



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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8116)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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 announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000 (Represented)
Continuing operations			
Revenue	4	179,791	–
Cost of sales		<u>(123,778)</u>	<u>–</u>
Gross profit		56,013	–
Other income and gains	4	449	100
Selling and distribution expenses		(5,356)	(2,100)
Administrative expenses		(27,296)	(17,602)
Loss on redemption of convertible bonds		(1,439)	(15,207)
Other expenses		–	(2,485)
Change in fair value of contingent consideration payable		<u>3,725</u>	<u>–</u>
Profit (loss) from continuing operations		26,096	(37,294)
Finance costs	5	<u>(37,883)</u>	<u>(10,482)</u>
Loss before tax		(11,787)	(47,776)
Income tax expense	6	<u>(7,246)</u>	<u>–</u>
Loss for the year from continuing operations	7	(19,033)	(47,776)
Discontinued operation			
Loss for the year from discontinued operation	10	<u>(95,455)</u>	<u>(377,628)</u>
Loss for the year		<u><u>(114,488)</u></u>	<u><u>(425,404)</u></u>
Loss for the year attributable to:			
Owners of the Company		(114,476)	(425,404)
Non-controlling interests		<u>(12)</u>	<u>–</u>
		<u><u>(114,488)</u></u>	<u><u>(425,404)</u></u>
Loss per share			
Basic and diluted	9		
– For continuing and discontinued operations		<u><u>HK(4.78) cents</u></u>	<u><u>HK(20.04) cents</u></u>
– For continuing operations		<u><u>HK(0.79) cents</u></u>	<u><u>HK(2.25) cents</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Represented)
Loss for the year	<u>(114,488)</u>	<u>(425,404)</u>
Other comprehensive income (expense)		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	–	(15,397)
Release of foreign currency translation reserve upon disposal of subsidiaries	<u>19,401</u>	<u>–</u>
Other comprehensive income (expense) for the year, net of tax	<u>19,401</u>	<u>(15,397)</u>
Total comprehensive expense for the year	<u>(95,087)</u>	<u>(440,801)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(95,075)	(440,801)
Non-controlling interests	<u>(12)</u>	<u>–</u>
	<u>(95,087)</u>	<u>(440,801)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		4,411	11,372
Goodwill		98,626	26,223
Other intangible asset		11,613	–
Deposits and prepayments		2,228	41,469
Deferred tax assets		–	642
		116,878	79,706
Current assets			
Inventories		117,957	250,260
Trade receivables	<i>11</i>	13,991	709
Promissory note receivable		–	17,600
Other receivables, deposits and prepayments		38,990	75,115
Refundable deposits for acquisition of investments		41,380	119,524
Cash and cash equivalents		195,530	9,268
		407,848	472,476
Current liabilities			
Trade payables	<i>12</i>	1,333	10,067
Accruals, other payables and deposits received		14,957	108,940
Interest-bearing bank borrowings		–	57,171
Amounts due to directors		7,219	6,113
Tax payable		2,883	5,604
Convertible bonds		61,856	–
		88,248	187,895
Net current assets		319,600	284,581
Total assets less current liabilities		436,478	364,287

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current liabilities			
Convertible bonds		178,553	150,398
Deferred tax liabilities		2,296	–
Contingent consideration payable		49,529	–
		<u>230,378</u>	<u>150,398</u>
Net assets		<u>206,100</u>	<u>213,889</u>
Capital and reserves			
Issued capital		11,965	11,965
Reserves		193,649	201,924
		<u>205,614</u>	<u>213,889</u>
Equity attributable to owners of the Company		205,614	213,889
Non-controlling interests		486	–
		<u>206,100</u>	<u>213,889</u>
Total equity		<u>206,100</u>	<u>213,889</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 October 1999 under the Companies Law of the Cayman Islands and its shares are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (“Stock Exchange”).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendment to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers 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 HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

¹ *Effective for annual periods beginning on or after 1 January 2018.*

² *Effective for annual periods beginning on or after 1 January 2019.*

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

⁴ *Effective for annual periods beginning on or after 1 January 2017.*

The directors of the Company are in the process of making an assessment of the potential 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.

3. OPERATING SEGMENTS INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses' profit (loss), which is a measure of adjusted profit (loss) before tax. Segment performance is evaluated based on reportable segments.

The Group's operating and reportable segments include (i) sales of wine and cigar and (ii) sales of golf products. The diamond and jewellery business segment was disposed during the year. The segment information reported below does not include any amounts for the discontinued operation, which is described in more details in note 10 to the consolidated financial statements.

(a) *Segment revenue and results*

For the year ended 31 December 2016

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Wine and cigar HK\$'000	Golf products HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE				
External sales	159,971	19,820	–	179,791
Inter-segment sales*	<u>100,000</u>	<u>3,999</u>	<u>(103,999)</u>	<u>–</u>
Segment revenue	<u><u>259,971</u></u>	<u><u>23,819</u></u>	<u><u>(103,999)</u></u>	<u><u>179,791</u></u>
RESULTS				
Segment profit	<u><u>142,272</u></u>	<u><u>1,583</u></u>	<u><u>(100,468)</u></u>	43,387
Finance costs				(37,883)
Unallocated corporate income				434
Unallocated corporate expenses				(20,011)
Change in fair value of contingent consideration payable				3,725
Loss on redemption of convertible bonds				<u>(1,439)</u>
Loss before tax from continuing operations				<u><u>(11,787)</u></u>

* *Inter-segment sales are charged at cost.*

Excluded from the segment report is the segment on diamond and jewellery business which was disposed of during the year and the result of which is set out in note 10.

For the year ended 31 December 2015

The Group's primary operating segment was the diamond and jewellery business, which was disposed of by the Group during the year. The results of the discontinued operation is set out in note 10.

(b) *Segment assets and liabilities*

For the year ended 31 December 2016

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	Wine and cigar <i>HK\$'000</i>	Golf products <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS			
Segment assets	<u>341,790</u>	<u>16,874</u>	358,664
Cash and cash equivalent			10,053
Unallocated corporate assets			<u>156,009</u>
Consolidated assets			<u><u>524,726</u></u>

Segment liabilities

	Wine and cigar <i>HK\$'000</i>	Golf products <i>HK\$'000</i>	Total <i>HK\$'000</i>
LIABILITIES			
Segment liabilities	<u>5,008</u>	<u>1,738</u>	6,746
Unallocated corporate liabilities			<u>311,880</u>
Consolidated liabilities			<u><u>318,626</u></u>

For the year ended 31 December 2015

The Group's primary operating segment was the diamond and jewellery business, which was disposed of by the Group during the year. The segment assets and liabilities are not disclosed as they are not comparable with the segment information disclosed for current year.

(c) *Other segment information*

For the year ended 31 December 2016

	Wine and cigar HK\$'000	Golf products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Addition to non-current assets	1,196	629	2,045	3,870
Depreciation of property, plant and equipment	<u>303</u>	<u>222</u>	<u>440</u>	<u>965</u>

For the year ended 31 December 2015

The Group's primary operating segment was the diamond and jewellery business, which was disposed of by the Group during the year. Other segment information is not disclosed as it is not comparable with the segment information disclosed for current year.

(d) *Geographical information*

As at 31 December 2016, all the Group's continuing operations are located in Hong Kong. The Group's revenue from external customers based on locations are all derived from Hong Kong. All the Group's assets are located in Hong Kong.

(e) *Information about major customers*

Revenue from customers contributing over 10% of the total sales of the Group are as follows. Revenue incurred by all of them came from wine and cigar segment.

	2016 HK\$'000	% of total revenue
Customer A	35,670	20%
Customer B	30,876	17%
Customer C	<u>21,700</u>	<u>12%</u>

4. REVENUE, OTHER INCOME AND GAINS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Represented)
Continuing operations:		
Revenue		
Sale of goods	<u>179,791</u>	<u>–</u>
Other income and gains, net		
Bank interest income	2	–
Sundry income	<u>447</u>	<u>100</u>
	<u>449</u>	<u>100</u>

5. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Represented)
Continuing operations:		
Interest on finance leases	8	30
Interest on convertible bonds	37,873	10,452
Others	<u>2</u>	<u>–</u>
	<u>37,883</u>	<u>10,482</u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year (2015: Nil).

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Represented)
Continuing operations:		
Hong Kong Profits Tax – current year	7,296	–
Deferred taxation	<u>(50)</u>	<u>–</u>
	<u>7,246</u>	<u>–</u>

Tax charge for the year can be reconciled to the loss before tax from continuing operations per the consolidated statement of profit or loss as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Represented)
Loss before tax	<u>(11,787)</u>	<u>(47,776)</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	(1,944)	(7,883)
Income not subject to tax	–	(17)
Expenses not deductible for tax	9,327	7,900
Over-provision of taxation in prior years	(77)	–
Tax concession	<u>(60)</u>	<u>–</u>
Tax charge for the year	<u>7,246</u>	<u>–</u>

7. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations has been arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Represented)
Cost of inventories sold	123,651	–
Auditor's remuneration	900	900
Depreciation of property, plant and equipment	965	622
Amortisation of other intangible asset	2,607	–
Employee benefit expenses (excluding directors' and chief executive's emoluments):		
Wages and salaries	8,450	2,330
Retirement benefits scheme contribution	402	68
	<u>8,852</u>	<u>2,398</u>
Lease payments under operating leases in respect of land and buildings	5,334	1,974
Loss on redemption of convertible bonds	1,439	15,207
Write off of promissory note interest receivable*	–	1,285
Impairment loss on other receivables*	–	1,200
	<u>–</u>	<u>1,200</u>

* Included in "other expenses" on the face of the consolidated statement of profit or loss.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	(114,476)	(425,404)
Less: Loss for the period/year from discontinued operation	<u>95,455</u>	<u>377,628</u>
Loss for the purpose of basic loss per share from continuing operations	<u><u>(19,021)</u></u>	<u><u>(47,776)</u></u>
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>2,393,006,528</u></u>	<u><u>2,123,060,548</u></u>

From discontinued operation

Basic and diluted loss per share for the discontinued operation is HK3.99 cents per share (2015: HK17.79 cents per share), based on the loss for the period/year from the discontinued operation of HK\$95,455,000 (2015: HK\$377,628,000) and the denominators detailed above for both basic and diluted loss per share.

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to convertible bonds. The calculation of diluted loss per share in the current year does not assume the conversion of convertible bonds since their exercise would result in a decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

10. DISCONTINUED OPERATION

On 19 August 2016, the Group entered into a sales and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in Million Zone Holdings Limited ("Million Zone") and its subsidiaries (collectively, "Million Zone Group"), which were engaged in sale of diamond and jewellery operation in Mainland China. The disposal of Million Zone Group was completed on 30 December 2016.

The results of Million Zone Group and the loss for the year from discontinued operation are presented below. The comparative figures in consolidated statement of profit or loss have been restated to re-present the discontinued operation.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	132,865	127,037
Cost of sales	<u>(82,009)</u>	<u>(84,092)</u>
Gross profit	50,856	42,945
Other income and gains	1	43
Selling and distribution expenses	(11,336)	(45,671)
Administrative expenses	(7,428)	(16,830)
Other expenses	(8,600)	–
Impairment loss on goodwill	–	(346,176)
Finance costs	<u>(8,698)</u>	<u>(10,028)</u>
Profit (loss) before tax	14,795	(375,717)
Income tax expense	<u>(7,550)</u>	<u>(1,911)</u>
Profit (loss) for the period/year	7,245	(377,628)
Loss on disposal of subsidiaries	<u>(102,700)</u>	–
Loss for the period/year from discontinued operation	<u><u>(95,455)</u></u>	<u><u>(377,628)</u></u>

Loss for the year from discontinued operation includes the followings:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	82,009	84,092
Auditor's remuneration	–	–
Depreciation of property, plant and equipment	4,115	9,081
Employee benefit expenses:		
Wages and salaries	4,477	5,866
Retirement benefits scheme contribution	504	765
	<u>4,981</u>	<u>6,631</u>
Lease payments under operating leases in respect of land and buildings	3,112	5,887
Write off of property, plant and equipment	843	3,449
Impairment loss on inventories	8,562	–
Impairment loss on other receivables	8,600	–
Impairment loss on goodwill	–	346,176
	<u>–</u>	<u>346,176</u>

Cash flows used in discontinued operation

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from (used in) operating activities	22,052	(187,673)
Net cash flows used in investing activities	(354)	(421)
Net cash flows (used in) from financing activities	(14,118)	189,812
Effect of foreign exchange rate changes	(7,830)	(1,766)
	<u>(250)</u>	<u>(1,766)</u>
Net cash outflow used in discontinued operation	<u>(250)</u>	<u>(48)</u>

11. TRADE RECEIVABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	8,487	3
31 to 60 days	4,733	283
61 to 90 days	460	132
Over 90 days	311	291
	<u>13,991</u>	<u>709</u>

The Group normally grants a credit period of 30 to 60 days (2015: 60 to 90 days) to its customers except for new customers who have to make payment is made when the merchandises are delivered. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management of the Group. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

As at 31 December 2016, trade receivables amounting to approximately HK\$771,000 (2015: approximately HK\$291,000) were past due but not impaired as the balances related to debtors with sound repayment history and no recent history of default.

12. TRADE PAYABLES

The average credit period on purchase of goods is 30 to 60 days (2015: 30 days). The following is an ageing analysis of trade payables based on the invoice date.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	1,211	39
31 to 60 days	94	–
61 to 90 days	18	3
91 to 180 days	8	1,212
Over 180 days	2	8,813
	<u>1,333</u>	<u>10,067</u>

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 Vendors 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 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. Maxpark 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, Chile and Australia. 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 2016 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, 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. The Disposal was smoothly completed on 30 December 2016.

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 for the year ended 31 December 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 and gross profit

For the year ended 31 December 2016, the consolidated revenue of the Group from continuing operations was approximately HK\$180 million and HK\$Nil (re-presented) in 2015. Gross profit for the continuing operations in 2016 is approximately HK\$56 million (2015: HK\$Nil (re-presented)) and gross profit margin of approximately 31%.

The entire revenue HK\$180 million is from the retail and wholesales of wine, cigar and golf products.

Other revenues

The other revenues from continuing operations was approximately HK\$449,000 for the year ended 31 December 2016.

Selling and distribution expenses

Selling and distribution expenses from continuing operations was approximately HK\$5.4 million for the year ended 31 December 2016. Selling and distribution expenses mainly included rental expenses, salaries and wages and building management fees.

Administrative expenses

Administrative expenses from continuing operations was approximately HK\$27 million for the year ended 31 December 2016. Administrative expenses mainly included consultancy fees, rental expenses, legal and professional fees and salaries and wages.

Finance costs

Finance costs from continuing operations increased from approximately HK\$10 million for the year ended 31 December 2015 to approximately HK\$38 million for the year ended 31 December 2016. The finance costs were mainly consisted of imputed interest on convertible bonds and interest on bank borrowings. The increase of finance costs was mainly attributed to the increase in imputed interests on convertible bonds resulting from the issue of convertible bonds in 2016.

Results of the Group's operations

Loss attributable to shareholders of the Company significantly decreased from approximately HK\$425 million for the year ended 31 December 2015 to approximately HK\$114 million for the year ended 31 December 2016. The loss was mainly attributable to the loss from discontinued operation.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents as at 31 December 2015 and 2016 amounted to approximately HK\$9.3 million and HK\$195.5 million respectively. The major capital resources of the Group included cash generated from operating activities and the proceeds raised by the Group in Hong Kong.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

GEARING RATIO

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

CAPITAL STRUCTURE

In January 2014, the Group issued convertible bonds with principal amount of HK\$312 million (the "CB II"). For the CB II, approximately HK\$257.40 million was converted in previous years. As at 31 December 2016, principal amount of HK\$54.60 million CB II was outstanding.

In June 2015, the Group issued convertible bonds with principal amount of HK\$120 million (the "CB III") to raise funds for the future business developments of the Group. The CB III 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 III. The CB III was fully redeemed by the Group on 30 December 2016.

In January 2016, the Group issued convertible bonds with principal amount of HK\$100 million (the "CB IV") as consideration to acquire 100% equity interest in Maxpark. The CB IV 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 IV. The CB IV has not been converted during the year.

Convertible bonds in the original principal amount of HK\$25 million (the "CB V") issued by the Group in January 2016 was fully redeemed during the year.

In May 2016, the Group issued convertible bonds with principal amount of HK\$10 million (the "CB VI") for the Group's general working capital and repayment of other debts. The CB VI do not bear any interest. The effective interest rate of liability is 20.66%. The maturity dates is on the second anniversary of the date of issue of the CB VI. The CB VI has not been converted during the year.

In July 2016, the Group issued convertible bonds with principal amount of HK\$90 million (the “CB VII”) to raise funds for the Group’s general working capital and repayment of other debts and payable. The CB VII do not bear any interest. The effective interest rate of liability is 20.24%. The maturity dates is on the second anniversary of the date of issue of the CB VII. The CB VII has not been converted during the year.

In August 2016, the Group issued convertible bonds with principal amount of HK\$25 million (the “CB VIII”) to raise funds for the repayment of convertible bonds. The CB VIII do not bear any interest. The effective interest rate of liability is 15.61%. The maturity dates is on the first anniversary of the date of issue of the CB VIII. The CB VIII has not been converted during the year.

In September 2016, the Group issued convertible bonds with principal amount of HK\$35 million (the “CB IX”) to raise funds for the Group’s general working capital and purchasing inventory. The CB IX do not bear any interest. The effective interest rate of liability is 19.45%. The maturity dates is on the first anniversary of the date of issue of the CB IX. The CB IX has not been converted during the year.

CHARGE ON GROUP ASSETS

As at 31 December 2016, no asset was 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 31 December 2016, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed a workforce with head count of 46. Employee benefit expenses, including directors’ emoluments, amounted to approximately HK\$13.7 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 benefits scheme and medical insurance.

ACQUISITIONS OR DISPOSALS 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 31 December 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 31 December 2016.

SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not have any significant investment as at 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The Corporate governance principles of the Company emphasis a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules ("CG Code") throughout the year ended 31 December 2016, except that the roles of chairman and chief executive officer are performed by the same individual which is a deviation from code provision A.2.1 of the Code. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for operation of the Company. The balance of power and authority between the Board and management will not be compromised.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua, Mr. Xu Jingan and Mr. Chang Jun. Mr. Lee Chi Hwa Joshua is the Chairman of the Audit Committee. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2016, the Audit Committee held 4 meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Audit Committee also carried out and discharged its duties set out in the CG. In the course of doing so, the Audit Committee has met the Company's management, qualified accountant and external auditors in 2016.

Scope of Work of HLM CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on this announcement.

By order of the Board

China Fortune Investments (Holding) Limited

Pan Xiaodong

Chairmen

Hong Kong, 29 March 2017

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company.