

CHINA FORTUNE INVESTMENTS

中國幸福投資

Third Quarterly 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”)

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.

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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\$197.49 million for the nine months ended 30 September 2016 and HK\$87.54 million for the nine months ended 30 September 2015. Gross profit is approximately HK\$71.92 million in 2016 and approximately HK\$38.46 million in 2015;
- Recorded an unaudited loss attributable to the equity holders of the Company amounted to approximately HK\$17.75 million for the nine months ended 30 September 2016;
- The Directors do not recommend the payment of a dividend for the nine months ended 30 September 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 three months and nine months ended 30 September 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 three months and nine months ended 30 September 2016

	NOTES	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	2	67,839	33,874	197,488	87,542
Cost of sales		(43,581)	(17,992)	(125,564)	(49,087)
Gross profit		24,258	15,882	71,924	38,455
Other income and gains, net	2	71	145	760	809
Selling and distribution expenses		(4,837)	(6,289)	(15,276)	(18,730)
Administrative expenses		(8,116)	(6,441)	(41,037)	(24,245)
Other expenses		-	(84)	(219)	(367)
Loss on early redemption of convertible bonds, net		-	-	-	(2,445)
Finance costs		(12,096)	(5,136)	(27,958)	(10,812)
Loss before income tax expenses		(720)	(1,923)	(11,806)	(17,335)
Income tax expenses	3	(1,984)	-	(5,958)	-
Loss for the period		(2,704)	(1,923)	(17,764)	(17,335)
Other comprehensive (expenses)/income:					
Exchange differences on translation of financial statements of foreign operations		(111)	(91)	367	100
Other comprehensive (expenses)/income for the period, net of tax		(111)	(91)	367	100
Total comprehensive expenses for the period		(2,815)	(2,014)	(17,397)	(17,235)

	NOTES	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Loss attributable to:					
Shareholders of the Company		(2,711)	(1,923)	(17,754)	(17,335)
Non-controlling interest		7	–	(10)	–
		<u>(2,704)</u>	<u>(1,923)</u>	<u>(17,764)</u>	<u>(17,335)</u>
Total comprehensive expenses attributable to:					
Shareholders of the Company		(2,822)	(2,014)	(17,387)	(17,235)
Non-controlling interest		7	–	(10)	–
		<u>(2,815)</u>	<u>(2,014)</u>	<u>(17,397)</u>	<u>(17,235)</u>
(Loss)/earnings per share attributable to Shareholder of the Company	4				
Basic (<i>HK cents per share</i>)		<u>(0.11)</u>	<u>(0.08)</u>	<u>(0.74)</u>	<u>(0.84)</u>
Diluted (<i>HK cents per share</i>)		<u>0.23</u>	<u>0.07</u>	<u>0.22</u>	<u>(0.48)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016 (Unaudited)

	Share capital	Share premium	Merger reserve	General reserve	Convertible bonds equity reserve	Exchange currency translations reserve	Accumulated losses	Non- Controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nine months ended									
30 September 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 on convertible bonds	-	-	-	-	(12,761)	-	-	-	(12,761)
Exchange difference on translation of foreign operation	-	-	-	-	-	100	-	-	100
Issue of convertible bonds	-	-	-	-	21,095	-	-	-	21,095
Total comprehensive expenses attributable to shareholders	-	-	-	-	-	-	(17,335)	-	(17,335)
At 30 September 2015	11,965	1,773,339	(46,815)	2,817	22,986	(3,904)	(1,135,694)	-	624,694
Nine months ended									
30 September 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	-	-	-	-	86,799	-	-	-	86,799
Exchange difference on translation of foreign operation	-	-	-	-	-	367	-	-	367
Acquisition of subsidiaries	-	-	-	-	-	-	-	498	498
Total comprehensive expenses	-	-	-	-	-	-	(17,754)	(10)	(17,764)
At 30 September 2016	11,965	1,773,338	(46,815)	2,817	110,093	(19,034)	(1,549,063)	488	283,789

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, as follows:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue				
Diamond business	18,995	33,874	56,516	87,542
Wine and Cigar business	44,236	–	126,221	–
Golf business	4,608	–	14,751	–
	67,839	33,874	197,488	87,542
Other income and gains, net				
Bank interest income	–	12	1	14
Others	71	133	759	795
	71	145	760	809
	67,910	34,019	198,248	88,351

3. Income tax expenses

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong profits tax	(i)	1,984	–	5,958	–
Overseas taxation	(ii)	–	–	–	–
		1,984	–	5,958	–

Notes:

- (i) Hong Kong profit tax has been provided at the rate of 16.5% on estimated assessable profit 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.

4. (Loss)/earnings per share

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

	(Unaudited) For the nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Loss for the period		
Loss for the period attributable to owners of the Company	(17,754)	(17,335)
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	25,090	6,464
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	7,336	(10,871)

4. (Loss)/earnings per share (continued)

	(Unaudited)	
	As at 30 September	
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,393,006,528	2,075,002,610
Effect of dilutive potential ordinary share:		
Convertible bonds	919,173,713	<u>204,673,992</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>3,312,180,241</u>	<u>2,279,676,602</u>

5. **Dividend**

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2016 (2015: Nil).

6. **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 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.

On 19 August 2016, Ample Rich Capital Limited (a direct wholly-owned subsidiary of the Company) (the “Vendor”) and Equal Link Investments Limited (the “Purchaser”) entered into the conditional sale and purchase agreement (“SPA”), pursuant to which the Purchaser has conditionally agreed to acquire the entire issued share capital of Million Zone Holdings Limited (a company which is owned as to 100% by the Vendor and an indirect wholly-owned subsidiary of the Company) and its subsidiaries (collectively “Target Group”) and procure the Company to assign the total amount of the unsecured and non-interest bearing loan-owing by the Target Group to the Company at the consideration of HK\$240,000,000.

On 19 October 2016, the shareholders of the Company have approved the SPA in the Extraordinary General Meeting.

Group and other business

Apart from the acquisition of wine, cigar & golf products retail and trading business in Hong Kong and the disposal of diamonds and gemstone business in China as set out in the Business Review and Outlook, the Group had no other significant acquisition or disposal of investments during the nine months ended 30 September 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 nine months period ended 30 September 2016, the revenue of the Group were approximately HK\$197.49 million and HK\$87.54 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\$71.92 million. The revenue approximately HK\$56.52 million was generated from the retail and wholesales of diamonds, jade and other gemstones and approximately HK\$140.97 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 nine months ended 30 September 2016, the Group obtained approximately HK\$760,000 in other revenues including bank interest income of HK\$1,000.

Selling and distribution expenses

Selling and distribution expenses decreased to approximately HK\$15.28 million for the nine months ended 30 September 2016 from HK\$18.73 million in the corresponding period in 2015, mainly due to decrease in employee remuneration and rental expenses for the diamond and jewellery business in 2016.

Administrative expenses

Administrative expenses increased from approximately HK\$24.25 million for the nine months ended 30 September 2015 to approximately HK\$41.04 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 was HK\$27.96 million for the nine months ended 30 September 2016. 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 imputed interest resulting from the issue of convertible bonds in 2016. The convertible bonds imputed interest for the period was HK\$25.10 million.

Results of the period

The unaudited loss attributed to shareholders was approximately HK\$17.75 million for the nine months ended 30 September 2016 and unaudited loss attributed to shareholders was approximately HK\$17.34 million in the corresponding period in 2015.

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

As at 30 September 2016, the interests and short positions of the Directors and the Chief Executives 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 September 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 September 2016, 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	-	600,000,000	600,000,000	25.07%
New League Limited (Note 4)	Beneficial	-	238,095,238	238,095,238	9.95%
Wang Tak Investment Limited (Note 5)	Beneficial	-	152,173,913	152,173,913	6.36%

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.
5. Wang Tak Investment Limited is wholly owned by Zou Lian Di who is deemed to be interested in the shares.

Save as disclosed above, as at 30 September 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 to grant options to any eligible person to subscribe for the shares of the Company (“Shares”) 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 Shares 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 and 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 for adopting the scheme.

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

COMPETING INTERESTS

The directors of the Company are not aware of, as at 30 September 2016, any business or interests of each of the directors of the Company, management shareholders and their respective associates (as defined in the GEM Listing Rules) which competes or likely compete, either directly or indirectly 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 as set out in the Corporate Governance Code (the "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 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2016.

On behalf of the Board

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED

Pan Xiaodong

Chairman

Hong Kong, 14 November 2016

As at the date of this report, the Board comprises six executive Directors, namely Mr. Pan Xiaodong (Chairman), Mr. Cheng Chun Tak, 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.