211)</u>           |
| Loss before income tax          |      | (13,359)               | (10,894)               |
| Income tax expense              | 6    | <u>—</u>               | <u>(23)</u>            |
| Loss for the period             | 7    | <u><u>(13,359)</u></u> | <u><u>(10,917)</u></u> |
| Attributable to:                |      |                        |                        |
| Owners of the Company           |      | (11,536)               | (9,118)                |
| Non-controlling interests       |      | <u>(1,823)</u>         | <u>(1,799)</u>         |
|                                 |      | <u><u>(13,359)</u></u> | <u><u>(10,917)</u></u> |
| <b>Loss per share</b>           |      |                        |                        |
| Basic and diluted (HK cent(s))  | 8    | <u><u>(1.40)</u></u>   | <u><u>(1.11)</u></u>   |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

|                                                                                                                                   | Six months ended      |                        |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------|
|                                                                                                                                   | 30/6/2013             | 30/6/2012              |
|                                                                                                                                   | HK\$'000              | HK\$'000               |
|                                                                                                                                   | (unaudited)           | (unaudited)            |
| <b>Loss for the period</b>                                                                                                        | <u>(13,359)</u>       | <u>(10,917)</u>        |
| <b>Other comprehensive income</b>                                                                                                 |                       |                        |
| Exchange differences arising on translation of<br>foreign operations, which may be reclassified<br>subsequently to profit or loss | <u>6,457</u>          | <u>(4,411)</u>         |
| <b>Total comprehensive income for the period</b>                                                                                  | <u><u>(6,902)</u></u> | <u><u>(15,328)</u></u> |
| <b>Total comprehensive income attributable to:</b>                                                                                |                       |                        |
| Owners of the Company                                                                                                             | (7,319)               | (12,204)               |
| Non-controlling interests                                                                                                         | <u>417</u>            | <u>(3,124)</u>         |
|                                                                                                                                   | <u><u>(6,902)</u></u> | <u><u>(15,328)</u></u> |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

|                                                               | <i>Note</i> | <b>30/6/2013</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | <b>31/12/2012</b><br><b>HK\$'000</b><br><b>(audited)</b> |
|---------------------------------------------------------------|-------------|-----------------------------------------------------------|----------------------------------------------------------|
| <b>Non-current assets</b>                                     |             |                                                           |                                                          |
| Plant and equipment                                           |             | <b>14,863</b>                                             | 15,094                                                   |
| Mining right                                                  |             | <b>400,645</b>                                            | 394,285                                                  |
| Investment in an associate                                    |             | <b>1,307</b>                                              | 1,627                                                    |
| Available-for-sale investments                                |             | <b>10,303</b>                                             | 69                                                       |
| Club memberships                                              |             | <b>1,218</b>                                              | 1,215                                                    |
| Convertible notes receivable                                  |             | <b>–</b>                                                  | 2,050                                                    |
|                                                               |             | <b>428,336</b>                                            | 414,340                                                  |
| <b>Current assets</b>                                         |             |                                                           |                                                          |
| Inventories                                                   |             | <b>10,962</b>                                             | 32,875                                                   |
| Trade and other receivables                                   | <i>9</i>    | <b>21,682</b>                                             | 45,038                                                   |
| Amounts due from non-controlling shareholders of subsidiaries |             | <b>4,082</b>                                              | 3,647                                                    |
| Cash and cash equivalents                                     |             | <b>101,160</b>                                            | 89,371                                                   |
|                                                               |             | <b>137,886</b>                                            | 170,931                                                  |
| <b>Current liabilities</b>                                    |             |                                                           |                                                          |
| Trade and other payables                                      | <i>10</i>   | <b>39,091</b>                                             | 53,046                                                   |
| Amounts due to related parties                                |             | <b>952</b>                                                | 969                                                      |
| Taxation payables                                             |             | <b>6,501</b>                                              | 6,470                                                    |
| Other borrowings                                              | <i>11</i>   | <b>15,622</b>                                             | 15,374                                                   |
|                                                               |             | <b>62,166</b>                                             | 75,859                                                   |
| <b>Net current assets</b>                                     |             | <b>75,720</b>                                             | 95,072                                                   |
| <b>Total assets less current liabilities</b>                  |             | <b>504,056</b>                                            | 509,412                                                  |
| <b>Capital and reserves</b>                                   |             |                                                           |                                                          |
| Share capital                                                 | <i>12</i>   | <b>82,166</b>                                             | 82,166                                                   |
| Reserves                                                      |             | <b>184,321</b>                                            | 191,640                                                  |
| <b>Equity attributable to owners of the Company</b>           |             | <b>266,487</b>                                            | 273,806                                                  |
| <b>Non-controlling interests</b>                              |             | <b>140,180</b>                                            | 139,763                                                  |
|                                                               |             | <b>406,667</b>                                            | 413,569                                                  |
| <b>Non-current liabilities</b>                                |             |                                                           |                                                          |
| Deferred tax liabilities                                      |             | <b>97,389</b>                                             | 95,843                                                   |
|                                                               |             | <b>504,056</b>                                            | 509,412                                                  |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

|                                                                      | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Special<br>reserve<br><i>HK\$'000</i> | Translation<br>reserve<br><i>HK\$'000</i> | Statutory<br>funds<br><i>HK\$'000</i> | Share<br>option<br>reserve<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Attributable<br>to owners<br>of the<br>Company<br><i>HK\$'000</i> | Non-<br>controlling<br>interests<br><i>HK\$'000</i> | Total<br>equity<br><i>HK\$'000</i> |
|----------------------------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------------|---------------------------------------|-----------------------------------------------|------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------|------------------------------------|
| Balance at 1 January 2012<br>(audited)                               | 82,166                              | 392,962                             | 2,481                                 | 74,408                                    | 30,132                                | 4,323                                         | (271,692)                                | 314,780                                                           | 164,703                                             | 479,483                            |
| Loss for the period                                                  | -                                   | -                                   | -                                     | -                                         | -                                     | -                                             | (9,118)                                  | (9,118)                                                           | (1,799)                                             | (10,917)                           |
| Exchange differences arising on<br>translation of foreign operations | -                                   | -                                   | -                                     | (3,086)                                   | -                                     | -                                             | -                                        | (3,086)                                                           | (1,325)                                             | (4,411)                            |
| Total comprehensive income for<br>the period                         | -                                   | -                                   | -                                     | (3,086)                                   | -                                     | -                                             | (9,118)                                  | (12,204)                                                          | (3,124)                                             | (15,328)                           |
| Transfer of reserve upon lapse of<br>share options                   | -                                   | -                                   | -                                     | -                                         | -                                     | (4,323)                                       | 4,323                                    | -                                                                 | -                                                   | -                                  |
| Balance at 30 June 2012<br>(unaudited)                               | <u>82,166</u>                       | <u>392,962</u>                      | <u>2,481</u>                          | <u>71,322</u>                             | <u>30,132</u>                         | <u>-</u>                                      | <u>(276,487)</u>                         | <u>302,576</u>                                                    | <u>161,579</u>                                      | <u>464,155</u>                     |
| Balance at 1 January 2013<br>(audited)                               | 82,166                              | 392,962                             | 2,481                                 | 77,306                                    | 30,132                                | -                                             | (311,241)                                | 273,806                                                           | 139,763                                             | 413,569                            |
| Loss for the period                                                  | -                                   | -                                   | -                                     | -                                         | -                                     | -                                             | (11,536)                                 | (11,536)                                                          | (1,823)                                             | (13,359)                           |
| Exchange differences arising on<br>translation of foreign operations | -                                   | -                                   | -                                     | 4,217                                     | -                                     | -                                             | -                                        | 4,217                                                             | 2,240                                               | 6,457                              |
| Total comprehensive income for<br>the period                         | -                                   | -                                   | -                                     | 4,217                                     | -                                     | -                                             | (11,536)                                 | (7,319)                                                           | 417                                                 | (6,902)                            |
| Balance at 30 June 2013<br>(unaudited)                               | <u>82,166</u>                       | <u>392,962</u>                      | <u>2,481</u>                          | <u>81,523</u>                             | <u>30,132</u>                         | <u>-</u>                                      | <u>(322,777)</u>                         | <u>266,487</u>                                                    | <u>140,180</u>                                      | <u>406,667</u>                     |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2013*

|                                              | <b>Six months ended</b> |                        |
|----------------------------------------------|-------------------------|------------------------|
|                                              | <b>30/6/2013</b>        | 30/6/2012              |
|                                              | <b><i>HK\$'000</i></b>  | <b><i>HK\$'000</i></b> |
|                                              | <b>(unaudited)</b>      | (unaudited)            |
| Net cash generated from operating activities | <b>18,769</b>           | 72,806                 |
| Net cash used in investing activities        | <b>(8,206)</b>          | (202)                  |
| Net cash used in financing activities        | <u><b>(17)</b></u>      | <u>(18,491)</u>        |
| Net increase in cash and cash equivalents    | <b>10,546</b>           | 54,113                 |
| Cash and cash equivalents at 1 January       | <b>89,371</b>           | 78,370                 |
| Effect of foreign exchange rate changes      | <u><b>1,243</b></u>     | <u>(1,008)</u>         |
| Cash and cash equivalents at 30 June         | <u><b>101,160</b></u>   | <u>131,475</u>         |

*Notes:–*

## **1. GENERAL**

The Company is an exempted company with limited liability incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of the Group are distribution and trading of mobile phones and related accessories, development of marketing and after-sales service network and mining and processing of celestite, zinc and lead minerals.

## **2. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s 2012 annual report, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except that certain financial instruments are measured at fair values.

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the financial statements contained in the 2012 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning on or after 1 January 2013. The adoption of these standards, amendments or interpretations has no material effect on the Group’s financial position or results of operations.

The Group has not early adopted the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

#### **4. SEGMENT INFORMATION AND TURNOVER**

##### **(a) Reportable segments**

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 six months ended 30 June 2013, 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 or loss, segments’ assets and segments’ liabilities that are used by the CODM for assessment of segment performance.



**For the six months ended 30 June 2013 (unaudited)**

|                                                            | <b>Mobile phone<br/>business<br/>HK\$'000</b> | <b>Mining<br/>business<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------|
| Reportable segment revenue from external customers         | <b>116,210</b>                                | <b>–</b>                                | <b>116,210</b>            |
| Reportable segment loss                                    | <b>(6,530)</b>                                | <b>(1,614)</b>                          | <b>(8,144)</b>            |
| Gain on disposal of plant and equipment                    | <b>–</b>                                      | <b>(154)</b>                            | <b>(154)</b>              |
| Depreciation and amortisation                              | <b>577</b>                                    | <b>334</b>                              | <b>911</b>                |
| Impairment loss recognised in respect of trade receivables | <b>2,250</b>                                  | <b>–</b>                                | <b>2,250</b>              |
| Write down of inventories                                  | <b>2,004</b>                                  | <b>–</b>                                | <b>2,004</b>              |
| Additions to non-current assets                            | <b>9</b>                                      | <b>474</b>                              | <b>483</b>                |

**Revenue**

|                                                     |                |
|-----------------------------------------------------|----------------|
| Reportable segment revenue and consolidated revenue | <b>116,210</b> |
|-----------------------------------------------------|----------------|

**Loss before income tax**

|                                 |                |
|---------------------------------|----------------|
| Reportable segment loss         | <b>(8,144)</b> |
| Interest income                 | <b>292</b>     |
| Miscellaneous gain              | <b>424</b>     |
| Corporate expenses              | <b>(4,955)</b> |
| Share of result of an associate | <b>(320)</b>   |
| Finance costs                   | <b>(656)</b>   |

|                                     |                 |
|-------------------------------------|-----------------|
| Consolidated loss before income tax | <b>(13,359)</b> |
|-------------------------------------|-----------------|

**As at 30 June 2013 (unaudited)**

|                                   | <b>Mobile phone<br/>business<br/>HK\$'000</b> | <b>Mining<br/>business<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|-----------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------|
| Reportable segment assets         | <b>132,877</b>                                | <b>418,899</b>                          | <b>551,776</b>            |
| Reportable segment liabilities    | <b>(20,661)</b>                               | <b>(130,043)</b>                        | <b>(150,704)</b>          |
| <b>Assets</b>                     |                                               |                                         |                           |
| Reportable segment assets         |                                               |                                         | <b>551,776</b>            |
| Unallocated corporate assets      |                                               |                                         |                           |
| – Investment in an associate      |                                               |                                         | <b>1,307</b>              |
| – Others                          |                                               |                                         | <b>13,139</b>             |
| Consolidated total assets         |                                               |                                         | <b>566,222</b>            |
| <b>Liabilities</b>                |                                               |                                         |                           |
| Reportable segment liabilities    |                                               |                                         | <b>150,704</b>            |
| Unallocated corporate liabilities |                                               |                                         | <b>8,851</b>              |
| Consolidated total liabilities    |                                               |                                         | <b>159,555</b>            |

For the six months ended 30 June 2012 (unaudited)

|                                                    | Mobile phone<br>business<br>HK\$'000 | Mining<br>business<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------------------------------|--------------------------------------|--------------------------------|-------------------|
| Reportable segment revenue from external customers | <u>331,709</u>                       | <u>–</u>                       | <u>331,709</u>    |
| Reportable segment loss                            | <u>(6,436)</u>                       | <u>(2,399)</u>                 | <u>(8,835)</u>    |
| Loss on write-off of plant and equipment           | 3                                    | –                              | 3                 |
| Depreciation and amortisation                      | 536                                  | 340                            | 876               |
| Write down of inventories                          | 7,203                                | –                              | 7,203             |
| Additions to non-current assets                    | 41                                   | 1,784                          | 1,825             |

#### Revenue

|                                                     |         |
|-----------------------------------------------------|---------|
| Reportable segment revenue and consolidated revenue | 331,709 |
|-----------------------------------------------------|---------|

#### Loss before income tax

|                                 |         |
|---------------------------------|---------|
| Reportable segment loss         | (8,835) |
| Interest income                 | 1,659   |
| Miscellaneous gain              | 835     |
| Corporate expenses              | (3,648) |
| Share of result of an associate | (211)   |
| Finance costs                   | (694)   |

|                                     |                 |
|-------------------------------------|-----------------|
| Consolidated loss before income tax | <u>(10,894)</u> |
|-------------------------------------|-----------------|

As at 31 December 2012 (audited)

|                                | Mobile phone<br>business<br>HK\$'000 | Mining<br>business<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------|--------------------------------------|--------------------------------|-------------------|
| Reportable segment assets      | <u>166,318</u>                       | <u>411,712</u>                 | <u>578,030</u>    |
| Reportable segment liabilities | <u>(36,100)</u>                      | <u>(127,172)</u>               | <u>(163,272)</u>  |

#### Assets

|                              |         |
|------------------------------|---------|
| Reportable segment assets    | 578,030 |
| Unallocated corporate assets |         |
| – Investment in an associate | 1,627   |
| – Others                     | 5,614   |

|                           |                |
|---------------------------|----------------|
| Consolidated total assets | <u>585,271</u> |
|---------------------------|----------------|

#### Liabilities

|                                   |         |
|-----------------------------------|---------|
| Reportable segment liabilities    | 163,272 |
| Unallocated corporate liabilities | 8,430   |

|                                |                |
|--------------------------------|----------------|
| Consolidated total liabilities | <u>171,702</u> |
|--------------------------------|----------------|

(b) **Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

**5. FINANCE COSTS**

|                                                              | <b>Six months ended</b> |                    |
|--------------------------------------------------------------|-------------------------|--------------------|
|                                                              | <b>30/6/2013</b>        | <b>30/6/2012</b>   |
|                                                              | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|                                                              | <b>(unaudited)</b>      | <b>(unaudited)</b> |
| Interests on:                                                |                         |                    |
| Bank and other borrowings wholly repayable within five years | <b>656</b>              | 646                |
| Bills discounting                                            | <u>–</u>                | <u>48</u>          |
|                                                              | <b><u>656</u></b>       | <b><u>694</u></b>  |

**6. INCOME TAX EXPENSE**

|                                                  | <b>Six months ended</b> |                    |
|--------------------------------------------------|-------------------------|--------------------|
|                                                  | <b>30/6/2013</b>        | <b>30/6/2012</b>   |
|                                                  | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|                                                  | <b>(unaudited)</b>      | <b>(unaudited)</b> |
| Current tax – PRC Enterprise Income Tax (“EIT”): |                         |                    |
| – under provision in respect of prior year       | <u>–</u>                | <u>23</u>          |
| Income tax expense                               | <b><u>–</u></b>         | <b><u>23</u></b>   |

For both six months ended 30 June 2013 and 2012, the Group’s subsidiaries in the PRC were subject to the EIT rate of 25%.

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

## 7. LOSS FOR THE PERIOD

|                                                                      | Six months ended |              |
|----------------------------------------------------------------------|------------------|--------------|
|                                                                      | 30/6/2013        | 30/6/2012    |
|                                                                      | HK\$'000         | HK\$'000     |
|                                                                      | (unaudited)      | (unaudited)  |
| Loss for the period has been arrived at after charging:              |                  |              |
| Depreciation of plant and equipment                                  | 783              | 891          |
| Exchange loss                                                        | 40               | –            |
| Staff costs                                                          |                  |              |
| – directors' emoluments                                              | 2,603            | 1,491        |
| – other staff costs                                                  | 5,317            | 5,640        |
| – retirement benefit scheme contribution<br>(excluding directors)    | 959              | 1,187        |
|                                                                      | <b>8,879</b>     | <b>8,318</b> |
| and after crediting:                                                 |                  |              |
| Service income from provision of logistics and<br>promotion services | 2,499            | 2,314        |
| Interest income                                                      | 292              | 1,659        |
| Exchange gain                                                        | –                | 482          |

## 8. LOSS PER SHARE

The calculation of loss per share for the six months ended 30 June 2013 is based on the loss for the period attributable to owners of the Company of HK\$11,536,000 (30 June 2012: loss of HK\$9,118,000) and the weighted average number of 821,663,442 shares in issue during the period (30 June 2012: 821,663,442 shares in issue).

For the six months ended 30 June 2013, the diluted loss per share is the same as the basic loss per share because there were no outstanding share options during that period.

For the six months ended 30 June 2012, the diluted loss per share is the same as the basic loss per share because the computation of diluted loss per share does not assume the exercise of the Company's share options outstanding during the six months ended 30 June 2012 as the exercise price of those options is higher than the average market price for shares.

## 9. TRADE AND OTHER RECEIVABLES

|                                    | 30/6/2013<br><i>HK\$'000</i><br>(unaudited) | 31/12/2012<br><i>HK\$'000</i><br>(audited) |
|------------------------------------|---------------------------------------------|--------------------------------------------|
| Trade receivables                  | 23,609                                      | 24,359                                     |
| <i>Less: accumulated allowance</i> | <u>(19,753)</u>                             | <u>(17,431)</u>                            |
|                                    | 3,856                                       | 6,928                                      |
| Value-added-tax receivables        | 1,040                                       | 4,383                                      |
| Rebates receivable                 | 1,715                                       | 7,277                                      |
| Prepayments to suppliers           | 1,046                                       | 11,515                                     |
| Other receivables and deposits     | 17,229                                      | 18,090                                     |
| <i>Less: accumulated allowance</i> | <u>(3,204)</u>                              | <u>(3,155)</u>                             |
|                                    | <u><b>21,682</b></u>                        | <u><b>45,038</b></u>                       |

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:

|                    | 30/6/2013<br><i>HK\$'000</i><br>(unaudited) | 31/12/2012<br><i>HK\$'000</i><br>(audited) |
|--------------------|---------------------------------------------|--------------------------------------------|
| Trade receivables: |                                             |                                            |
| 0 to 30 days       | 1,712                                       | 2,420                                      |
| 31 to 90 days      | 868                                         | 707                                        |
| 91 to 365 days     | 142                                         | 453                                        |
| Over 365 days      | <u>1,134</u>                                | <u>3,348</u>                               |
|                    | <u><b>3,856</b></u>                         | <u><b>6,928</b></u>                        |

## 10. 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:

|                             | <b>30/6/2013</b><br><b>HK\$'000</b><br><b>(unaudited)</b> | 31/12/2012<br><b>HK\$'000</b><br><b>(audited)</b> |
|-----------------------------|-----------------------------------------------------------|---------------------------------------------------|
| Trade payables:             |                                                           |                                                   |
| 0 to 30 days                | <b>727</b>                                                | 411                                               |
| 31 to 90 days               | <b>22</b>                                                 | 234                                               |
| Over 90 days                | <b>308</b>                                                | 157                                               |
|                             | <b>1,057</b>                                              | 802                                               |
| Rebates payable             | <b>15,669</b>                                             | 22,550                                            |
| Prepayments from customers  | <b>2,293</b>                                              | 10,683                                            |
| Other payables and accruals | <b>20,072</b>                                             | 19,011                                            |
|                             | <b>39,091</b>                                             | 53,046                                            |

## 11. OTHER BORROWINGS

|                           | 30/6/2013<br><i>HK\$'000</i><br>(unaudited) | 31/12/2012<br><i>HK\$'000</i><br>(audited) |
|---------------------------|---------------------------------------------|--------------------------------------------|
| Other borrowings, secured | <u>15,622</u>                               | <u>15,374</u>                              |

At the end of reporting period, all the Group's other borrowings were repayable within one year (2012: within one year).

At 30 June 2013 and 31 December 2012, the Group did not have any banking facilities.

## 12. SHARE CAPITAL

|                                      | Number of<br>ordinary shares | Share<br>capital<br><i>HK\$'000</i> |
|--------------------------------------|------------------------------|-------------------------------------|
| Ordinary shares of HK\$0.10 each     |                              |                                     |
| <i>Authorised:</i>                   |                              |                                     |
| At 31 December 2012 and 30 June 2013 | <u>1,000,000,000</u>         | <u>100,000</u>                      |
| <i>Issued and fully paid:</i>        |                              |                                     |
| At 31 December 2012 and 30 June 2013 | <u>821,663,442</u>           | <u>82,166</u>                       |

## 13. DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2013 and 30 June 2012.

## REVIEW AND OUTLOOK

### Financial Review

Being a fulfillment distributor for Nokia Stores in the People's Republic of China ("PRC") since 2006, our turnover continued to drop in the period. The Group recorded a consolidated revenue during the period of HK\$116.2 million when compared to the previous corresponding period of HK\$331.7 million. The gross profit amounted to HK\$4.1 million, approximately the same when compared to the previous corresponding period. The gross margin percentage during the period was 3.6% which was higher than the previous corresponding period of 1.2%. The Group recorded a further impairment loss on a trade receivable according to the accounting policy adopted by the Group, amounted to HK\$2.3 million during the period. As a result, the Group reported a loss of HK\$13.4 million during the period when compared to a loss of HK\$10.9 million in the previous corresponding period.

The selling and distribution costs amounted to HK\$6.0 million when compared to the previous corresponding period of HK\$5.3 million. The administrative expenses amounted to HK\$11.6 million when compared to the previous corresponding period of HK\$13.7 million.

As far as the mobile phone retail chain subsidiary in Zhuhai was concerned, the revenue achieved during the period amounted to HK\$53.5 million which decreased by HK\$41.1 million as compared with the previous corresponding period. The Group shared a loss of HK\$0.3 million from the result of an associate during the period as compared to a loss of HK\$0.2 million in the previous corresponding period.

The finance costs during the period was HK\$0.7 million which was approximately the same as in the previous corresponding period.

The net asset value of the Group as at 30 June 2013 amounted to HK\$266.5 million or HK\$0.32 per share when compared to HK\$273.8 million or HK\$0.33 per share as at 31 December 2012. As at 30 June 2013, the Group's other borrowings amounted to HK\$15.6 million, which was maintained more or less at the same level as at 31 December 2012.

The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.37 as at 30 June 2013 when compared to 0.35 as at 31 December 2012.



The total cash and cash equivalents amounted to HK\$101.2 million as at 30 June 2013 without any deposit pledged to banks. The Group is financed by a combination of its equity capital, cash flow generated from its operation and other borrowings. During the period, 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 30 June 2013 amounted to HK\$11.0 million, as compared to HK\$32.9 million as at 31 December 2012, mainly comprised inventories from the fulfillment distribution business for Nokia Stores and from the retail chain business in Zhuhai. The inventory turnover period was 28 days for the six months ended 30 June 2013, as compared with the one for the twelve months ended 31 December 2012 of 34 days. The Group will continue to apply strict policy in inventory control in the future.

The amount of trade and other receivables as at 30 June 2013 was HK\$21.7 million, as compared to HK\$45.0 million as at 31 December 2012. In order to minimize the credit risk for the trade receivables, the Group has implemented prudent 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.

As at 30 June 2013, the Group had in total 179 employees as compared to 159 employees as at 31 December 2012. 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 period. 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. On 12 July 2013, the Company granted in total 19,100,000 share options to certain eligible participants of the share option scheme.

## **Market and Business Review, and Outlook**

### ***Handset Distribution***

Nokia, who was the biggest mobile phone manufacturer for over a decade, lost its market share in the mobile phone industry substantially to Apple Inc. and various brands of handsets with the Android platform in these few years. Changes in handset application habit of consumers turn popular handsets from mobile-phone-based into smartphone-based. In view of this, without launching the popular Android-based smartphone, Nokia decided to collaborate with Microsoft Windows Phone in 2011. However, the performance of Nokia's Windows-based smartphones was still far from expectation. Nokia continued losing its market share in the period.

The Group has been a distributor of Nokia handsets since incorporation. So the recent situation of Nokia directly and substantially led to a downturn of revenue of the Group in the period and in recent years. The Group paid special attention and efforts in mitigating the effect and risks in the Nokia Store fulfillment distribution business by lowering the inventory level to a minimal amount and reducing turnover volume when profit margin was not promising. The management will keep monitoring this business segment and take timely and appropriate action when necessary, including termination of distributorship.

### ***Investment in mobile phone operating system***

On 29 December 2012, the Group subscribed a convertible bond issued by Jolla Limited, which is a newly established company in Finland and engaged in mobile phone operating system development. After full conversion of the convertible bond into shares of Jolla Limited and together with further subscriptions, the Group acquired approximately 6.25% (at that moment) equity interest in Jolla Limited with an aggregate consideration of HK\$10.2 million in March 2013. Although Jolla Limited is a newly established company in Finland, its team consists of well-experienced programmers and developers of mobile phone operating system. Jolla Limited's coming innovative and brand new mobile phone operating system and smartphones are expected to bring new impact and opportunity to the market. The first flagship smartphone of Jolla Limited is planned for shipment by the end of 2013.

## ***Mining***

We commenced developing a new mining site exploitation system in our Strontium mining site since 2010. However, the development plan and construction progress in this new system had been inevitably and adversely affected by the downturn of the global mineral resources demand since 2012 and up to the current moment. In view of this, the construction works in the new mining site exploitation system is temporarily suspended at the moment and being subject to our managerial review over the whole construction schedule for matching the industry cycle accordingly.

## **Prospects**

Mobile phone operating system and mobile internet application would surely be the key business areas that the Group is interested in since we have been in the mobile phone industry for decades. Besides the recent investment in Jolla Limited, the Group is actively looking for further business and investment opportunities which will further enhance the shareholders' value.

## **OTHER INFORMATION**

### **Purchase, sale or redemption of listed securities of the Company**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## **CORPORATE GOVERNANCE**

### **Compliance with the Corporate Governance Code**

For the six months ended 30 June 2013, the Company has complied with the Corporate Governance Code (“the Code”) as set out in Appendix 14 of the Listing Rules, except that:

1. Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual but Mr. Lau Siu Ying currently assumes both roles of the Chairman and the Chief Executive Officer of the Company. Provision A.4 of the Code states that all directors should be subject to re-election at regular intervals. However, Mr. Lau Siu Ying, being the Chairman of the Board, does not need to retire by rotation. Mr. Lau Siu Ying has been in charge of the overall management of the Company since its incorporation. As a result, although he does not need to retire by rotation and assumes both roles of the Chairman and the Chief Executive Officer of the Company, the Board considers that such arrangement at the current stage of development of the Group can facilitate the execution of its business strategies and maximize the effectiveness of its operations. Nevertheless, through the supervision from the Board including the Independent Non-executive Directors, the interests of the shareholders should be adequately and fairly considered.
2. All Non-executive Directors of the Company are not appointed for a specific term as stipulated under the provision A.4.1 of the Code but are subject to retirement by rotation in accordance with the Company’s Bye-laws. In accordance with the relevant provisions in the Bye-laws of the Company, if the appointment of Directors is made by the Board, the Directors so appointed must stand for election by the shareholders at the first annual general meeting following their appointments and all Directors, except the Chairman, must stand for re-election by the shareholders by rotation.

## AUDIT COMMITTEE

The Company has formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices regarding the Company's financial reporting matters, including the review of the interim results for the six months ended 30 June 2013, the internal control and risk management system. The Audit Committee has reviewed and approved this announcement.

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, Mr. Chang Wing Seng, Victor (Chairman of the Audit Committee), Mr. Wong Lit Chor, Alexis and Dr. Law Chun Kwan.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the review period.

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

Hong Kong, 28 August 2013

*As at the date of this announcement, the Board comprises three executive directors, namely Mr. Lau Siu Ying, Mr. Luo Xi Zhi and Mr. Wang Yu; and three independent non-executive directors, namely Mr. Chang Wing Seng, Victor, Mr. Wong Lit Chor, Alexis and Dr. Law Chun Kwan.*