

CHINA FORTUNE INVESTMENTS

中國幸福投資

Half-Year Report 2016



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”)

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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 approximately HK\$129.65 million for the six months ended 30 June 2016 and HK\$53.69 million for the six months ended 30 June 2015. Gross profit in 2016 is approximately HK\$47.67 million and approximately HK\$22.57 million in 2015;
- Recorded an unaudited loss attributable to the equity holders of the Company amounted to approximately HK\$15.04 million, for the six months ended 30 June 2016;
- The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

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 six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in last year, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	2	67,569	24,553	129,649	53,668
Cost of sales		(44,934)	(15,093)	(81,983)	(31,095)
Gross profit		22,635	9,460	47,666	22,573
Other income and gains, net	2	257	133	689	664
Selling and distribution expenses		(4,922)	(4,317)	(10,439)	(12,441)
Administrative expenses		(24,827)	(7,035)	(32,921)	(17,804)
Other expenses		(219)	(283)	(219)	(283)
Loss on early redemption of convertible bonds, net		–	–	–	(2,445)
Finance costs		(8,612)	(2,461)	(15,862)	(5,676)
Loss before income tax expense	4	(15,688)	(4,503)	(11,086)	(15,412)
Income tax expenses	5	(1,174)	–	(3,974)	–
Loss for the period		(16,862)	(4,503)	(15,060)	(15,412)
Other comprehensive income/(expenses):					
Exchange differences on translation of financial statements of foreign operations		511	(40)	478	191
Other comprehensive income/(expenses) for the period, net of tax		511	(40)	478	191
Total comprehensive expenses for the period		(16,351)	(4,543)	(14,582)	(15,221)

	NOTES	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Loss attributable to:					
Shareholders of the Company		(16,857)	(4,503)	(15,043)	(15,412)
Non-controlling interest		(5)	–	(17)	–
		<u>(16,862)</u>	<u>(4,503)</u>	<u>(15,060)</u>	<u>(15,412)</u>
Total comprehensive expenses attributable to:					
Shareholders of the Company		(16,346)	(4,543)	(14,565)	(15,221)
Non-controlling interest		(5)	–	(17)	–
		<u>(16,351)</u>	<u>(4,543)</u>	<u>(14,582)</u>	<u>(15,221)</u>
Loss per share attributable to Shareholder of the Company	6				
Basic (<i>HK cents per share</i>)		<u>(0.70)</u>	<u>(0.21)</u>	<u>(0.63)</u>	<u>(0.81)</u>
Diluted (<i>HK cents per share</i>)		<u>(0.29)</u>	<u>(0.17)</u>	<u>(0.04)</u>	<u>(0.65)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Unaudited As at 30 June 2016 HK\$'000	Audited As at 31 December 2015 HK\$'000
	NOTES		
Non-current assets			
Property, plant and equipment	7	10,497	11,372
Deposit and prepayments		3,026	41,469
Goodwill		124,848	26,223
Other intangible assets	8	13,035	–
Deferred tax asset		642	642
		<u>152,048</u>	<u>79,706</u>
Current assets			
Inventories		357,939	250,260
Trade receivables	9	69,994	709
Promissory note receivable		–	17,600
Other receivables, deposits and prepayments		229,330	194,639
Cash and bank balances		102,315	9,268
		<u>759,578</u>	<u>472,476</u>
Current liabilities			
Trade payables	10	3,281	10,067
Accruals, other payables and deposits received		282,433	108,940
Interest-bearing bank borrowings		52,584	57,171
Amounts due to directors		7,569	6,113
Tax payable		13,528	5,604
Contingent consideration payable relates to acquisition of subsidiaries		53,254	–
		<u>412,649</u>	<u>187,895</u>
NET CURRENT ASSETS		<u>346,929</u>	<u>284,581</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>498,977</u>	<u>364,287</u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2016	2015
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		2,346	–
Convertible bonds	12	236,091	150,398
Total non-current liabilities		238,437	150,398
TOTAL ASSETS LESS LIABILITIES		260,540	213,889
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	11,965	11,965
Reserves		248,094	201,924
Non-controlling interest		481	–
TOTAL EQUITY		260,540	213,889

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Net cash outflow from operating activities	(8,598)	(39,903)
Net cash (outflow)/inflow from investing activities	(41,931)	731
Net cash inflow from financing activities	143,296	232,064
Increase in cash and cash equivalents	92,767	192,892
Effect of foreign exchange rate changes	280	(787)
Cash and cash equivalents at the beginning of the period	9,268	1,226
Cash and cash equivalents at the end of the period	102,315	193,331
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	102,315	193,331
Pledged bank deposits	—	—
Cash and cash equivalents at the end of the period	102,315	193,331

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016 (unaudited)

	Share Capital	Share Premium	Merger Reserve	General Reserve	Convertible Bonds Equity Reserve	Exchange Currency Translations Reserves	Accumulated Losses	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2015									
At 1 January 2015	3,116	1,531,679	(46,815)	2,817	14,652	(4,004)	(1,118,359)	-	383,086
Issue of shares	8,849	241,660	-	-	-	-	-	-	250,509
Early redemption of convertible notes	-	-	-	-	(12,761)	-	-	-	(12,761)
Exchange difference on translation of foreign operations	-	-	-	-	-	191	-	-	191
Issue of convertible bonds	-	-	-	-	21,095	-	-	-	21,095
Total comprehensive income/(expense) attributable to shareholders	-	-	-	-	-	-	(15,412)	-	(15,412)
At 30 June 2015	11,965	1,773,339	(46,815)	2,817	22,986	(3,813)	(1,133,771)	-	626,708
Six months ended 30 June 2016									
At 1 January 2016	11,965	1,773,338	(46,815)	2,817	23,294	(19,401)	(1,531,309)	-	213,889
Issue of convertible bonds	-	-	-	-	60,735	-	-	-	60,735
Exchange difference on translation of foreign operations	-	-	-	-	-	478	-	-	478
Acquisition of subsidiaries	-	-	-	-	-	-	-	498	498
Total comprehensive expense	-	-	-	-	-	-	(15,043)	(17)	(15,060)
At 30 June 2016	11,965	1,773,338	(46,815)	2,817	84,029	(18,923)	(1,546,352)	481	260,540

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 2015. The condensed consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments: Hedge accounting and impairment ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after a date to be determined.

1. **Basis of preparation and principal accounting policies (continued)**

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 is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Diamond business	17,584	24,553	37,521	53,668
Wine and Cigar business	41,614	–	81,985	–
Golf business	8,371	–	10,143	–
	67,569	24,553	129,649	53,668
Other income and gains, net				
Bank interest income	–	1	1	2
Others	257	132	688	662
	257	133	689	664
	67,826	24,686	130,338	54,332

3. **Operating segment information**

For management purposes, the Group is organised into business units based on their products and services, which are the diamond and jewellery business, wine and cigar business and golf business. The corporate office in Hong Kong does not earn revenue and is not classified as an operating segment.

Management monitors the results of the Group's operating segments separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that investment and other income, fair value gain/(loss) on financial assets at fair value through profit or loss and derivative financial instrument, impairment loss on available-for-sale investments, equity-settled share option expense, head office and corporate expenses, finance costs as well as provision for inventories are excluded from such measurement.

3. Operating segment information (continued)

For the six month ended 30 June 2016 (Unaudited):

	Diamond business HK\$'000	Wine and Cigar business HK\$'000	Golf business HK\$'000	Total HK\$'000
Period ended 30 June 2016				
Segment revenue:				
Sales to external customers	37,521	81,985	10,143	129,649
Segment results	(13,450)	20,046	(63)	6,533
Reconciliation:				
Other income				1
Corporate and other unallocated expenses				(7,660)
Finance costs				(13,934)
Loss for the period				(15,060)

For the six month ended 30 June 2015 (Unaudited):

	Diamond business HK\$'000	Wine and Cigar business HK\$'000	Golf business HK\$'000	Total HK\$'000
Period ended 30 June 2015				
Segment revenue:				
Sales to external customers	53,668	-	-	53,668
Segment results	(309)	-	-	(309)
Reconciliation:				
Other income				2
Loss on early redemption of convertible bonds, net				(2,445)
Corporate and other unallocated expenses				(9,587)
Finance costs				(3,073)
Loss for the period				(15,412)

3. Operating segment information (continued)

Geographical information

(a) *Revenue from external customers*

	Unaudited	
	For the six months	
	ended 30 June	
	2016	2015
	HK\$'000	<i>HK\$'000</i>
Hong Kong	92,128	–
Mainland China	37,521	53,668
	129,649	53,668

(b) *Non-current assets*

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK\$'000	<i>HK\$'000</i>
Mainland China	34,440	36,549
Hong Kong	113,940	1,046
	148,380	37,595

4. Loss before income tax expenses

	Three months ended 30 June		Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Loss before tax has been arrived after charging:				
Cost of sales	44,934	15,093	81,983	31,095
Depreciation of property, plant and equipment	792	1,614	1,721	3,501
Amortisation of intangible assets	711	-	1,185	-
Operating lease rental in respect of rented premises	1,545	1,591	3,484	5,229
Staff costs, including directors' emoluments: - Basic salaries and other benefits	4,594	2,962	9,333	6,994

5. Income tax expenses

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong profits tax	(i)	1,174	-	3,974	-
Overseas taxation	(ii)	-	-	-	-
		1,174	-	3,974	-

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

6. **Loss per share**

The calculation of the basic and diluted loss per share are based on:

	Unaudited For the six months ended 30 June	
	2016	2015
	HK\$'000	<i>HK\$'000</i>
Loss for the period		
Loss for the period attributable to owners of the Company	(15,043)	(15,412)
Effect of dilutive potential ordinary share: Interest on convertible bonds (net of tax)	13,928	2,586
Loss for the purpose of diluted loss per share	(1,115)	(12,826)

	Unaudited As at 30 June	
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,393,006,528	1,913,365,260
Effect of dilutive potential ordinary share: Convertible bonds	768,176,269	53,401,736
Weighted average number of ordinary shares for the purpose of diluted loss per share	3,161,182,797	1,966,766,996

7. **Property, plant and equipment**

	Unaudited 30 June 2016	Audited 31 December 2015
	HK\$'000	<i>HK\$'000</i>
Net book value as at 1 January	11,372	24,010
Additions	1,126	1,182
Acquisition of subsidiaries	812	-
Depreciation	(1,721)	(9,703)
Elimination upon disposal	-	(3,449)
Exchange rate adjustment	(1,092)	(668)
Net book value, end of the period/year	10,497	11,372

8. Other Intangible Assets

**Customer
relationship**
HK\$'000

Cost

At 1 January 2016	–
Acquired on acquisition of subsidiaries	14,220

At 30 June 2016 14,220

Accumulated Amortisation

At 1 January 2016	–
Charged for the period	1,185

At 30 June 2016 1,185

Carrying Values

At 30 June 2016 13,035

The following useful lives is used in the calculation of amortisation:

Customer relationship 5 years

Customer relationship is amortised on a straight-line basis over the relevant periods.

9. Trade receivables

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of impairment allowance, is as follows:

	0 to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 180 days <i>HK\$'000</i>	Over 180 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2016	7,763	10,739	12,486	35,860	3,146	69,994
As at 31 December 2015	3	283	132	291	–	709

10. Trade payables

An aged analysis of the Group's trade payables as at the end of the reporting period, based on invoice date, is as follows:

	0 to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 180 days <i>HK\$'000</i>	Over 180 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2016	624	863	158	306	1,330	3,281
As at 31 December 2015	39	–	3	1,212	8,813	10,067

11. Share capital

	The Company			
	30 June 2016		31 December 2015	
	Number of share of HK\$0.005 each	Nominal Value HK\$'000	Number of share of HK\$0.005 each	Nominal Value HK\$'000
Authorised:				
Ordinary shares	100,000,000,000	500,000	100,000,000,000	500,000
Issued and fully paid:				
At 1 January	2,393,006,528	11,965	623,202,176	3,116
Issue of new shares	-	-	523,400,000	2,617
Issue of shares under the Open Offer	-	-	1,246,404,352	6,232
At 30 June	2,393,006,528	11,965	2,393,006,528	11,965

12. Convertible bonds

In January 2014, the Group issued convertible bonds with principal amount of HK\$312 million (the "CB I") due in 2019 with conversion price of HK\$2.45 per share as final consideration to acquire 100% equity interest in Million Zone Holdings Limited. The CB I do not bear any interest. The effective interest rate of liability is 7.92%. The maturity date is on the fifth anniversary of the date of issue of the CB I. As at 30 June 2016, the CB I with an aggregate principal amount of HK\$54,600,000 remained outstanding.

In June 2015, the Group issued convertible bonds with principal amount of HK\$120 million (the "CB II") due in 2017 with conversion price of HK\$0.25 per share to raise funds for the future business development of the Group. The CB II do not bear any interest. The effective interest rate of liability is 12.87%. The maturity dates is on the second anniversary of the date of issue of the CB II.

In January 2016, the Group issued convertible bonds with principal amount of HK\$100 million (the "CB III") due in 2021 with conversion price of HK\$0.42 per share as consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB III do not bear any interest. The effective interest rate of liability is 19.97%. The maturity dates is on the fifth anniversary of the date of issue of the CB III.

In January 2016, the Group issued convertible bonds with principal amount of HK\$25 million (the "CB IV") due in 2016 with conversion price of HK\$0.42 per share as to finance acquisition of Maxpark Enterprises Limited. The CB IV do not bear any interest. The effective interest rate of liability is 25.61%. The maturity dates is on the sixth months of the date of issue of the CB IV.

12. Convertible bonds (continued)

In May 2016, the Group issued convertible bonds with principal amount of HK\$10 million (the "CB V") due in 2018 with conversion price of HK\$0.25 per share for the Group's general working capital. The CB V do not bear any interest. The effective interest rate of liability is 17.75%. The maturity dates is on the second anniversary of the date of issue of the CB V.

The Group may redeem the CB I, II, III & V at 105% of the principal outstanding amount at any time from the date of issue to the maturity date. Any CB I, II, III & V outstanding on the maturity date shall be redeemed by the Company at 105% of the outstanding principal amount. The Group may not be redeemed the CB IV prior to the maturity date.

The movement of liabilities component of the Convertible Bonds for the year is set out below:

	THE GROUP AND THE COMPANY				
	CB I	CB II	CB III	CB IV	CB V
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Proceeds of issue	236,376	120,000	100,000	22,500	10,000
Equity component	(12,554)	(21,096)	(57,753)	(194)	(2,788)
Liability component					
at date of issue	223,822	98,904	42,247	22,306	7,212
Interest charge	12,529	6,172	-	-	-
Converted into ordinary shares	(191,029)	-	-	-	-
Non-current liability					
at 31 December 2015	45,322	105,076	-	-	-
Imputed finance cost	1,759	6,557	3,330	2,223	59
Converted into ordinary shares	-	-	-	-	-
Non-current component					
as at 30 June 2016	<u>47,081</u>	<u>111,633</u>	<u>45,577</u>	<u>24,529</u>	<u>7,271</u>

13. Business combination

On 25 January 2016, the Group acquired 100% equity interest of Maxpark Enterprises Limited (the "Maxpark") and its subsidiaries (collectively refer as the "Maxpark Group") for a consideration of HK\$250,000,000.

The net assets acquired in these transactions are as follows:-

	Unaudited
	2016
	<i>HK\$'000</i>
<hr/>	
Net assets acquired	
Property, plant and equipment (<i>note 7</i>)	812
Trade receivable	4,837
Deposits, prepayments and other receivable	63,696
Tax receivable	154
Inventories	24,171
Cash and cash equivalents	8,596
Trade payable	(3,097)
Accruals and other payable	(961)
Customer deposits	(737)
Tax payable	(4,224)
Non-controlling interest	(493)
	<hr/>
	92,754
Goodwill	98,626
Customer relationship (<i>note 8</i>)	14,220
Deferred tax liabilities	(2,346)
	<hr/>
Total consideration	203,254
Consideration satisfied by:	
Cash paid	50,000
Convertible bonds	100,000
Fair value of contingent consideration	
– Convertible bonds*	53,524
	<hr/>
	203,254
	<hr/>
Net cash outflow arising on acquisition:	
Consideration paid in cash	(50,000)
Cash and cash equivalent balances acquired	8,596
	<hr/>
	(41,404)
	<hr/>

13. Business combination (continued)

* Convertible bonds will be issued after the Company has received the audited accounts of Maxpark Group and is satisfied that the first year guaranteed after tax profit of HK\$35 million and the second year guaranteed after tax profit of HK\$40 million have been met, the Company shall issue to the vendor HK\$100 million convertible bonds.

14. Dividend

The Board of the Company does not recommend the payment of an interim dividend throughout the six months ended 30 June 2016.

15. Charge on group's assets

As at 30 June 2016, the Group's motor vehicles with carrying value amounting to Nil were pledged to the financial institution. Saving as disclosed above, no other group assets were charged or pledged to secure any loans or borrowings.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

BUSINESS REVIEW AND OUTLOOK

Wine, Cigar and golf products retail and trading business in Hong Kong

On 28 October 2015, the Group agreed to acquire all of the issued share capital of Maxpark Enterprises Limited (“Maxpark”) and its subsidiaries (collectively “Maxpark Group”) from the Vendor at the consideration of HK\$250,000,000 (the “Acquisition”). It engages in the retail and trading business of wine, cigar and golf products through 5 direct subsidiaries all of which are incorporated in Hong Kong, namely Queensway Wine International Limited, Queensway Wine (Hong Kong) Limited, Queensway Golf International Limited, Mass Fortune (Asia) Limited and Kasco (Hong Kong) Limited (“HK Subsidiaries”). Kasco (Hong Kong) Limited is a direct subsidiary of Maxpark and held as to 90.5% by Maxpark and 9.5% by an Independent Third Party. The Acquisition was smoothly completed on 25 January 2016. Accordingly, the Directors consider that the Acquisition are in line with the Group’s business diversification strategy and represents an attractive opportunity of the Group to tap into business of retail and trading of wine, cigar and golf products in Hong Kong with growth potential and to generate diversified income and additional cashflow through Maxpark Group.

Wine and cigar business

I Products

Maxpark Group sells a wide variety of wine products including red wine, white wine, champagne, whisky and other liquors and spirits, with particular focus on premium red wine produced from the leading wineries in France, namely Château Lafite Rothschild in Pauillac, Château Latour in Pauillac, Château Margaux in Margaux, Château Haut-Brion in Pessac-Léognan and Château Mouton Rothschild in Pauillac. The origin of the wine are mainly from France, the United States and Italy. Marpark Group also sells cigar and tobacco which are considered to be complementary to the needs of the customers for the wine products.

II Suppliers

Maxpark Group sources its wine products from both overseas and local wine distributors and merchants. Overseas suppliers include wine distributors and merchants for leading wineries in France, United Kingdom, United States, Italy and Switzerland. Maxpark Group obtains its supplies for cigar and tobacco products from local distributors.

III Customers

The customers for Maxpark Group’s wine products include corporations engaging in entertainment, travel, restaurants and luxury products businesses and high net-worth individuals.

IV Storage

Maxpark Group's wine inventory are stored either at its retail shop or at external warehouses which are equipped with automatic air-conditioning system to control the humidity and temperature of the storage environment.

Golf business

I Products

Maxpark Group sells a wide range of golf related products including golf club, ball, shoes, glove, clothing and other accessories of various reputable brands from different countries.

II Suppliers

Maxpark Group mainly sources its golf products from local distributors with the exception of "Kasco" brand products which are sourced directly from Kasco's Japan and Taiwan office. Maxpark Group is the sole distributor in Hong Kong of "Kasco" brand golf products. "Kasco" is a well-known Japanese golf brand with over 50 years' history. Maxpark Group will also source products from overseas suppliers according to customers' needs.

III Customers

The customers for Maxpark Group's golf products include individual retail customers, local corporate customers such as banks and large corporations. Wholesale customers are mainly local golf clubs and golf retail shops.

Wine, Cigar & Golf products retail stores

Maxpark Group currently operates one shop for retail of wine products, cigar and tobacco and one shop for retail of golf products. The two shops are leased properties located next to each other at Shun Tak Centre, Sheung Wan, Hong Kong and occupy a total gross floor area of approximately 4,100 square feet.

Diamonds and gemstone business in China

The Group will continue take a cautious approach according to global economic uncertainties and its effects on the jewellery industry. The Chinese economy continuously slowed down in 2015 due to the continued anti-corruption and austerity drive, which seriously affected high-ticket spending. In addition, Chinese consumers are exhibiting an increasingly sophisticated taste in all major categories including luxury goods, as a result of a general increase in education level and an ease of information access. Those factors have caused overall slackening in consumption and the luxury sector was particularly adversely affected.

Our retail shops City-In-Love positions itself as a distributor in the diamonds and gemstone industry. With its more effective business development strategies, City-In-Love has attracted more attention as one of emerging sales model of jewellery products and has emerged itself the role of representing the affordable and professional diamond retail stores.

I Purchases

Through the positive interaction with suppliers, the global supply mechanism set up by City-In-Love is more comprehensive and has established stable co-operation with several suppliers.

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

City-In-Love has trimmed down the sales and circulation segments under the traditional department store models through its own retail stores 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.

Besides, our retail stores cover emeralds, jades, gemstones and pearls, thus, the merchandise sold at its stores cover nearly all of diamond jewellery products.

III Jewellery retail stores

City-In-Love integrated its Beijing markets with currently three stores. Besides the 3 chain stores in Beijing, the Group operated its stores in Shenyang and Chengdu.

Group and other business

Apart from the acquisition of wine, cigar & golf products retail and trading business in Hong Kong as set out in the Business Review and Outlook, the Group had no other significant acquisition or disposal of investments during the six months ended 30 June 2016.

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 six months period ended 30 June 2016, the revenue of the Group were approximately HK\$129.65 million and HK\$53.67 million in the corresponding period in 2015. The increase in revenue was mainly due to the revenue generated from wine, cigar and golf business. Gross profit is approximately HK\$47.67 million. The revenue approximately HK\$37.52 million was generated from the retail and wholesales of diamonds, jade and other gemstones and approximately HK\$92.13 million was generated from retail and wholesales of wine, cigar and golf products in 2016. In 2015, all revenue was generated from retail and wholesales of diamonds, jade and other gemstones.

Other revenues

For the six months ended 30 June 2016, the Group obtained approximately HK\$689,000 in other revenues including bank interest income of HK\$1,000.

Selling and distribution expenses

Selling and distribution expenses decreased to approximately HK\$10.44 million for the six months ended 30 June 2016 from HK\$12.44 million in the corresponding period in 2015, mainly due to decrease in advertising expenses and rental expenses for the diamond and jewellery business in 2016.

Administrative expenses

Administrative expenses increased from approximately HK\$17.80 million for the six months ended 30 June 2015 to approximately HK\$32.92 million in the corresponding period in 2016, primarily due to the impairment losses on other receivable and inventories for the diamond and jewellery business and amortisation of intangible assets in 2016.

Finance costs

Finance costs were approximately HK\$15.86 million for the six months ended 30 June 2016 and HK\$5.67 million in the corresponding period in 2015. The finance costs were mainly consisted of convertible bonds imputed interest and interest in bank borrowings. The increase of finance costs mainly attributable to the increase in convertible bonds interest resulting from the issue of convertible bonds during the period in 2016.

Results of the period

The unaudited loss attributed to shareholders approximately HK\$15.04 million for the six months ended 30 June 2016 and unaudited loss attributed to shareholders approximately HK\$15.41 million in the corresponding period in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The bank balances and cash of the Group was amounting to HK\$102.32 million as at 30 June 2016 and HK\$9.27 million as at 31 December 2015.

CAPITAL STRUCTURE

In January 2014, the Group issued convertible bonds with principal amount of HK\$312 million (the “CB I”). For the CB I, approximately HK\$257.40 million was converted during the six months ended 30 June 2016. As at 30 June 2016, principal amount of HK\$54.60 million CB I was outstanding with conversion price of HK\$2.45 per share.

In June 2015, the Group issued convertible bonds with principal amount of HK\$120 million (the “CB II”) to raise funds for the future business developments of the Group. The CB II do not bear any interest. The effective interest rate of liability is 12.87%. The maturity dates is on the second anniversary of the date of issue of the CB II. The CB II has not been converted as at 30 June 2016.

In January 2016, the Group issued convertible bonds with principal amount of HK\$100 million (the “CB III”) as consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB III do not bear any interest. The effective interest rate of liability is 19.97%. The maturity dates is on the fifth anniversary of the date of issue of the CB III. The CB III has not been converted as at 30 June 2016.

In January 2016, the Group issued convertible bonds with principal amount of HK\$25 million (the “CB IV”) to finance acquisition of Maxpark Enterprises Limited. The CB IV do not bear any interest. The effective interest rate of liability is 25.61%. The maturity dates is on the sixth months of the date of issue of the CB IV. The CB IV has not been converted as at 30 June 2016.

In May 2016, the Group issued convertible bonds with principal amount of HK\$10 million (the “CB V”) for the Group’s general working capital. The CB V do not bear any interest. The effective interest rate of liability is 17.75%. The maturity dates is on the second anniversary of the date of issue of the CB V. The CB V has not been converted as at 30 June 2016.

As at 30 June 2016, the Group’s gearing ratio (total liabilities by total assets) is 71% (31 December 2015: 61%). It is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

CHARGE ON GROUP ASSETS

As at 30 June 2016, the Group's motor vehicles with carrying value amounting to Nil were pledged to the financial institution. Saving as disclosed above, no other group assets were charged or pledged to secure any loans or borrowings.

FOREIGN EXCHANGE EXPOSURE

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed a workforce with head count of approximately 90. Employee benefit expenses from including directors' emoluments, amounted to approximately HK\$9.33 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement scheme and medical insurance.

ACQUISITIONS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, the Group had no other acquisitions or disposals of subsidiaries and affiliated companies for the year ended 30 June 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 30 June 2016.

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

As at 30 June 2016, 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\$0.005 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Approximate percentage of issued share capital
Mr. Zhang Jie (<i>Note 1</i>)	Beneficial	21,342,857	–	0.89%
Mr. Xue Huixuan (<i>Note 2</i>)	Beneficial	–	22,285,714	0.93%

Notes:

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

Long positions in the underlying shares

Save as disclosed above, as at 30 June 2016, 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 30 June 2016, 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\$0.005 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
Shiny Valour Limited (Note 1)	Beneficial	152,000,000	–	152,000,000	6.35%
北京永安財富投資基金管理有限公司 (Note 2)	Beneficial	–	280,000,000	280,000,000	11.70%
Radiant Thrive Enterprises Limited (Note 3)	Beneficial	–	240,000,000	240,000,000	10.03%
New League Limited (Note 4)	Beneficial	–	238,095,238	238,095,238	9.95%

Notes:

1. Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.
2. 北京永安財富投資基金管理有限公司 is wholly owned by Liu Shuo who is deemed to be interested in the shares.
3. Radiant Thrive Enterprises Limited is wholly owned by Zhang Cheng Cheng who is deemed to be interested in the shares.
4. New League Limited is owned as to 75.8% by Upper Mind Limited which is deemed to be interested in the shares. Upper Mind Limited is owned as to 82.6% by Mr Benson Li who is also deemed to be interested in the shares.

Save as disclosed above, as at 30 June 2016, 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 the 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.

As at 30 June 2016, no share options were outstanding.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 30 June 2016, 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 compete 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 emphasis 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 30 June 2016.

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 Code on Corporate Governance Practices 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. Xu Jingan and Mr. Chang Jun. The Group's unaudited results for the six months ended 30 June 2016 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 six months ended 30 June 2016.

On behalf of the Board

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED

Wan Zihong

Chairman

Hong Kong, 12 August 2016

As at the date of this report, the Board comprises seven executive Directors, namely Mr. Cheng Chun Tak, Mr. Wan Zihong (Chairman), Mr. Pan Xiaodong, Mr. Chang Chun, Mr. Zhang Jie, Mr. Xue Huixuan and Mr. Stephen William Frostick, one non-executive Director, namely Mr. Huang Shenglan and four independent non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan, Mr. Lee Chi Hwa Joshua and Ms. Ching Wai Han.

* *For reference purposes only, the Chinese names of the PRC entities and terms have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of the PRC entities and terms and their English translation, the Chinese version shall prevail.*