

CHINA FORTUNE INVESTMENTS

中國幸福投資

First Quarterly Report 2013



中國幸福投資(控股)有限公司
China Fortune Investments (Holding) Limited

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with Limited Liability)
(Stock code: 8116)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

The GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

Hong Kong Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of China Fortune Investments (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHT

- Recorded an unaudited turnover of the Group from continuing operations approximately HK\$101.58 million for the three months ended 31 March 2013 and HK\$Nil (re-presented) in 2012. Gross profit for the continuing operations in 2013 is approximately HK\$48.8 million;
- Recorded an unaudited profit attributable to the equity holders of the Company of approximately HK\$14.39 million, for the three months ended 31 March 2013;
- The Directors do not recommend the payment of a dividend for the three months ended 31 March 2013.

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2013, together with the unaudited comparative figures for the corresponding period in last year, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

| | NOTES | (Unaudited) For the three months ended 31 March | |
|---|-------|---|------------------------------------|
| | | 2013 HK\$'000 | (Re-presented) 2012 HK\$'000 |
| Continuing operations | | | |
| Revenue | 2 | 101,582 | – |
| Cost of sales | | (52,774) | – |
| Gross profit | | 48,808 | – |
| Other income and gains, net | 2 | 40 | – |
| Selling and distribution expenses | | (17,468) | – |
| Administrative expenses | | (7,768) | (32,562) |
| Unrealised loss on financial assets at fair value through profit or loss | | – | (404) |
| Finance costs | | (677) | (1,689) |
| Profit/(loss) before income tax expenses from continuing operations | | 22,935 | (34,655) |
| Income tax expenses | 3 | (6,651) | – |
| Profit/(loss) for the period from continuing operations | | 16,284 | (34,655) |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | | (3,301) | (11,523) |
| Profit/(loss) for the period | | 12,983 | (46,178) |
| Other comprehensive income/(expenses) | | | |
| Net gain arising on revaluation of available-for-sale investment during the period | | – | 69 |
| Exchange difference on translation of the financial statements of foreign operations | | (254) | (715) |
| Other comprehensive expenses for the period, net of tax | | (254) | (646) |
| Total comprehensive income/(expenses) for the period | | 12,729 | (46,824) |

(Unaudited)
For the three months
ended 31 March

(Re-presented)

| | NOTES | 2013 HK\$'000 | 2012 HK\$'000 |
|--|-------|------------------|------------------|
| Profit/(loss) attributable to: | | | |
| Shareholders of the Company | | 14,387 | (45,041) |
| Non-controlling interests | | (1,404) | (1,137) |
| | | 12,983 | (46,178) |
| Total comprehensive income/(expenses) attributable to: | | | |
| Shareholders of the Company | | 14,144 | (45,687) |
| Non-controlling interests | | (1,415) | (1,137) |
| | | 12,729 | (46,824) |
| Earnings/(loss) per share attributable to: | 4 | | (Restated) |
| Shareholder of the company | | | |
| From continuing and discontinued operations | | | |
| Basic (<i>HK cents per share</i>) | | 0.89 | (4) |
| Diluted (<i>HK cents per share</i>) | | 0.84 | (4) |
| From continuing operations | | | |
| Basic (<i>HK cents per share</i>) | | 1.01 | (3.07) |
| Diluted (<i>HK cents per share</i>) | | 0.94 | (3.07) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2013 (unaudited)

| | Share Capital | Share Premium | Merger Reserve | General Reserve | Share-based Compensation Reserve | Convertible Bonds Equity Reserve | Investments Revaluation Reserve | Exchange Currency Translations Reserves | Accumulated Losses | Attributable to Shareholders of the Company | Non-Controlling Interest | Total |
|--|---------------|---------------|------------------------|------------------------|----------------------------------|----------------------------------|---------------------------------|---|--------------------|---|--------------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 (Note (i)) | HK\$'000 (Note (i)) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Three months ended 31 March 2012 | | | | | | | | | | | | |
| At 1 January 2012 | 112,725 | 983,095 | (46,815) | 24,338 | 57,173 | 22,999 | 94 | 24,574 | (502,629) | 675,554 | 24,881 | 700,435 |
| Recognition of equity-settled share-based payments | - | - | - | - | 21,360 | - | - | - | - | 21,360 | - | 21,360 |
| Recognition of equity component of convertible bonds | - | - | - | - | - | 7,193 | - | - | - | 7,193 | - | 7,193 |
| Total comprehensive income attributable to shareholders | - | - | - | - | - | - | 69 | (715) | (45,041) | (45,687) | (1,137) | (46,824) |
| At 31 March 2012 | 112,725 | 983,095 | (46,815) | 24,338 | 78,533 | 30,192 | 163 | 23,859 | (547,670) | 658,420 | 23,744 | 682,164 |
| Three months ended 31 March 2013 | | | | | | | | | | | | |
| At 1 January 2013 | 154,646 | 1,119,870 | (46,815) | 20,585 | 47,215 | 54,563 | - | 25,572 | (1,215,930) | 159,706 | (1,644) | 158,062 |
| Issue of shares | 44,209 | 169,002 | - | - | - | (35,868) | - | - | - | 177,343 | - | 177,343 |
| Transfer to accumulated losses | - | - | - | - | (19,374) | - | - | - | 19,374 | - | - | - |
| Exchange difference on translation of foreign operations | - | - | - | - | - | - | - | (243) | - | (243) | (11) | (254) |
| Total comprehensive income attributable to shareholders | - | - | - | - | - | - | - | - | 14,387 | 14,387 | (1,404) | 12,983 |
| At 31 March 2013 | 198,855 | 1,288,872 | (46,815) | 20,585 | 27,841 | 18,695 | - | 25,329 | (1,182,169) | 351,193 | (3,059) | 348,134 |

Notes:

1. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules. They have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair value.

The accounting policies and method of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2012. The condensed consolidated results have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

In the current year, the Company has not early applied the following new standards, amendments and interpretations issued by the HKICPA, which are or have become effective.

| | |
|--|--|
| HKFRS 1 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> ² |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ² |
| HKFRS 9 | <i>Financial Instruments</i> ⁴ |
| HKFRS 10 | <i>Consolidated Financial Statements</i> ² |
| HKFRS 11 | <i>Joint Arrangements</i> ² |
| HKFRS 12 | <i>Disclosure of Interests in Other Entities</i> ² |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11, HKFRS 12 – <i>Transition Guidance</i> ² |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12, HKAS 27 (2011) – <i>Investment Entities</i> ³ |
| HKFRS 13 | <i>Fair Value Measurement</i> ² |
| HKAS 1 Amendments | Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ¹ |
| HKAS 19 (2011) | <i>Employee Benefits</i> ² |
| HKAS 27 (2011) | <i>Separate Financial Statements</i> ² |
| HKAS 28 (2011) | <i>Investments in Associates and Joint Ventures</i> ² |
| HKAS 32 Amendments | Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ³ |
| HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i> | <i>Stripping Costs in the Production Phase of a Surface Mine</i> ² Amendments to a number of HKFRSs issued in June 2012 ² |

- ¹ Effective for annual periods beginning on or after 1 July 2012
² Effective for annual periods beginning on or after 1 January 2013
³ Effective for annual periods beginning on or after 1 January 2014
⁴ Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

2. Revenue, other income and gains, net

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns, trade discounts, value-added tax and consumption tax.

An analysis of the revenue, other income and gains, net, from continuing operations is as follows:

| | (Unaudited) | |
|------------------------------------|--|----------|
| | For the three months ended 31 March | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Revenue | | |
| Sales of goods | 101,582 | - |
| Other income and gains, net | | |
| Interest income | 6 | - |
| Others | 34 | - |
| | 40 | - |

3. Income tax expenses

The amount of taxation charged to the condensed consolidated statement of comprehensive income represents:

| | | (Unaudited) For the three months ended 31 March | |
|------------------------|--------------|--|-----------------|
| | | 2013 | 2012 |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| Continuing operations: | | | |
| Hong Kong profits tax | (i) | 1,044 | – |
| Overseas taxation | (ii) | 5,607 | – |
| | | 6,651 | – |

Notes:

- (i) Hong Kong profit tax has been provided at the rate of 16.5% on estimated assessable profits arising in Hong Kong during the period.
- (ii) Overseas taxation represents tax charges on the assessable profits of certain subsidiaries operating in the PRC calculated at the applicable rates.

4. Profit/(loss) per share

From continuing and discontinued operations

The calculation of the basic and diluted profit/(loss) per share are based on:

| | (Unaudited) For the three months ended 31 March | |
|--|--|-----------------|
| | 2013 | 2012 |
| | HK\$'000 | <i>HK\$'000</i> |
| Profit/(loss) for the period | | |
| Profit/(loss) for the period attributable to owners of the Company | 14,387 | (45,041) |
| Effect of dilutive potential ordinary share: Interest on convertible bonds (net of tax) | 1,477 | – |
| Profit/(loss) for the purpose of diluted earnings per share | 15,864 | (45,041) |

| | (Unaudited) | |
|--|-----------------------|---------------------|
| | As at 31 March | |
| | 2013 | (Re-stated) 2012 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic profit per share | 1,615,655,384 | 1,127,249,888 |
| Effect of dilutive potential ordinary share: Convertible bonds | 272,764,489 | – |
| Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share | 1,888,419,873 | 1,127,249,888 |

From continuing operations

The calculation of the basic and diluted profit/(loss) per share are based on:

| | (Unaudited) | |
|--|--|----------|
| | For the three months ended 31 March | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Profit/(loss) for the purpose of basic loss per share from continuing operations | 16,284 | (34,655) |
| Effect of dilutive potential ordinary share: Interest on convertible bonds (net of tax) | 1,477 | – |
| Profit/(loss) for the purpose of diluted earnings/(loss) per share from continuing operations | 17,761 | (34,655) |

5. Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2013 (2012: Nil).

6. Comparative figures

As detailed in Note 4, the Company's basic and diluted profit/(loss) per share figure for the prior period ended have been restated to confirm with current period's presentation.

BUSINESS REVIEW AND OUTLOOK

Diamonds and gemstone business in China

In 2012, the Group has completed the Acquisition of Million Zone Holdings Limited and its subsidiaries which engage in the retail business of diamonds, jades as well as other gemstones and related jewellery in Mainland China. The Directors believe that there will be raising consumer demand for quality goods and increasing consumption desire for luxury goods in Mainland China and the prospects of diamonds will remain positive in the next few years.

City-In-Love positions itself as a distributor by asset-light operation in the diamonds and gemstone industry. City-In-Love acquires diamond merchandise through low margin deposits and credit period with the ultimate sales of all diamonds at its proprietary hypermarkets, thereby able to achieve an ultra-low inventory level. City-In-Love has demonstrated its advantages as a distributor in such aspects in purchasing, products update and settlement with suppliers, including extensive merchandise sources, low purchase price, relatively low liquidity requirements and relatively high gross margin. With its more effective business development strategies and outstanding market performance, City-In-Love has attracted more attention as one of emerging sales model of jewellery products.

I. Purchases

Through the positive interaction with suppliers which is facilitated by the good sales performance, the global supply mechanism set up by City-In-Love is becoming more and more comprehensive and has established stable co-operation with several suppliers. With the further development of its business, City-In-Love positions itself with more bargaining power to further its revolutionary purchase model of “Deposit-Leverage-Consignment” in the diamonds industry to purchase quality diamond merchandise through low margin deposits.

At the same time, with the exchangeable nature of consignment merchandise, it will also enable City-In-Love to provide more fashionable and popular diamond and jewellery products.

II. Sales

As a result of the reform in traditional jewellery sales models, City-In-Love has significantly trimmed down the sales and circulation segments under the traditional department store models through its own hypermarkets and sold jewellery products at affordable prices by cutting down intermediaries.

Each of the diamonds sold by City-In-Love is attached with a diamond examination certificate issued by authoritative inspection institutes (including GIA, IGI, HRD and NGTC), and has to the greatest extent protected the consumers in buying genuine quality diamonds.

The sales model of “loose diamonds” plus “rings” initiated by City-In-Love has transformed consumers’ comprehension of diamond jewellery products represented by “diamond rings” and implemented the concept of selling diamonds at affordable prices in a more quantitative and transparent sales model. The varieties, specifications, quantities and styles of diamonds sold at its stores far exceed the traditional department stores. Besides, some hypermarkets have even expanded their merchandise to cover emeralds, jades, gemstones and pearls, thus, the merchandise sold at its stores cover nearly all of diamond jewellery products.

III. Establishment of new stores

In the first quarter of 2013, City-In-Love further integrated its Beijing markets with currently four stores and the Shenyang store, thereby commencing its implementation of the nationwide expansion plan. Furthermore, the Chengdu store will open in April 2013. The development of Chengdu has introduced many high-tech measures and will topple and bring different purchasing experience to customers.

IV. Development planning

Owing to the distinctive features of the business model in diamond retailing by City-In-Love, its revenue growth was mainly attributed to the expansion of sales volume. Therefore, City-In-Love will speed up the establishment of new stores with the provincial capital cities in Mainland China being the major target cities.

Besides its retail business, the Company will also focus on the development of various profit growing segments to improve its overall profitability, like the development of upstream industry chain and the jewellery wholesale business.

Healthcare Information Technology (“HIT”) in the PRC

Through the sale of products and provision of services, the Group was one of the major providers of the HIT system that is in line with the requirements of the China hospital systems. Our main products and services are set out as follows:

- I) Medical Imaging Database System
- II) Electronic Medical Records (EMR) System
- III) Regional Public Health Medical System

On 28 March 2013, the Group entered into the Agreement with DA FU HOLDINGS LIMITED in relation to the proposed disposal by the Company of its subsidiaries engaging in HIT business contemplated under the Agreement.

Group and other business

Apart from the acquisition of diamonds and precious stone retail and wholesales business in China as set out in the Business Review and Outlook, the Proposed Disposal and the disposals mentioned below, the Group had no other significant acquisition or disposal of investments for the period ended 31 March 2013.

On 7 September 2012, the Company entered the memorandum of understanding with 北京永安財富投資基金管理有限公司 (“永安財富”) in relation to the proposed investments of RMB300 million by potential investors in the Group’s diamond and jewellery retail business in the PRC. The Company is still negotiating, the detail investment plan with 永安財富 in current status.

Furthermore, the Group continues to explore any other new potential investment opportunities to improve the Group’s standard performance and returns to its shareholders.

FINANCIAL REVIEW

Revenue

For the three months period ended 31 March 2013, the unaudited consolidated turnover of the Group was approximately HK\$101.58 million and HK\$Nil (re-presented) in the corresponding period in 2012. The revenue is wholly generated from retail and wholesales of diamonds, jade and other gemstones in Mainland China.

Other revenue

During the period, the Group obtained approximately HK\$400,000 in other revenue including bank interest income of HK\$60,000.

Selling and distribution expenses

Selling and distribution expenses is approximately HK\$17.47 million mainly representing advertisement expenses and rental expenses for the diamond and jewellery business.

Finance cost

Finance cost for the period of approximately HK\$677,000 were convertible bonds imputed interest and interest in bank loan.

Results for the period

The unaudited profit attributable to shareholders for the three months ended 31 March 2013 amounted to approximately HK\$14.39 million.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of HK\$0.10 each of the Company

| Name | Type of interest | Number of shares | Number of underlying shares | Approximate percentage of issued share capital |
|---------------------------|------------------|------------------|-----------------------------|--|
| Mr. Zhang Jie (Note 1) | Beneficial | 56,714,285 | – | 2.85% |

Note:

1. Mr. Zhang Jie, an Executive Director of the Company, deemed to have interest in the Company which is held by GLORYWIDE GROUP LIMITED.

Long positions in the underlying shares

Save as disclosed above, as at 31 March 2013, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 March 2013, so far as is known to the Directors of the Company, the following persons (other than a Director and the Chief Executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the ordinary shares of HK\$0.10 each of the Company

| Name of the Shareholders | Type of interest | Number of shares | Number of underlying shares | Total Number of shares and underlying shares | Approximate percentage of issued share capital |
|----------------------------------|------------------|------------------|-----------------------------|--|--|
| Mr. Lin Haibin (<i>Note 1</i>) | Beneficial | – | 272,040,816 | 272,040,816 | 13.68% |

Notes:

1. Mr. Lin Haibin is an independent third party not connected with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. He is not involved in the management of the Company and its subsidiaries.

Save as disclosed above, as at 31 March 2013, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 July 2007 (“the Scheme”), which became effective for a period of 10 years commencing on 10 August 2007. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company (“Share”) at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of a Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

Pursuant to the Scheme, as at 31 March 2013 the employees and consultants were granted share options to subscribe for shares of the Company, taking into consideration in share consolidation with effect from 26 March 2013, details of which were as follows:

| Name or category of participant | As at 1 January 2013 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period | As at 31 March 2013 | Date of granted of share options | Exercise period of share options | Exercise price of share options |
|---------------------------------|----------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|---------------------|----------------------------------|-----------------------------------|---------------------------------|
| Directors | | | | | | | | | |
| Stephen William Frostick | 1,000,000 | - | - | (1,000,000) | - | - | 31 March 2010 | 31 March 2010 – 30 March 2013 | HK\$1.86 |
| Cheng Chun Tak | 3,500,000 | - | - | (3,500,000) | - | - | 31 March 2010 | 31 March 2010 – 30 March 2013 | HK\$1.86 |
| | <u>4,500,000</u> | <u>-</u> | <u>-</u> | <u>(4,500,000)</u> | <u>-</u> | <u>-</u> | | | |
| Employees | 4,000,000 | - | - | (4,000,000) | - | - | 31 March 2010 | 31 March 2010 – 30 March 2013 | HK\$1.86 |
| Employees | 80,000,000 | - | - | - | - | 80,000,000 | 26 January 2012 | 26 January 2012 – 25 January 2015 | HK\$0.61 |
| | <u>84,000,000</u> | <u>-</u> | <u>-</u> | <u>(4,000,000)</u> | <u>-</u> | <u>80,000,000</u> | | | |
| Consultants | 10,300,000 | - | - | (10,300,000) | - | - | 31 March 2010 | 31 March 2010 – 30 March 2013 | HK\$1.86 |
| Consultants | 5,000,000 | - | - | - | - | 5,000,000 | 3 May 2010 | 3 May 2010 – 2 May 2013 | HK\$1.86 |
| Consultants | 2,000,000 | - | - | - | - | 2,000,000 | 9 July 2010 | 9 July 2010 – 8 July 2013 | HK\$1.86 |
| | <u>17,300,000</u> | <u>-</u> | <u>-</u> | <u>(10,300,000)</u> | <u>-</u> | <u>7,000,000</u> | | | |
| | <u>105,800,000</u> | <u>-</u> | <u>-</u> | <u>(18,800,000)</u> | <u>-</u> | <u>87,000,000</u> | | | |

The total number of Shares available for issue under the Scheme as at the date thereof was 87,000,000 Shares representing approximately 4.38% of the issued share capital of the Company.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2013, any business or interests of each directors of the Company, management shareholders and the respective associates (as defined in the GEM Listing Rules) of each that competes or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Corporate Governance Code as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the period ended 31 March 2013.

AUDIT COMMITTEE

The audit committee has been established since July 2000 with defined terms of reference, which are of no less exacting terms than those set out in the Corporate Governance Code of the GEM Listing Rules, to review the Group's financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the Board.

The audit committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa, Joshua (Chairman), Mr. Tso Hon Sai, Bosco and Mr. Chang Jun. The Group's unaudited results for the three months ended 31 March 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2013.

By order of the Board of
CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
Cheng Chun Tak and Wan Zihong
Co-Chairmen

Hong Kong, 14 May 2013

As at the date of this report, the Board comprises six executive Directors, namely Mr. Cheng Chun Tak (co-chairman), Mr. Wan Zihong (co-chairman), Mr. Chang Chun, Mr. Zhang Jie, Mr. He Ling and Mr. Stephen William Frostick, one non-executive Director, namely Mr. Huang Shenglan and four independent non-executive Directors, namely Mr. Chang Jun, Mr. Tso Hon Sai Bosco, Mr. Lee Chi Hwa Joshua and Ms. Ching Wai Han.