

CHINA FORTUNE INVESTMENTS

中國幸福投資

First Quarterly Report
2017



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

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

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

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

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

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

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

FINANCIAL HIGHLIGHT

- Recorded an unaudited revenue of the Group from continuing operations approximately HK\$51.83 million for the three months ended 31 March 2017 and HK\$41.47 million for the three months ended 31 March 2016. Gross profit for the continuing operations in 2017 is approximately HK\$18.51 million and HK\$15.44 million in 2016;
- Recorded an unaudited profit attributable to the equity holders of the Company of approximately HK\$489,000, for the three months ended 31 March 2017;
- The Directors do not recommend the payment of a dividend for the three months ended 31 March 2017.

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2017, together with the unaudited comparative figures for the corresponding period in last year, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		(Unaudited)	
		For the three months	
		ended 31 March	
		2017	2016
	NOTES	HK\$'000	HK\$'000
			(Represented)
Continuing operations			
Revenue	2	51,826	41,468
Cost of sales		<u>(33,315)</u>	<u>(26,032)</u>
Gross profit		18,511	15,436
Other income and gains, net	2	242	72
Administrative expenses		(6,015)	(6,496)
Finance costs		<u>(9,619)</u>	<u>(6,294)</u>
Profit before income tax expenses			
from continuing operations		3,119	2,718
Income tax expenses	3	<u>(2,643)</u>	<u>(1,952)</u>
Profit for the period from continuing operations		476	766
Discontinued operations			
Profit for the period from discontinued operations		<u>–</u>	<u>1,036</u>
Profit for the period		<u>476</u>	<u>1,802</u>
Profit for the period attributable to:			
Owners of the Company		489	1,814
Non-Controlling interests		<u>(13)</u>	<u>(12)</u>
		<u>476</u>	<u>1,802</u>

	(Unaudited)	
	For the three months	
	ended 31 March	
	2017	2016
<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(Represented)
Profit for the period	<u>476</u>	<u>1,802</u>
Other comprehensive expense		
Exchange difference on translation of foreign operations	<u>–</u>	<u>(33)</u>
Other comprehensive expense for the period, net of tax	<u>–</u>	<u>(33)</u>
Total comprehensive income for the period	<u>476</u>	<u>1,769</u>
Total comprehensive income attributable to:		
Shareholders of the Company	<u>489</u>	1,781
Non-controlling interests	<u>(13)</u>	<u>(12)</u>
	<u>476</u>	<u>1,769</u>
Earnings per share attributable to	4	
Shareholder of the Company		
From continuing and discontinued operations		
Basic (<i>HK cents per share</i>)	<u>0.02</u>	<u>0.08</u>
Diluted (<i>HK cents per share</i>)	<u>0.29</u>	<u>0.26</u>
From continuing operations		
Basic (<i>HK cents per share</i>)	<u>0.02</u>	<u>0.03</u>
Diluted (<i>HK cents per share</i>)	<u>0.29</u>	<u>0.23</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017 (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
Three months ended 31 March 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	-	-	-	-	58,946	-	-	-	58,946
Exchange difference on translation of foreign operations	-	-	-	-	-	(33)	-	-	(33)
Acquisition of subsidiaries	-	-	-	-	-	-	-	498	498
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	1,814	(12)	1,802
At 31 March 2016	11,965	1,773,338	(46,815)	2,817	82,240	(19,434)	(1,529,495)	486	275,102
Three months ended 31 March 2017									
At 1 January 2017	11,965	1,773,338	(46,815)	-	88,804	-	(1,621,678)	486	206,100
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	489	(13)	476
At 31 March 2017	11,965	1,773,338	(46,815)	-	88,804	-	(1,621,189)	473	206,576

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 2016. 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 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 ²
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.

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

The Group is 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.

2. **Revenue, other income and gains, net**

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

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

	(Unaudited)	
	For the three months	
	ended 31 March	
	2017	2016
	HK\$'000	<i>HK\$'000</i>
		(Represented)
Continuing operations:		
Revenue		
Wine & Cigar business	49,964	39,696
Golf business	1,862	1,772
	51,826	41,468
Other income and gains, net		
Bank interest income	–	1
Others	242	71
	242	72
Total revenues	52,068	41,540

3. Income tax expenses

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

	(Unaudited)	
	For the three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
		(Represented)
Continuing operations:		
Hong Kong profits tax	2,643	1,952

Hong Kong profit tax has been provided at the rate of 16.5% on estimated assessable profits arising in Hong Kong during the period.

4. Profit per share

From continuing and discontinued operations

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

	(Unaudited)	
	For the three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
		(Represented)
Profit for the period		
Profit for the period attributable to owners of the Company	489	1,814
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	9,619	6,266
Profit for the purpose of diluted profit per share	10,108	8,080

4. **Profit per share (continued)**

From continuing and discontinued operations (continued)

	(Unaudited)	
	As at 31 March	
	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic profit per share	2,393,006,528	2,393,006,528
Effect of dilutive potential ordinary share:		
Convertible bonds	1,036,762,544	718,141,287
Weighted average number of ordinary shares for the purpose of diluted profit per share	3,429,769,072	3,111,147,815

From continuing operations

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

	(Unaudited)	
	For the three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
		(Represented)
Profit for the purpose of basic profit per share from continuing operations	476	766
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	9,619	6,266
Profit for the purpose of diluted profit per share from continuing operations	10,095	7,032

5. **Dividend**

The Board does not recommend the payment of a dividend for the three months ended 31 March 2017 (2016: Nil).

6. **Comparative figures**

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

BUSINESS REVIEW AND OUTLOOK

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

Maxpark Enterprises Limited (“Maxpark”) and its subsidiaries (collectively “Maxpark Group”) 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.

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 and 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.

Group’s other business

On 28 April 2017, the Group and Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (“Vendors”) entered into an agreement with the Vendors pursuant to which the Group has conditionally agreed to acquire from the Vendors the entire issued share capital of Affluent Grand Limited and its subsidiaries (“Target Group”) at the consideration of HK\$380 million. The Directors consider that the Acquisition is in line with the Group’s business diversification strategy and represents an attractive investment opportunity of the Group to tap into P2P lending service business in the PRC with growth potential and to generate diversified income and additional cashflow through the Target Group. The Directors are of the view that the terms and conditions of the acquisition are fair and reasonable and the acquisition is in the interests of the Group and the Shareholders as a whole. For further details, please refer to the announcement dated 28 April 2017.

Apart from the above mentioned, the Group had no other significant acquisition or disposal of investments for the period ended 31 March 2017.

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

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2017, the unaudited consolidated revenue of the Group from continuing operations was approximately HK\$51.83 million and HK\$41.47 million in the corresponding period in 2016. The entire revenue is generated from retail and wholesales of wine, cigar and golf products.

Other revenue

For the three months ended 31 March 2017, the Group obtained approximately HK\$242,000 in other revenues from continuing operations.

Administrative expenses

Administrative expenses from continuing operations decreased from approximately HK\$6.5 million for the three months ended 31 March 2016 to approximately HK\$6.01 million in the corresponding period in 2017, primarily due to the decrease in legal and professional fees in 2017.

Finance costs

Finance costs from continuing operations increased from HK\$6.3 million for the three months ended 31 March 2016 to approximately HK\$9.62 million in the corresponding period in 2017. The finance costs were mainly consisted of convertible bonds imputed interest and interest in bank borrowings. The increase was mainly attributed to the increase in convertible bonds interests resulting from the issuance of convertible bonds in 2016.

Results for the period

The unaudited profit attributed to shareholders approximately HK\$489,000 for the three months ended 31 March 2017 and unaudited profit attributed to shareholders was approximately HK\$1.8 million in the corresponding period in 2016.

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

As at 31 March 2017, 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	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 31 March 2017, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 March 2017, 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 <i>(Note 1)</i>	Beneficial	152,000,000	–	152,000,000	6.35%
Radiant Thrive Enterprises Limited <i>(Note 2)</i>	Beneficial	–	400,000,000	400,000,000	16.71%
New League Limited <i>(Note 3)</i>	Beneficial	–	238,095,238	238,095,238	9.95%
Wang Tak Investment Limited <i>(Note 4)</i>	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. Radiant Thrive Enterprises Limited is wholly owned by Zhang Cheng Cheng who is deemed to be interested in the shares.
3. 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.
4. 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 31 March 2017, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTION SCHEME

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

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

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

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

As at 31 March 2017, no share options were outstanding.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2017, any business or interests of each directors of the Company, management shareholders and the respective associates (as defined in the GEM Listing Rules) of each that competes or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Corporate Governance Code as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the period ended 31 March 2017.

AUDIT COMMITTEE

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

The audit committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua (Chairman), Mr. Xu Jingan and Mr. Chang Jun. The Group's unaudited results for the three months ended 31 March 2017 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2017.

By order of the Board of
CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
Mr. Pan Xiaodong
Chairman

Hong Kong, 15 May 2017

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.