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, 2013

The board of directors (the "Board") of China Fortune Holdings Limited (the "Company") announces the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31st December, 2013, together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2013 HK$'000	2012 HK$'000
Turnover	4	**198,344**	623,049
Cost of sales		**(182,770)**	(609,374)
Gross profit		**15,574**	13,675
Other income		**4,826**	6,352
Other gains and losses		**(1,110)**	(5,059)
Selling and distribution costs		**(10,839)**	(10,847)
Administrative expenses		**(25,728)**	(26,982)
Finance costs	5	**(1,323)**	(1,340)
Impairment loss recognised in respect of mining right		**(118,637)**	(60,847)
Share of result of an associate		**(604)**	(106)
Loss before income tax		**(137,841)**	(85,154)
Income tax credit	6	**29,659**	15,215
Loss for the year	7	**(108,182)**	(69,939)

* *For identification purpose only*

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Other comprehensive income that may be subsequently transferred to profit or loss			
Exchange differences arising on translation of foreign operations		**11,359**	4,025
Total comprehensive income for the year		**(96,823)**	(65,914)
Loss for the year attributable to:			
Owners of the Company		**(59,831)**	(43,872)
Non-controlling interests		**(48,351)**	(26,067)
		(108,182)	(69,939)
Total comprehensive income attributable to:			
Owners of the Company		**(52,216)**	(40,974)
Non-controlling interests		**(44,607)**	(24,940)
		(96,823)	(65,914)
Loss per share			
Basic	*8*	**(7.28) cents**	(5.34) cents
Diluted	*8*	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2013 HK$'000	2012 HK$'000
Non-current Assets			
Plant and equipment		**13,919**	15,094
Mining right	*9*	**286,485**	394,285
Investment in an associate		**1,023**	1,627
Available-for-sale investments		**10,303**	69
Club memberships		**1,221**	1,215
Convertible notes receivable		**–**	2,050
		312,951	414,340
Current Assets			
Inventories		**7,239**	32,875
Trade and other receivables	*10*	**20,766**	45,038
Amounts due from non-controlling shareholders of subsidiaries		**4,171**	3,647
Cash and cash equivalents		**96,581**	89,371
		128,757	170,931
Current Liabilities			
Trade and other payables	*11*	**30,170**	53,046
Amounts due to related parties		**1,642**	969
Tax payables		**6,532**	6,470
Other borrowings		**15,870**	15,374
		54,214	75,859
Net Current Assets		**74,543**	95,072
Total Assets less Current Liabilities		**387,494**	509,412

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Capital and Reserves			
Share capital		**82,316**	82,166
Reserves		**141,219**	191,640
Equity attributable to owners of the Company		**223,535**	273,806
Non-controlling interests		**95,156**	139,763
		318,691	413,569
Non-current Liabilities			
Deferred tax liabilities		**68,803**	95,843
		387,494	509,412

Notes:

1. CORPORATE INFORMATION

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. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on the historical cost basis except that certain financial instruments are measured at fair values.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

(a) Adoption of new/revised HKFRSs – effective on 1st January, 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

HKFRSs (Amendments) – Annual Improvements 2011-2013 Cycle

The Basis of Conclusions to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards was amended to clarify that a first-time adopter is allowed, but not required, to apply a new HKFRS that is not mandatory if that HKFRS permits early application and provided that HKFRS is applied in all periods presented unless HKFRS 1 provides on exemption or exception. The adoption of the amendments has no impact on these financial statements as the Group is not a first-time adopter of HKFRS.

Amendments to HKAS1 (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 and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The Group's presentation of other comprehensive income in the consolidated financial statements has been modified accordingly.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

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.

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 accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest. The Group has reassessed its control conclusions as at 1st January, 2013 upon adopting HKFRS 10 and determined that there are no changes to the investees which it controls.

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.

The new standard affects only disclosure, there is no effect on the Group's financial position and performance.

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 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policies for short-term employee benefits and termination benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

(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 HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[4]
Amendments to HKAS 36	Recoverable Amount Disclosures[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

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

[2] *Effective for annual periods beginning on or after 1st July, 2014*

[3] *Effective for annual periods beginning, or transactions occurring, on or after 1st July, 2014*

[4] *No mandatory effective date yet determined but is available for adoption*

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.

4. SEGMENT INFORMATION AND TURNOVER

(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, 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 year ended 31st December, 2013

	Mobile phone business *HK$'000*	**Mining business** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue from external customers	**198,344**	**–**	**198,344**
Reportable segment loss	**(4,877)**	**(122,728)**	**(127,605)**
Gain on disposal of plant and equipment	**(6)**	**(156)**	**(162)**
Depreciation and amortisation	**1,152**	**602**	**1,754**
Impairment loss recognised in respect of trade and other receivables	**1,268**	**–**	**1,268**
Impairment loss recognised in respect of mining right	**–**	**118,637**	**118,637**
Write down of inventories	**1,296**	**–**	**1,296**
Recovery of write down of inventories	**(2,269)**	**–**	**(2,269)**
Reportable segment assets	**121,478**	**304,330**	**425,808**
Additions to non-current assets	**159**	**–**	**159**
Reportable segment liabilities	**(10,653)**	**(103,305)**	**(113,958)**

	2013
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	**198,344**
Loss before income tax	
Reportable segment loss	**(127,605)**
Interest income	**1,474**
Miscellaneous income	**883**
Corporate expenses	**(10,666)**
Share of result of an associate	**(604)**
Finance costs	**(1,323)**
Consolidated loss before income tax	**(137,841)**
Assets	
Reportable segment assets	**425,808**
Unallocated corporate assets	
– Investment in an associate	**1,023**
– Available-for-sale investments	**10,303**
– Others	**4,574**
Consolidated total assets	**441,708**
Liabilities	
Reportable segment liabilities	**113,958**
Unallocated corporate liabilities	**9,059**
Consolidated total liabilities	**123,017**

For the year ended 31st December, 2012

	Mobile phone business *HK$'000*	Mining business *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	623,049	–	623,049
Reportable segment loss	(12,416)	(65,525)	(77,941)
Loss on disposal/write-off of plant and equipment	8	80	88
Depreciation and amortisation	1,076	685	1,761
Impairment loss recognised in respect of trade receivables	3,321	–	3,321
Impairment loss recognised in respect of mining right	–	60,847	60,847
Write down of inventories	2,346	–	2,346
Recovery of write down of inventories	(2,388)	–	(2,388)
Reportable segment assets	166,318	411,712	578,030
Additions to non-current assets	940	6,059	6,999
Reportable segment liabilities	(36,100)	(127,172)	(163,272)

	2012
	HK$'000
Revenue	
Reportable segment revenue and consolidated revenue	623,049
Loss before income tax	
Reportable segment loss	(77,941)
Interest income	2,898
Impairment loss recognised in respect of interest in an associate	(857)
Miscellaneous loss	(17)
Corporate expenses	(7,791)
Share of result of an associate	(106)
Finance costs	(1,340)
Consolidated loss before income tax	(85,154)
Assets	
Reportable segment assets	578,030
Unallocated corporate assets	
– Investment in an associate	1,627
– Available-for-sale investments	69
– Others	5,545
Consolidated total assets	585,271
Liabilities	
Reportable segment liabilities	163,272
Unallocated corporate liabilities	8,430
Consolidated total liabilities	171,702

(b) Geographical information

During 2013 and 2012, 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 2013 and 2012, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

(d) 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

	2013	2012
	HK$'000	*HK$'000*
Interests on:		
Other borrowings wholly repayable within five years	**1,323**	1,292
Bills discounting	**–**	48
	1,323	1,340

6. INCOME TAX CREDIT

	2013	2012
	HK$'000	*HK$'000*
The amount of income tax credit in the consolidated statement of comprehensive income represents:		
Current tax – PRC Enterprise Income Tax ("EIT")		
– under provision in respect of prior year	**–**	23
Deferred tax	**(29,659)**	(15,238)
Income tax credit	**(29,659)**	(15,215)

Fortune (Shanghai) International Trading Co., Ltd, 上海遠嘉國際貿易有限公司, 珠海市雷鳴達通訊設備有限公司 and 黃石鍶發礦業有限公司 ("Sifa Mining") were established in the PRC and subject to the EIT rate of 25% (2012: 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 for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before income tax	**(137,841)**	(85,154)
Tax credit at the domestic income tax rate of 25% (2012: 25%) *(note)*	**(34,460)**	(21,289)
Tax effect of share of result of an associate	**100**	27
Tax effect of expenses not deductible for tax purpose	**714**	1,984
Tax effect of income not taxable for tax purpose	**(663)**	(374)
Tax effect of tax losses not recognised and utilisation of deductible temporary differences	**3,814**	3,644
Under provision in respect of prior year	**–**	23
Effect of different tax rates of group entities operating in other jurisdictions	**836**	770
Tax credit for the year	**(29,659)**	(15,215)

At the end of reporting period, the Group had estimated unused tax losses of approximately HK$139,817,000 (2012: HK$176,357,000) 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$29,013,000 (2012: HK$74,160,000) 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$7,045,000 (2012: HK$16,049,000). 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 EIT rate where the Group's operations are substantially based.

7. LOSS FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**944**	942
Cost of inventories recognised as expense	**182,770**	609,374
Write down of inventories	**1,296**	2,346
Recovery of write down of inventories	**(2,269)**	(2,388)
Amortisation of mining right	**–**	107
Depreciation of plant and equipment	**1,781**	1,787
Less: capitalised in construction in progress	**–**	(99)
	1,781	1,688
Staff costs		
– directors' emoluments	**6,197**	4,375
– other staff costs	**10,820**	10,696
– share-based payment expenses	**370**	–
– retirement benefit scheme contribution (excluding directors)	**1,768**	1,784
	19,155	16,855
and after crediting:		
Service income from provision of logistics and promotion services	**1,599**	1,522
Interest income	**1,474**	2,898
Government grants	**863**	1,048

8. LOSS PER SHARE

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$59,831,000 (2012: loss of HK$43,872,000) and the weighted average number of 821,745,634 shares in issue during the year (2012: 821,663,442 shares in issue).

No diluted loss per share is presented as the effect of all potential ordinary shares is anti-dilutive for the years ended 31st December, 2013 and 2012.

9. MINING RIGHT

	HK$'000
COST	
At 1st January, 2012	452,640
Exchange adjustments	3,680
At 31st December, 2012	456,320
Exchange adjustments	14,720
At 31st December, 2013	471,040
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1st January, 2012	580
Exchange adjustments	501
Amortisation provided for the year	107
Impairment for the year	60,847
At 31st December, 2012	62,035
Exchange adjustments	3,883
Impairment for the year	118,637
At 31st December, 2013	184,555
CARRYING VALUE	
At 31st December, 2013	286,485
At 31st December, 2012	394,285

The mining right represents the right of Sifa Mining to conduct mining activities in Huangshi City, Hubei Province, the PRC. The mining right is amortised using the units of production method based on the proven and probable mineral reserves. Sifa Mining obtained mining operating permit without any restrictions for a 5-year term, which was renewable. After the expiration of the 5-year mining operating permit on 25th September, 2012, the Ministry of Land and Resources of the PRC（中華人民共和國國土資源部）had renewed a mining operating permit, under which the Sifa Mining is restricted to exploration activities only, for a term of 2 years from 25th September, 2012 to 25th September, 2014. Exploitation activities are prohibited under the aforesaid 2-year mining operating permit. In the opinion of the directors, Sifa Mining is currently constructing a new mining site exploitation system so that the restriction has no adverse effect to the mining operation and Sifa Mining is able to fulfill the exploitation requirements set out by the Ministry of Land and Resources of the PRC and is able to obtain/renew the mining operating permit without any restrictions until all the proven and probable minerals have been mined. The directors also consider that the applications for release of the said restriction and further renewal of the mining operating permit are procedural and without significant costs.

The exploitation on the first phase was completed in 2010. Sifa Mining commenced developing a new mining site exploitation system in the next phase since then. However, the development had been inevitably and adversely affected by the downturn of the global mineral resources demand since second half of 2012. Although it is expected that the downturn is temporary and only being a normal cycle adjustment in the industry, the management proceeded in a prudent way to restructure the overall construction schedule of this new mining system, by readjusting construction speed and time schedule for matching the industry cycle accordingly. Besides, the management is exploring all commercially viable opportunities to maximise the return from this investment.

The directors have carefully reviewed the recoverable amount of the cash-generating unit of the mining business to which the mining right is allocated by reference to the professional valuation as at 31st December, 2013, performed by Cushman & Wakefield Valuation Advisory Services (HK) Ltd.. The recoverable amount of the cash-generating unit was determined based on a value in use calculation.

The key assumptions adopted in the value in use calculation relate to the renewal of mining operating permit, estimated reserves, estimated productivity and the estimated prices of mineral resources. That calculation uses cash flow projections based on financial budgets approved by management with certain key parameters as below:

	2013	2012
	HK$'000	*HK$'000*
Discount rate (pre-tax)	**20.5%**	21.6%
Growth rate	**3.0%**	3.0%
Gross profit ratio	**47.6%**	53.3%

Based on the above review, with the consideration of the decreases, ranging from 2% to 30%, in the estimated market price of the mineral resources to be extracted by Sifa Mining and the further readjusting construction speed of the new mining site exploitation system and time schedule for matching the industry cycle, the directors of the Company have assessed the recoverable amount of the cash-generating unit which is lower than its carrying value as at 31st December, 2013. Accordingly, the shortfall of HK$118,637,000 was recognised as impairment loss on the mining right to write down the cash-generating unit to its recoverable amount.

At 31st December, 2013, 100,000 tons (2012: 100,000 tons) minerals included in the underlying reserves were pledged to the other borrowings.

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**21,318**	24,359
Less: accumulated allowance	**(18,563)**	(17,431)
	2,755	6,928
Value-added-tax receivables	**231**	4,383
Rebates receivable	**30**	7,277
Prepayments to suppliers	**1,720**	11,515
Other receivables and deposits	**19,548**	18,090
Less: accumulated allowance	**(3,518)**	(3,155)
Trade and other receivables	**20,766**	45,038

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:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**883**	2,420
31 to 90 days	**343**	707
91 to 365 days	**213**	453
Over 365 days	**1,316**	3,348
	2,755	6,928

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.

11. 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:

	2013	2012
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**544**	411
31 to 90 days	**12**	234
Over 90 days	**193**	157
	749	802
Rebates payable	**5,960**	22,550
Prepayments from customers	**1,427**	10,683
Other payables and accruals	**22,034**	19,011
	30,170	53,046

FINAL DIVIDEND

No dividend has been proposed since the end of reporting period (2012: Nil).

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 same trend with Nokia in the year, leading to a loss of HK$4.9 million incurred in this business segment, as compared to a segment loss of HK$12.4 million in last year. For our mining business which underwent development and construction of a new mining exploitation system throughout the year, exploitation of minerals was minimal. Owing to a revised forecast adopted in the year for the valuation of mining right, an impairment loss on mining right of HK$118.6 million was recognised in the year, with details set out in note 9 on page 18 of this announcement. By offsetting with a HK$29.7 million deferred tax credit associated with this mining right impairment, the net effect of this impairment to the financial result in this year was HK$88.9 million. In aggregate, the Group incurred a loss of HK$108.2 million in this year, as compared to a loss of HK$69.9 million in last year.

The Group recorded a substantial drop in the consolidated revenue from HK$623.0 million in last year to HK$198.3 million in this year. The gross profit amounted to HK$15.6 million, an increase when compared to the last year of HK$13.7 million. The gross margin percentage during the year was 7.9% which was higher than the last year of 2.2% due to the better gross margin achieved in the fulfillment distribution business in this year. The other gains and losses in this year included an impairment loss recognised in respect of trade receivable for a customer amounted to HK$1.0 million.

The selling and distribution costs amounted to HK$10.8 million which remains at same level as last year. The administrative expenses amounted to HK$25.7 million, a decrease when compared to the last year of HK$27.0 million mainly due to tightened cost control in the year.

As far as the mobile phone retail chain and wholesale business in Zhuhai was concerned, the revenue achieved during the year amounted to HK$100.1 million, decreased by 58% as compared with last year of HK$238.7 million. Owing to the fierce competitive business environment this retail chain facing, the Group shared a net loss of HK$0.6 million from the result of an associate during the year as compared to a net loss of HK$0.1 million in last year.

The finance costs kept at same level at HK$1.3 million this year when compared to last year.

The net asset value of the Group attributable to owners of the Company as at 31st December, 2013 amounted to HK$223.5 million or HK$0.27 per share when compared to HK$273.8 million or HK$0.33 per share as at 31st December, 2012. The basic loss per share was 7.28 Hong Kong cents as compared to the basic loss per share of 5.34 Hong Kong cents in last year.

As at 31st December, 2013, the Group's aggregate other borrowings amounted to HK$15.9 million when compared to HK$15.4 million as at 31st December, 2012, which was maintained at a similar level.

The gearing ratio of the Group, defined as the ratio of the total long term liabilities to the shareholder's equity, was 0.31 and 0.35 as at 31st December, 2013 and 2012 respectively.

The total cash and cash equivalents amounted to HK$96.6 million as at 31st December, 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 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, 2013 amounted to HK$7.2 million, when compared to HK$32.9 million as at 31st December, 2012, mainly since less inventories kept for the fulfillment distribution business for Nokia Stores as driven by a reduced turnover volume in the year. The inventory turnover period was 27 days in this year when compared to 34 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, 2013 was HK$20.8 million, when compared to HK$45.0 million as at 31st December, 2012. Trade receivables mainly comprised receivables from the fulfillment distribution business for Nokia Stores. In order to minimise 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.

As at 31st December, 2013, the Group had in total 158 employees as compared to 159 employees as at 31st 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 year. The Group had a share option scheme under which the Company could grant share options to the participants, including directors and employees, to subscribe for shares of the Company. 19,100,000 share options had been granted on 12th July, 2013.

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 1.2 billion subscribers to mobile phone services in the PRC as at the end of January 2014. While there are continuing intense competitions among the major 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

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. Nevertheless, the market has been expecting the new Nokia handsets with Windows 8 system long enough, and which were eventually launched in late 2012. Nokia unveiled its third range in February 2014, the Nokia X family, which run a modified version of the Android operating system. The market still needs further time to see whether more high-end smartphone models from Nokia can turn it around to increase its market share.

The Group has been a distributor of Nokia handsets since incorporation. The recent situation of Nokia directly and substantially led to a downturn of revenue of the Group in the year. 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. The management will keep monitoring this business segment and take timely and appropriate action when necessary.

Investment in mobile phone operating system

On 29th 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 is expected to bring new impact and opportunity to the market.

Mining

We commenced developing a new mining site exploitation system in our Strontium mining site since 2010. After the expiration of a five-year mining operating permit on 25th September, 2012, Sifa Mining obtained a two-year renewed one, in which Sifa Mining is restricted to exploration activities over the mining site only. After further submissions of relevant technical documentations to the Ministry of Land and Resources of the PRC for fulfilling exploitation requirements, a restriction-free mining operating permit can be renewed on or before the expiry of this two-year permit. No material and significant adverse effect in Sifa Mining's operation is foreseen with this exploitation restriction, since the mining site is undergoing the new exploitation system construction stage without normal exploitation activities scheduled in the relevant period, and a further renewal of a restriction free mining operating permit is assessed to be procedural. 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 in the second half of 2012 and up to the current moment. Although it is expected that the downturn is temporary and only being a normal cycle adjustment in the industry, the management proceeded in a prudent way to restructure the overall construction schedule of this new mining system, by readjusting construction speed and time schedule for matching the industry cycle accordingly. As a result, we took the view that the recoverable amount of this cash-generating unit of the mining business is lower than its carrying value at 31st December, 2012. Accordingly, the shortfall of HK$118.6 million was recognised as impairment loss on mining right in this year. By offsetting with a HK$29.7 million deferred tax credit associated with this mining right impairment, the net effect of this impairment to the financial result in this year was HK$88.9 million.

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 1.2 billion handset subscribers in the PRC with an annual growth rate of around 10%. There were over 32.7% 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 500 million mobile Internet users which implies that there are huge business opportunities in both mobile application and mobile commerce. Since the Group has been in the related mobile phone industry for decades, mobile phone operating system and mobile internet would be surely the key business areas that the Group is interested in. So besides the recent investment in Jolla Limited, the Group is actively looking for further opportunities which will further enhance the shareholders' value.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31st December, 2013, 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

The Company has complied with the Corporate Governance Code ("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"), 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 maximise 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. 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.

The primary responsibilities of the Audit Committee include reviewing the reporting of financial and other information to the shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the auditors of the Company in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors. 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, 2013 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 HKICPA 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, 28th March, 2014

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; and three Independent Non-executive Directors, Mr. Chang Wing Seng, Victor, Mr. Wong Lit Chor, Alexis and Dr. Law Chun Kwan.