

# CHINA FORTUNE INVESTMENTS

## 中國幸福投資

Half-Year 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.**

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## **FINANCIAL HIGHLIGHT**

- Recorded an unaudited turnover of the Group from continuing operations approximately HK\$118.06 million for the six months ended 30 June 2017 and HK\$92.13 million for the six months ended 30 June 2016. Gross profit for the continuing operations in 2017 is approximately HK\$38.65 million and approximately HK\$30.95 million in 2016;
- Recorded an unaudited profit attributable to the equity holders of the Company of approximately HK\$1.96 million, for the six months ended 30 June 2017;
- The Board do not recommend the payment of an interim dividend for the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2017

	NOTES	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000 (Represented)	2017 HK\$'000	2016 HK\$'000 (Represented)
<b>Continuing operations</b>					
Revenue	2	66,236	50,661	118,062	92,129
Cost of sales		(46,097)	(35,149)	(79,412)	(61,181)
Gross profit		20,139	15,512	38,650	30,948
Other income and gains, net	2	2,831	66	3,073	138
Administrative expenses		(10,935)	(8,264)	(16,950)	(14,760)
Finance costs		(7,878)	(7,667)	(17,497)	(13,961)
Profit/(loss) before income tax expense from					
continuing operations	4	4,157	(353)	7,276	2,365
Income tax expenses	5	(2,694)	(2,022)	(5,337)	(3,974)
Profit/(loss) for the period from continuing operations		1,463	(2,375)	1,939	(1,609)
<b>Discontinued operations</b>					
Loss for the period from discontinued operations		–	(14,487)	–	(13,451)
Profit/(loss) for the period		1,463	(16,862)	1,939	(15,060)
Profit/(loss) for the period attributable to:					
Owners of the Company		1,473	(16,857)	1,962	(15,043)
Non-Controlling interests		(10)	(5)	(23)	(17)
		1,463	(16,862)	1,939	(15,060)

NOTES	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000 (Represented)	2017 HK\$'000	2016 HK\$'000 (Represented)
<b>Other comprehensive income:</b>				
Exchange differences on translation of financial statements of foreign operations	–	511	–	478
Other comprehensive income for the period, net of tax	–	511	–	478
<b>Total comprehensive income/(expenses) for the period</b>	<b>1,463</b>	<b>(16,351)</b>	<b>1,939</b>	<b>(14,582)</b>
<b>Profit/(loss) attributable to:</b>				
Shareholders of the Company	1,473	(16,857)	1,962	(15,043)
Non-controlling interest	(10)	(5)	(23)	(17)
	<b>1,463</b>	<b>(16,862)</b>	<b>1,939</b>	<b>(15,060)</b>
<b>Total comprehensive income/(expenses) attributable to:</b>				
Shareholders of the Company	1,473	(16,346)	1,962	(14,565)
Non-controlling interest	(10)	(5)	(23)	(17)
	<b>1,463</b>	<b>(16,351)</b>	<b>1,939</b>	<b>(14,582)</b>
<b>Profit/(loss) per share attributable to Shareholder of the Company</b>				
From continuing and discontinued operations				
Basic (HK cents per share)	0.06	(0.70)	0.08	(0.63)
Diluted (HK cents per share)	0.28	(0.29)	0.59	(0.04)
From continuing operations				
Basic (HK cents per share)	0.06	(0.10)	0.08	(0.07)
Diluted (HK cents per share)	0.28	0.17	0.59	0.39

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		(Unaudited) As at 30 June 2017 <i>HK\$'000</i>	(Audited) As at 31 December 2016 <i>HK\$'000</i>
	<i>NOTES</i>		
<b>Non-current assets</b>			
Property, plant and equipment	7	3,896	4,411
Goodwill		98,626	98,626
Other intangible assets	8	10,191	11,613
Deposit and prepayments		1,067	2,228
		<b>113,780</b>	116,878
<b>Current assets</b>			
Inventories		86,126	117,957
Trade receivables	9	92,046	13,991
Other receivables, deposits and prepayments		224,783	80,370
Cash and cash equivalents		29,084	195,530
		<b>432,039</b>	407,848
<b>Current liabilities</b>			
Trade payables	10	1,018	1,333
Accruals, other payables and deposits received		14,239	14,957
Amounts due to directors		4,569	7,219
Tax payable		8,220	2,883
Convertible bonds	12	67,138	61,856
		<b>95,184</b>	88,248
<b>NET CURRENT ASSETS</b>		<b>336,855</b>	319,600
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>450,635</b>	436,478

		<b>(Unaudited)</b>	(Audited)
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2017</b>	2016
	<i>NOTES</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Convertible bonds	12	<b>50,806</b>	178,553
Deferred tax liabilities		<b>2,296</b>	2,296
Contingent consideration payable		<b>49,529</b>	49,529
Total non-current liabilities		<b>102,631</b>	230,378
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>348,004</b>	206,100
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	11	<b>15,156</b>	11,965
Reserves		<b>332,385</b>	193,649
Non-controlling interest		<b>463</b>	486
<b>TOTAL EQUITY</b>		<b>348,004</b>	206,100

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash outflow from operating activities</b>	<b>(163,665)</b>	(8,598)
<b>Net cash outflow from investing activities</b>	<b>(132)</b>	(41,931)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(2,649)</b>	143,296
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(166,446)</b>	92,767
<b>Effect of foreign exchange rate changes</b>	–	280
<b>Cash and cash equivalents at the beginning of the period</b>	<b>195,530</b>	9,268
<b>Cash and cash equivalents at the end of the period</b>	<b>29,084</b>	102,315
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>29,084</b>	102,315



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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
Six months ended 30 June 2016									
At 1 January 2016	11,965	1,773,338	(46,815)	2,817	23,294	(19,401)	(1,531,309)	-	213,889
Issue of convertible bonds	-	-	-	-	60,735	-	-	-	60,735
Exchange difference on translation of foreign operations	-	-	-	-	-	478	-	-	478
Acquisition of subsidiaries	-	-	-	-	-	-	-	498	498
Total comprehensive expense	-	-	-	-	-	-	(15,043)	(17)	(15,060)
At 30 June 2016	<u>11,965</u>	<u>1,773,338</u>	<u>(46,815)</u>	<u>2,817</u>	<u>84,029</u>	<u>(18,923)</u>	<u>(1,546,352)</u>	<u>481</u>	<u>260,540</u>
Six months ended 30 June 2017									
At 1 January 2017	11,965	1,773,338	(46,815)	-	88,804	-	(1,621,678)	486	206,100
Conversion of convertible bonds	3,191	221,949	-	-	(85,175)	-	-	-	139,965
Total comprehensive income/(expenses)	-	-	-	-	-	-	1,962	(23)	1,939
At 30 June 2017	<u>15,156</u>	<u>1,995,287</u>	<u>(46,815)</u>	<u>-</u>	<u>3,629</u>	<u>-</u>	<u>(1,619,716)</u>	<u>463</u>	<u>348,004</u>

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 <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> 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:

	<b>(Unaudited) Three months ended 30 June</b>		<b>(Unaudited) Six months ended 30 June</b>	
	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Represented)	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Represented)
<b>Continuing operations:</b>				
<b>Revenue</b>				
Wine and Cigar business	57,771	42,290	107,735	81,986
Golf business	8,465	8,371	10,327	10,143
	<b>66,236</b>	50,661	<b>118,062</b>	92,129
<b>Other income and gains, net</b>				
Bank interest income	2	–	2	1
Others	2,829	66	3,071	137
	<b>2,831</b>	66	<b>3,073</b>	138
<b>Total revenues</b>	<b>69,067</b>	50,727	<b>121,135</b>	92,267

**3. Operating segment information**

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

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

3. Operating segment information (continued)

For the six month ended 30 June 2017 (Unaudited):

	Wine and Cigar business HK\$'000	Golf business HK\$'000	Total HK\$'000
<b>Period ended 30 June 2017</b>			
<b>Segment revenue:</b>			
Sales to external customers	107,735	10,327	118,062
<b>Segment results</b>	26,462	548	27,010
<b>Reconciliation:</b>			
Other income			3,073
Corporate and other unallocated expenses			(10,647)
Finance costs			(17,497)
<b>Profit for the period from continuing operations</b>			<b>1,939</b>

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

	Wine and Cigar business HK\$'000	Golf business HK\$'000	Total HK\$'000
<b>Period ended 30 June 2016</b>			
<b>Segment revenue:</b>			
Sales to external customers	81,986	10,143	92,129
<b>Segment results</b>	20,046	(63)	19,983
<b>Reconciliation:</b>			
Other income			138
Corporate and other unallocated expenses			(7,769)
Finance costs			(13,961)
<b>Loss for the period from continuing operations</b>			<b>(1,609)</b>

### 3. Operating segment information (continued)

#### *Geographical information*

As at 30 June 2017, 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.

### 4. Profit/(loss) before income tax expenses

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000 (Represented)	2017 HK\$'000	2016 HK\$'000 (Represented)
<b>Continuing operations:</b>				
Profit/(loss) before tax has been arrived after charging:				
Cost of sales	<b>66,236</b>	35,149	<b>79,412</b>	61,181
Depreciation of property, plant and equipment	<b>328</b>	238	<b>649</b>	439
Amortisation of intangible assets	<b>711</b>	711	<b>1,422</b>	1,185
Operating lease rental in respect of rented premises	<b>2,240</b>	1,001	<b>4,734</b>	2,546
Staff costs, including directors' emoluments:				
– Basic salaries and other benefits	<b>3,085</b>	3,334	<b>6,867</b>	6,909

5. **Income tax expenses**

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

	<b>(Unaudited)</b> <b>Three months</b> <b>ended 30 June</b>		<b>(Unaudited)</b> <b>Six months</b> <b>ended 30 June</b>	
	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
<b>Continuing operations:</b>				
Hong Kong profits tax	<b>2,694</b>	2,022	<b>5,337</b>	3,974

Hong Kong profits tax has been provided at the rate of 16.5% on estimated assessable profits arising in Hong Kong for the relevant periods.

6. **Profit/(loss) per share**

*From continuing and discontinued operations*

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

	<b>(Unaudited)</b> <b>For the six months</b> <b>ended 30 June</b>	
	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i> (Represented)
<b>Profit/(loss) for the period</b>		
Profit/(loss) for the period attributable to owners of the Company	<b>1,962</b>	(15,043)
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	<b>17,497</b>	13,928
Profit/(loss) for the purpose of diluted loss per share	<b>19,459</b>	(1,115)

6. Profit/(loss) per share (continued)  
*From continuing and discontinued operations (continued)*

	(Unaudited) As at 30 June 2017	2016
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	<b>2,482,021,751</b>	2,393,006,528
Effect of dilutive potential ordinary share: Convertible bonds	<b>813,917,299</b>	768,176,269
Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share	<b>3,295,939,050</b>	3,161,182,797

*From continuing operations*

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

	(Unaudited) For the six months ended 30 June 2017 HK\$'000	2016 HK\$'000 (Represented)
Profit/(loss) for the purpose of basic profit per share from continuing operations	<b>1,939</b>	(1,609)
Effect of dilutive potential ordinary share: Interest on convertible bonds (net of tax)	<b>17,497</b>	13,928
Profit for the purpose of diluted profit per share from continuing operations	<b>19,436</b>	12,319

## 7. Property, plant and equipment

	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
Net book value as at 1 January	4,411	11,372
Additions	279	3,870
Acquisition of subsidiaries	-	813
Depreciation	(649)	(5,080)
Elimination upon disposal	(145)	(843)
Elimination on disposal of subsidiaries	-	(5,295)
Exchange rate adjustment	-	(426)
Net book value, end of the period/year	<b>3,896</b>	4,411

## 8. Other Intangible Assets

	Customer relationship HK\$'000
<b>Cost</b>	
At 1 January 2017 and 30 June 2017	14,220
<b>Accumulated Amortisation</b>	
At 1 January 2017	2,607
Charged for the period	1,422
At 30 June 2017	4,029
<b>Carrying Values</b>	
At 30 June 2017	10,191
At 31 December 2016	11,613

The customer relationship has finite useful lives and amortised on a straight-line basis over 5 years.

The customer relationship acquired as part of the acquisition of Maxpark Group and is recognised at its fair value at the date of acquisition.

The fair value of the customer relationship was determined by management's valuation assessment with reference to valuation report provided by the independent valuer by using excess earnings method.



## 9. Trade receivables

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

	0 to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 180 days <i>HK\$'000</i>	Over 180 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2017	24,472	11,452	18,881	14,963	22,278	92,046
As at 31 December 2016	8,487	4,733	460	311	–	13,991

## 10. Trade payables

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

	0 to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 180 days <i>HK\$'000</i>	Over 180 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2017	343	216	46	404	9	1,018
As at 31 December 2016	1,211	94	18	8	2	1,333

## 11. Share capital

	The Company			
	30 June 2017		31 December 2016	
	Number of share of HK\$0.005 each	Nominal Value <i>HK\$'000</i>	Number of share of HK\$0.005 each	Nominal Value <i>HK\$'000</i>
Authorised:				
Ordinary shares	100,000,000,000	500,000	100,000,000,000	500,000
Issued and fully paid:				
At 1 January	2,393,006,528	11,965	2,393,006,528	11,965
Conversion of convertible bonds	638,095,238	3,191	–	–
At 30 June	3,031,101,766	15,156	2,393,006,528	11,965

## 12. Convertible bonds

In January 2014, the Group issued convertible bonds with principal amount of HK\$312 million (the "CB I") due in 2019 with conversion price of HK\$2.45 per share as final consideration to acquire 100% equity interest in Million Zone Holdings Limited. The CB I do not bear any interest. The effective interest rate of liability is 7.92%. The maturity date is on the fifth anniversary of the date of issue of the CB I. As at 30 June 2017, the CB I with an aggregate principal amount of HK\$54,600,000 remained outstanding.

In January 2016, the Group issued convertible bonds with principal amount of HK\$100 million (the "CB II") due in 2021 with conversion price of HK\$0.42 per share as consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB II 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 II. As at 30 June 2017, the CB II with an aggregate principal amount of HK\$100 million was fully converted into the Company's ordinary shares of HK\$0.005 each at a conversion price of HK\$0.42.

In May 2016, the Group issued convertible bonds with principal amount of HK\$10 million (the "CB III") due in 2018 with conversion price of HK\$0.25 per share for the Group's general working capital and repayment of other debts. The CB III 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 III. As at 30 June 2017, the CB III with an aggregate principal amount of HK\$10 million was fully converted into the Company's shares of HK\$0.005 each at a conversion price of HK\$0.25.

In July 2016, the Group issued convertible bonds with principal amount of HK\$90 million (the "CB IV") due in 2018 with conversion price of HK\$0.25 per share to raise funds for the Group's general working capital and repayment of other debts and payable. The CB IV does not bear any interest. The effective interest rate of the liability is 20.24%. The maturity date is on the second anniversary of the date of issue of the CB IV. As at 30 June 2017, the CB IV with an aggregate principal amount of HK\$90 million was fully converted into the Company's ordinary shares of HK\$0.005 each at a conversion price of HK\$0.25.

In August 2016, the Group issued convertible bonds with principal amount of HK\$25 million (the "CB V") due in 2017 with conversion price of HK\$0.24 per share to raise funds for the repayment of convertible bonds. The CB V does not bear any interest. The effective interest rate of the liability is 15.61%. The maturity date is one year from the date of issue of the CB V.

In September 2016, the Group issued convertible bonds with principal amount of HK\$35 million (the "CB VI") due in 2017 with conversion price of HK\$0.23 per share to raise funds for the Group's general working capital and purchasing inventory. The CB VI does not bear any interest. The effective interest rate of the liability component is 19.45% per annum. The maturity date is one year from the date of issue of the CB VI.

The Group may redeem the CB I at 105% and CB V & CB VI at 115% of the principal outstanding amount at any time from the date of issue to the maturity date. Any CB I outstanding on the maturity date shall be redeemed by the Company at 105% of the outstanding principal amount and any CB V & VI outstanding on the maturity date shall be redeemed by the Company at 115% of the outstanding principal amount.

## 12. Convertible bonds (continued)

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

	THE GROUP AND THE COMPANY						Total
	CB I	CB II	CB III	CB IV	CB V	CB VI	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Proceeds of issue	236,376	100,000	10,000	90,000	25,000	35,000	496,376
Equity component	(12,554)	(57,753)	(2,788)	(24,635)	(131)	(1,300)	(99,161)
Liability component							
at date of issue	223,822	42,247	7,212	65,365	24,869	33,700	397,215
Interest charge	16,117	7,674	835	6,310	1,232	2,055	34,223
Converted into ordinary shares	(191,029)	-	-	-	-	-	(191,029)
At 31 December 2016 and 1 January 2017	48,910	49,921	8,047	71,675	26,101	35,755	240,409
Interest charge	1,896	3,939	655	5,721	1,962	3,320	17,493
Converted into ordinary shares	-	(53,860)	(8,702)	(77,396)	-	-	(139,958)
<b>As at 30 June 2017</b>	<b>50,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,063</b>	<b>39,075</b>	<b>117,944</b>
Classified as current liabilities	-	-	-	-	(28,063)	(39,075)	(67,138)
Non-current liabilities	50,806	-	-	-	-	-	50,806

## 13. Dividend

The Board of the Company does not recommend the payment of an interim dividend throughout the six months ended 30 June 2017.

## 14. Charge on group's assets

As at 30 June 2017, the Group had not pledged any assets to secure any loans or borrowings.

## 15. 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**

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 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 and circular dated 28 April 2017 and 26 July 2017 respectively.

Apart from the above mentioned, the Group had no other significant acquisition or disposal of investments during the six months ended 30 June 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 six months period ended 30 June 2017, the revenue of the Group from continuing operations were approximately HK\$118.06 million and HK\$92.13 million in the corresponding period in 2016. Gross profit for the continuing operations is approximately HK\$38.65 million. The entire revenue is generated from retail and wholesales of wine, cigar and golf business.

### **Other revenues**

For the six months ended 30 June 2017, the Group obtained approximately HK\$3.07 million in other revenues from continuing operations.

### **Administrative expenses**

Administrative expenses from continuing operations increased from approximately HK\$14.76 million for the six months ended 30 June 2016 to approximately HK\$16.95 million in the corresponding period in 2017, primarily due to the increase of rental expenses in 2017.

### **Finance costs**

Finance costs from continuing operations were approximately HK\$17.50 million for the six months ended 30 June 2017 and HK\$13.96 million in the corresponding period in 2016. The finance costs were mainly consisted of convertible bonds imputed interest. The increase of finance costs mainly attributable to the increase in convertible bonds interest in 2017.

### **Results of the period**

The unaudited profit attributed to shareholders approximately HK\$1.96 million for the six months ended 30 June 2017 and unaudited loss attributed to shareholders approximately HK\$15.04 million in the corresponding period in 2016.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The bank balances and cash of the Group was amounting to HK\$29.08 million as at 30 June 2017 and HK\$195.53 million as at 31 December 2016.

## **CAPITAL STRUCTURE**

In January 2014, the Group issued convertible bonds with principal amount of HK\$312 million (the “CB I”). For the CB I, approximately HK\$257.40 million was converted during the six months ended 30 June 2017. As at 30 June 2017, principal amount of HK\$54.60 million CB I was outstanding with conversion price of HK\$2.45 per share.

In January 2016, the Group issued convertible bonds with principal amount of HK\$100 million (the “CB II”) as consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB II 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 II. The CB II was fully converted as at 30 June 2017.

In May 2016, the Group issued convertible bonds with principal amount of HK\$10 million (the “CB III”) for the Group’s general working capital and repayment of other debts. The CB III 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 III. The CB III was fully converted as at 30 June 2017.

In July 2016, the Group issued convertible bonds with principal amount of HK\$90 million (the “CB IV”) to raise funds for the Group’s general working capital and repayment of other debts and payable. The CB IV 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 IV. The CB IV was fully converted as at 30 June 2017.

In August 2016, the Group issued convertible bonds with principal amount of HK\$25 million (the “CB V”) to raise funds for the repayment of convertible bonds. The CB V 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 V. The CB V has not been converted as at 30 June 2017.

In September 2016, the Group issued convertible bonds with principal amount of HK\$35 million (the “CB VI”) to raise funds for the Group’s general working capital and purchasing inventory. The CB VI 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 VI. The CB VI has not been converted as at 30 June 2017.

As at 30 June 2017, the Group’s gearing ratio (total liabilities by total assets) is 36% (31 December 2016: 61%). It is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

### **CHARGE ON GROUP ASSETS**

As at 30 June 2017, the Group had not pledged any assets to secure any loans or borrowings.

### **FOREIGN EXCHANGE EXPOSURE**

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

### **CONTINGENT LIABILITIES**

As at 30 June 2017, the Group did not have any material contingent liabilities.

### **STAFF AND REMUNERATION POLICIES**

As at 30 June 2017, the Group employed a workforce with head count of approximately 50. Employee benefit expenses from including directors’ emoluments, amounted to approximately HK\$6.87 million. The Group’s remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement scheme and medical insurance.

### **ACQUISITIONS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as disclosed above, the Group had no other acquisitions or disposals of subsidiaries and affiliated companies for the six months ended 30 June 2017.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 30 June 2017.



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

As at 30 June 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 of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Approximate percentage of issued share capital
Mr. Xue Huixuan ( <i>Note</i> )	Beneficial	–	22,285,714	0.74%

*Note:*

Mr. Xue Huixuan, an executive Director of the Company has interest in the Company.

### Long positions in the underlying shares

Save as disclosed above, as at 30 June 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 30 June 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	5.01%
Radiant Thrive Enterprises Limited <i>(Note 2)</i>	Beneficial	200,000,000	–	200,000,000	6.60%
Wang Tak Investment Limited <i>(Note 3)</i>	Beneficial	–	152,173,913	152,173,913	5.02%

#### 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. 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 June 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 16 June 2017 (“the Scheme”), which became effective for a period of 10 years commencing on 16 June 2017. 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 28 days from the date of offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

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

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

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

As at 30 June 2017, no share options were outstanding.

## **COMPETING INTERESTS**

The directors of the Company are not aware of, as at 30 June 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 compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

## **CORPORATE GOVERNANCE PRACTICES**

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Corporate Governance Code as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the period ended 30 June 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 Code on Corporate Governance Practices of the GEM Listing Rules, to review the Group's financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the Board.

The audit committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua (Chairman), Mr. Xu Jingan and Mr. Chang Jun. The Group's unaudited results for the six months ended 30 June 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 six months ended 30 June 2017.

On behalf of the Board

**CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED**

**Pan Xiaodong**

*Chairman*

Hong Kong, 14 August 2017

*As at the date of this report, the Board comprises five executive Directors, namely Mr. Pan Xiaodong (Chairman), Mr. Cheng Chun Tak, Mr. Xue Huixuan, Mr. Stephen William Frostick and Ms. Li Ka Ki, 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.*