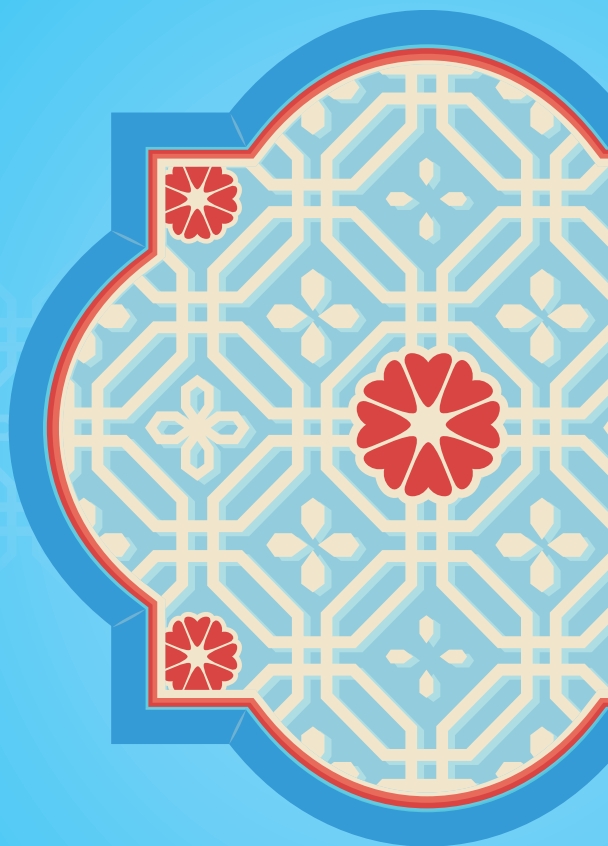


# CHINA FORTUNE INVESTMENTS

中國幸福投資

Half-Year Report  
2018



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 GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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 GEM.**

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## **FINANCIAL HIGHLIGHT**

- Recorded an unaudited turnover of the Group approximately HK\$166.9 million for the six months ended 30 June 2018 and HK\$118.1 million for the six months ended 30 June 2017. Gross profit is approximately HK\$67.6 million in 2018 and approximately HK\$38.7 million in 2017;
- Recorded an unaudited profit attributable to the equity holders of the Company of approximately HK\$10.9 million, for the six months ended 30 June 2018;
- The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2018.

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 2018, 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 2018

	NOTES	(Unaudited) Three months ended 30 June 2018		(Unaudited) Six months ended 30 June 2018	
		2017 2018 HK\$'000	2017 2018 HK\$'000	2017 2018 HK\$'000	2017 2018 HK\$'000
Revenue	2	114,677	66,236	166,939	118,062
Cost of sales		(78,428)	(46,097)	(99,359)	(79,412)
Gross profit		36,249	20,139	67,580	38,650
Other income and gains, net	2	1,576	2,831	2,297	3,073
Selling and distribution expenses		(2,564)	–	(3,937)	–
Administrative expenses		(12,443)	(10,935)	(23,866)	(16,950)
Finance costs		(10,719)	(7,878)	(19,764)	(17,497)
Profit before income tax expenses	4	12,099	4,157	22,310	7,276
Income tax expenses	5	(5,816)	(2,694)	(11,396)	(5,337)
Profit for the period		6,283	1,463	10,914	1,939
Profit for the period attributable to:					
Owners of the Company		6,268	1,473	10,913	1,962
Non-Controlling interests		15	(10)	1	(23)
		6,283	1,463	10,914	1,939

	NOTES	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Profit for the period		6,283	1,463	10,914	1,939
<b>Other comprehensive (expenses)/income:</b>					
Exchange difference on translation of foreign operations		(5,458)	–	136	–
Other comprehensive income for the period, net of tax		825	–	11,050	–
<b>Total comprehensive income for the period</b>		<b>825</b>	<b>1,463</b>	<b>11,050</b>	<b>1,939</b>
<b>Profit attributable to:</b>					
Shareholders of the Company		810	1,473	11,049	1,962
Non-controlling interest		15	(10)	1	(23)
		<b>825</b>	<b>1,463</b>	<b>11,050</b>	<b>1,939</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company		810	1,473	11,049	1,962
Non-controlling interest		15	(10)	1	(23)
		<b>825</b>	<b>1,463</b>	<b>11,050</b>	<b>1,939</b>
<b>Earnings per share attributable to Shareholder of the Company</b>	6				
Basic ( <i>HK cents per share</i> )		0.21	0.06	0.36	0.08
Diluted ( <i>HK cents per share</i> )		0.29	0.28	0.58	0.59

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		(Unaudited) As at 30 June 2018 <i>HK\$'000</i>	(Audited) As at 31 December 2017 <i>HK\$'000</i>
	<i>NOTES</i>		
<b>Non-current assets</b>			
Property, plant and equipment	7	48,183	45,379
Goodwill		260,587	260,587
Other intangible assets	8	48,394	49,816
Deposit and prepayments		1,067	1,067
		<b>358,231</b>	356,849
<b>Current assets</b>			
Inventories		146,969	68,002
Trade receivables	9	69,985	100,057
Loan and interest receivables		10,000	10,150
Other receivables, deposits and prepayments		221,891	87,693
Cash and cash equivalents		65,365	226,150
		<b>514,210</b>	492,052
<b>Current liabilities</b>			
Trade payables	10	4,290	873
Accruals, other payables and deposits received		82,716	97,387
Secured bank borrowings		–	662
Amounts due to directors		5,411	5,834
Tax payable		11,596	7,863
Convertible bonds	12	131,842	70,401
Contingent consideration payable		–	49,564
		<b>235,855</b>	232,584
<b>NET CURRENT ASSETS</b>		<b>278,355</b>	259,468
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>636,586</b>	616,317

		(Unaudited) As at 30 June 2018 <i>HK\$'000</i>	(Audited) As at 31 December 2017 <i>HK\$'000</i>
	<i>NOTES</i>		
<b>Non-current liabilities</b>			
Other payable		–	559
Secured bank borrowings		4,954	4,501
Convertible bonds	12	84,379	88,912
Promissory notes payables		79,467	72,449
Deferred tax liabilities		10,937	10,943
Contingent consideration payable		42,775	42,775
Total non-current liabilities		<b>222,512</b>	220,139
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>414,074</b>	396,178
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	11	15,156	15,156
Reserves		398,547	380,652
Non-controlling interest		371	370
<b>TOTAL EQUITY</b>		<b>414,074</b>	396,178

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018

	(Unaudited)	
	Six months	
	ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash outflow from operating activities</b>	<b>(156,905)</b>	(163,665)
<b>Net cash outflow from investing activities</b>	<b>(53,124)</b>	(132)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>50,606</b>	(2,649)
<b>Decrease in cash and cash equivalents</b>	<b>(159,423)</b>	(166,446)
<b>Effect of foreign exchange rate changes</b>	<b>(1,362)</b>	-
<b>Cash and cash equivalents at the beginning of the period</b>	<b>226,150</b>	195,530
<b>Cash and cash equivalents at the end of the period</b>	<b>65,365</b>	29,084
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>65,365</b>	29,084



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 (unaudited)

	Share Capital	Share Premium	Merger Reserve	Statutory Surplus Reserve	Convertible Bonds Equity Reserve	Exchange Currency Translations Reserves	Accumulated Losses	Non- controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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>
Six months ended 30 June 2018									
At 1 January 2018	15,156	1,995,281	(46,815)	207	49,267	705	(1,617,993)	370	396,178
Exchange difference on translation of foreign operations	-	-	-	-	-	(569)	-	-	(569)
Issue of convertible bonds	-	-	-	-	7,551	-	-	-	7,551
Transfer to statutory surplus reserve	-	-	-	2,678	-	-	(2,678)	-	-
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	10,913	1	10,914
At 30 June 2018	<u>15,156</u>	<u>1,995,281</u>	<u>(46,815)</u>	<u>2,885</u>	<u>56,818</u>	<u>136</u>	<u>(1,609,758)</u>	<u>371</u>	<u>414,074</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 2017. 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>
HKFRS 17	Insurance Contracts <sup>5</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 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 & HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Investment Property <sup>1</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</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 or 1 January 2018, as appropriate

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021

**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 (i) the net invoiced value of goods sold, after allowances for returns, trade discounts, value added tax and consumption tax, (ii) the income from provision of consultancy service on the P2P online platform, and (iii) provision of money lending service.

An analysis of the revenue, other income and gains, net, as follows:

	<b>(Unaudited) Three months ended 30 June</b>		<b>(Unaudited) Six months ended 30 June</b>	
	<b>2018 HK\$'000</b>	<b>2017 HK\$'000</b>	<b>2018 HK\$'000</b>	<b>2017 HK\$'000</b>
<b>Revenue</b>				
Wine and Cigar business	<b>16,693</b>	57,771	<b>34,443</b>	107,735
Golf business	<b>9,827</b>	8,465	<b>16,757</b>	10,327
Watch & Jewelleries business	<b>67,975</b>	–	<b>69,817</b>	–
P2P loan facilitation services	<b>19,732</b>	–	<b>45,022</b>	–
Money lending	<b>450</b>	–	<b>900</b>	–
	<b>114,677</b>	66,236	<b>166,939</b>	118,062
<b>Other income and gains, net</b>				
Bank interest income	–	2	–	2
Others	<b>1,576</b>	2,829	<b>2,297</b>	3,071
	<b>1,576</b>	2,831	<b>2,297</b>	3,073
<b>Total revenues</b>	<b>116,253</b>	69,067	<b>169,236</b>	121,135

**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, golf business, watch & jewelleries business, P2P loan facilitation services and money lending services. 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 2018 (Unaudited):

	Wine and Cigar business HK\$'000	Golf business HK\$'000	Watch & Jewelleries business HK\$'000	P2P loan facilitation services HK\$'000	Money lending HK\$'000	Total HK\$'000
<b>Period ended 30 June 2018</b>						
<b>Segment revenue:</b>						
Sales to external customers	34,443	16,757	69,817	45,022	900	166,939
<b>Segment results</b>	6,132	939	7,683	25,153	891	40,798
<b>Reconciliation:</b>						
Other income						2,297
Corporate and other unallocated expenses						(12,417)
Finance costs						(19,764)
<b>Profit for the period</b>						<b>10,914</b>

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

	Wine and Cigar business HK\$'000	Golf business HK\$'000	Watch & Jewelleries business HK\$'000	P2P loan facilitation services HK\$'000	Money lending 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</b>						<b>1,939</b>

3. Operating segment information (continued)

*Geographical information*

(a) Revenue from external customers

	(Unaudited) Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Hong Kong	121,918	118,062
Mainland China	45,021	–
	<b>166,939</b>	<b>118,062</b>

(b) Non-current assets

	(Unaudited) 30 June 2018 HK\$'000	(Audited) 31 December 2017 HK\$'000
Hong Kong	5,563	3,110
Mainland China	42,620	42,269
	<b>48,183</b>	<b>45,379</b>

4. Profit before income tax expenses

	(Unaudited) Three months ended 30 June 2018 HK\$'000	2017 HK\$'000	(Unaudited) Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Profit before tax has been arrived after charging:				
Cost of sales	78,428	66,236	99,359	79,412
Depreciation of property, plant and equipment	615	328	1,413	649
Amortisation of intangible assets	711	711	1,422	1,422
Operating lease rental in respect of rented premises	1,649	2,240	3,496	4,734
Staff costs, including directors' emoluments:				
– Basic salaries and other benefits	6,381	3,085	12,446	6,867

5. **Income tax expenses**

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

		<b>(Unaudited)</b>		<b>(Unaudited)</b>	
		<b>Three months</b>		<b>Six months</b>	
		<b>ended 30 June</b>		<b>ended 30 June</b>	
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations:</b>					
Hong Kong profits tax	(i)	<b>2,425</b>	2,694	<b>3,009</b>	5,337
Overseas taxation	(ii)	<b>3,391</b>	–	<b>8,387</b>	–
		<b>5,816</b>	2,694	<b>11,396</b>	5,337

*Notes:*

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

6. **Earnings per share**

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

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
		<b>ended 30 June</b>
		<b>2018</b>
		<b>2017</b>
		<b>HK\$'000</b>
		<b>HK\$'000</b>
<b>Profit for the period</b>		
Profit for the period attributable to owners of the Company		<b>10,913</b>
Effect of dilutive potential ordinary share:		1,962
Interest on convertible bonds (net of tax)		<b>13,192</b>
Profit for the purpose of diluted earnings per share		<b>24,105</b>
		17,497
		19,459

6. Earnings per share (continued)

	(Unaudited) As at 30 June 2018	2017
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>3,031,101,766</b>	2,482,021,751
Effect of dilutive potential ordinary share: Convertible bonds	<b>1,119,846,535</b>	813,917,299
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>4,150,948,301</b>	3,295,939,050

7. Property, plant and equipment

	(Unaudited) 30 June 2018 <i>HK\$'000</i>	(Audited) 31 December 2017 <i>HK\$'000</i>
Net book value as at 1 January	<b>45,379</b>	4,411
Additions	<b>3,276</b>	290
Acquisition of subsidiaries	-	42,111
Depreciation	<b>(1,413)</b>	(1,280)
Elimination upon disposal	-	(406)
Exchange rate adjustment	<b>941</b>	253
Net book value, end of the period/year	<b>48,183</b>	45,379

## 8. Other Intangible Assets

	<b>Customer relationship</b> <i>HK\$'000</i> <i>(Note a)</i>	<b>Brand name</b> <i>HK\$'000</i> <i>(Note b)</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>			
At 1 January 2018 and 30 June 2018	14,220	41,047	55,267
<b>Accumulated Amortisation</b>			
At 1 January 2018	5,451	–	5,451
Charged for the period	1,422	–	1,422
At 30 June 2018	6,873	–	6,873
<b>Carrying Values</b>			
At 30 June 2018	7,347	41,047	48,394
At 31 December 2017	8,769	41,047	49,816

*Notes:*

- (a) The customer relationship was acquired as part of the acquisition of Maxpark Group and was recognised at its fair value at the acquisition date. The customer relationship has a finite useful life and is amortised on a straight-line basis over 5 years.
- (b) The brand name is acquired as part of the acquisition of Affluent Group and is recognised as its fair value at the acquisition date.

The brand name is considered by the management of the Group as having indefinite useful lives because it is expected to contribute to net cash flows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.



## 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>	181 to 360 days <i>HK\$'000</i>	Over 360 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2018	31,183	12,563	4,369	8,936	12,934	–	69,985
As at 31 December 2017	24,099	16,600	7,407	30,380	21,284	287	100,057

## 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 2018	4,003	60	–	227	–	4,290
As at 31 December 2017	609	200	50	12	2	873

## 11. Share capital

	The Company			
	30 June 2018		31 December 2017	
	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	3,031,101,766	15,156	3,031,101,766	15,156
At 30 June	3,031,101,766	15,156	3,031,101,766	15,156

## 12. Convertible bonds

In January 2014, the Group issued convertible bonds with an aggregate principal amount of HK\$312,000,000 due in 2019 with conversion price of HK\$2.45 per share (adjusted) (the "CB I") to settle the Group's contingent consideration payable. The CB I do not bear any interest. The effective interest rate of the liability component is 7.92% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB I. As at 30 June 2018, the CB I with an aggregate principal amount of HK\$54,600,000 remained outstanding.

In September 2017, the Group issued convertible bonds with an aggregate principal amount of HK\$69,000,000 due in 2018 with conversion price of HK\$0.133 per share (the "CB II"). The Company intended to use up all HK\$69,000,000 for repayment of matured convertible bonds. The CB II does not bear any interest. The effective interest rate of the liability component is 19.66% per annum. The maturity date is one year from the date of issue of the CB II. As at 30 June 2018, the CB II with an aggregate principal amount of HK\$69,000,000 remained outstanding.

In November 2017, the Group issued convertible bonds with an aggregate principal amount of HK\$80,000,000 due in 2022 with conversion price of HK\$0.165 per share (the "CB III") as part of the consideration for acquisition for Affluent Grand Limited. The CB III does not bear any interest. The effective interest rate of the liability component is 18.72% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB III. As at 30 June 2018, the CB III with an aggregate principal amount of HK\$80,000,000 remained outstanding.

In April 2018, the Group issued convertible bonds with an aggregate principal amount of HK\$100,000,000 due in 2023 with conversion price of HK\$0.42 per share (the "CB IV") as final consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB IV does not bear any interest. The effective interest rate of the liability component is 19.15% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB IV. As at 30 June 2018, the CB IV with an aggregate principal amount of HK\$100,000,000 remained outstanding.

During the period ended 30 June 2018, the fair value of the liability component upon recognition of the CB IV at the issue date was estimated based on the valuation performed by an independent valuation firm. The residual amount was assigned as the equity component and was included in the convertible bonds equity reserve.

## 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 HK\$'000
	CB I HK\$'000	CB II HK\$'000	CB III HK\$'000	CB IV HK\$'000	
Proceeds of issue	236,376	69,000	80,000	51,267	436,643
Equity component	(12,554)	(2,687)	(44,383)	(7,551)	(67,175)
Liability component					
at date of issue	223,822	66,313	35,617	43,716	369,468
Interest charge	19,989	4,088	513	–	24,590
Converted into ordinary shares	(191,029)	–	–	–	(191,029)
At 31 December 2017 and 1 January 2018	52,782	70,401	36,130	43,716	203,029
Interest charge	2,049	6,610	3,237	1,296	13,192
<b>As at 30 June 2018</b>	<b>54,831</b>	<b>77,011</b>	<b>39,367</b>	<b>45,012</b>	<b>216,221</b>
Classified as current liabilities	54,831	77,011	–	–	131,842
Non-current liabilities	–	–	39,367	45,012	84,379

## 13. Dividend

The Board does not recommend the payment of an interim dividend throughout the six months ended 30 June 2018 (2017: Nil).

## 14. Charge on group's assets

As at 30 June 2018, a property situated in PRC held by a subsidiary of the Group was pledged to secure bank borrowings of the Group. Save as disclosed above, no other Group's assets were charged or pledged 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.

## **Trading of internationally renowned watch brands and luxury and prestigious jewellerys in Hong Kong**

On 19 January 2018, the Group announced that the commencement of the trading of internationally renowned watch brands and luxury and prestigious jewellerys in Hong Kong through a direct subsidiary of Maxpark, Queensway Watch & Jewellery Limited (“Queensway Watch”) with a view to strengthen the existing retail and trading business of Maxpark Group. The Group expects that the expansion will enable the Group to diversify its product category to enrich the Group’s retail and trading business portfolio which will broaden the income streams of the Group.

### ***I Products***

Queensway Watch will focus on high-grade watch products. Taurbillion, Luxury watch or Miniature Painting watch be the initial type of products to source by Queensway Watch.

## ***II Supplier***

Queensway Watch will source the watch products mainly from the manufacturer directly in United States and Switzerland. The suppliers including Richard Mille, Audemars Piguet and Bovet 1822 which are the large and well-known luxury watch producer in the market.

## ***III Customers***

The customers for Queensway Watch mainly include high net-worth individuals.

The Group expects this business expansion to grow steadily and generate sustainable income in the coming future.

## **Money Lending Business in Hong Kong**

China Fortune Investments Finance Limited (“CFI Finance”) is an indirect subsidiary of the Group, which was incorporated in 2016 in Hong Kong. A money lender license was granted to CFI Finance in 2017 in accordance with the Money Lenders Ordinance to carry on money lending business. CFI Finance targets to provide customers with a wide range of loan products and services to meet their financial needs. CFI Finance targets to provide secured loans to customers including individuals and corporations.

## **P2P online credit platform in China**

The Group will take a cautious approach due to tightening of the credit markets of PRC’s P2P industry in 2018 as well as the uncertain standpoint of the PRC government, which caused a number of P2P platforms to fail in recent months. The market condition has affected the lenders’ confidence on P2P platform and resulted in funds flowing out significantly. It is believed that it is a transitional period of the P2P industry and is unfavourable to the Group’s business generally. However, the Directors will continue to closely monitor the situation and will take the appropriate actions where necessary.

Affluent Grand Limited (“Affluent”) and its subsidiaries (collectively “Affluent Group”) engages in the P2P online lending services in the PRC through its indirect subsidiary 口貸網絡服務股份有限公司 (“OPCO”).

OPCO provides matching services to borrowers and private lenders through the P2P online platform and its branches at Chengdu, Shenzhen and Beijing. OPCO may at its discretion consider acquiring the defaulted loans from the lenders where appropriate after having regard to factors such as whether the value of the pledged assets provide sufficient margin to cover the amount of such defaulted loans, the potential profit from the defaulted loans such as extra penalty interest and the financial resources of OPCO. All the loans are secured by landed properties located in the PRC. The average loan size handled by OPCO ranged from RMB100,000 to RMB1,000,000 with average repayment terms ranging from 3 to 6 month. The primary source of income of OPCO came from the service fees charged on the borrowers. OPCO also charged service fees on the lenders depending on the level of past transaction records by the lenders with OPCO.

### **Group's other business**

Apart from the above mentioned, the Group had no other significant acquisition or disposal of investments during the six months ended 30 June 2018.

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 2018, the unaudited consolidated revenue of the Group was approximately HK\$166.9 million and HK\$118.1 million in the corresponding period in 2017. Gross profit is a approximately HK\$67.6 million. The revenue approximately HK\$51.2 million was generated from retail and wholesales of wine, cigar and golf products, approximately HK\$69.8 million was generated from trading of watches & jewelleryes business, approximately HK\$45.0 million was generated from P2P online platform and HK\$900,000 was generated from loan interest income.

### **Other revenue**

For the six months ended 30 June 2018, the Group obtained approximately HK\$2.3 million in other revenues. Other revenues mainly comprised of commission income.

### **Selling and distribution expenses**

Selling and distribution expenses amounted to HK\$3.9 million for the six months ended 30 June 2018 (2017: Nil). Selling and distribution expenses mainly included salaries and wages and advertising expenses. All of the selling and distribution expenses were generated from P2P online platform in the PRC.

### **Administrative expenses**

Administrative expenses increased from approximately HK\$17.0 million for the six months ended 30 June 2017 to approximately HK\$23.9 million in the corresponding period in 2018. Administrative expenses mainly included salaries and wages, rental expenses and amortisation of intangible assets.

### **Finance costs**

Finance costs increased from HK\$17.5 million for the six months ended 30 June 2017 to approximately HK\$19.8 million in the corresponding period in 2018. The finance costs were mainly consisted of imputed interest in convertible bonds, interest in promissory notes and interest in bank borrowings. The increase of finance costs was mainly attributed to the interest in promissory notes.

## Results for the period

The unaudited profit attributed to shareholders approximately HK\$10.9 million for the six months ended 30 June 2018 and unaudited profit attributed to shareholders was approximately HK\$2.0 million in the corresponding period in 2017. The changes in 2018 was mainly attributed to the profits generated from P2P online credit platform.

## LIQUIDITY AND FINANCIAL RESOURCES

The bank balances and cash of the Group was amounting to HK\$65.4 million as at 30 June 2018 and HK\$226.2 million as at 31 December 2017.

## 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\$257.4 million was converted during the six months ended 30 June 2018. As at 30 June 2018, principal amount of HK\$54.6 million CB I was outstanding with conversion price of HK\$2.45 per share.

In September 2017, the Group issued convertible bonds with principal amount of HK\$69 million (the “CB II”) as repayment of the convertible bonds aggregate outstanding amount of HK\$69 million issued on 3 August 2016 and 24 August 2016 respectively. The CB II do not bear any interest. The effective interest rate of liability is 19.66% per annum. The maturity dates is on the first anniversary of the date of issue of the CB II. The CB II has not been converted as at 30 June 2018.

In November 2017, the Group issued convertible bonds with principal amount of HK\$80 million (the “CB III”) as part of the consideration for acquisition of Affluent Grand Limited. The CB III do not bear any interest. The effective interest rate of liability is 18.72% per annum. The maturity dates is on the fifth anniversary of the date of issue of the CB III. The CB III has not been converted as at 30 June 2018.

In April 2018, the Group issued convertible bonds with principal amount of HK\$100 million (the “CB IV”) as consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB IV do not bear any interest. The effective interest rate of liability is 19.15% per annum. The maturity dates is on the fifth anniversary of the date of issue of the CB IV. The CB IV has not been converted as at 30 June 2018.

As at 30 June 2018, the Group’s gearing ratio (total liabilities by total assets) is 53% (31 December 2017: 53%). 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 2018, a property situated in PRC held by a subsidiary of the Group was pledged to secure bank borrowings of the Group. Save as disclosed above, no other Group's assets were charged or pledged to secure any loans or borrowings.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group did not have any material contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2018, the Group employed a workforce with head count of 121, of which 78 were employed in the PRC. Employee benefit expenses, including directors' emoluments, amounted to approximately HK\$12.4 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 six months ended 30 June 2018.

## **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 2018.

## **FUND RAISING ACTIVITIES OF THE COMPANY UNDER GENERAL MANDATE**

The Group did not have any fund raising activities under general mandate for the six months ended 30 June 2018.

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

As at 30 June 2018, 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 2018, so far as is known to the Directors of the Company, the following persons (other than a Director and the chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Long positions in the ordinary shares of HK\$0.005 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Shiny Valour Limited (Note 1)	Beneficial	152,000,000	–	152,000,000	5.01%
New League Limited (Note 2)	Beneficial	119,200,000	238,095,238	357,295,238	11.79%
Radiant Thrive Enterprises Limited (Note 2)	Beneficial	201,470,398	–	201,470,398	6.65%
Rock Action Investments Co., Ltd. (Note 3)	Beneficial	–	216,165,413	216,165,413	7.13%
Wang Tak Investment Limited (Note 3)	Beneficial	–	302,631,579	302,631,579	9.98%
Tai Quan Enterprises Limited (Note 4)	Beneficial	–	242,424,242	242,424,242	8.00%
Extreme Rich Corporate Development Limited (Note 5)	Beneficial	–	242,424,242	242,424,242	8.00%

#### Notes:

- Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.
- New League Limited is wholly owned by Radiant Thrive Enterprises Limited which is deemed to be interested in the shares. Radiant Thrive Enterprises Limited is wholly owned by Zhang Cheng who is deemed to be interested in the shares.

3. Rock Action Investments Co., Ltd. and Wang Tak Investment Limited are wholly owned by Zou Lian Di who is deemed to be interested in the shares.
4. Tai Quan Enterprises Limited is wholly owned by Zhao Xin who is deemed to be interested in the shares.
5. Extreme Rich Corporate Development Limited is wholly owned by Ren Wei who is deemed to be interested in the shares.

Save as disclosed above, as at 30 June 2018, 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 2018, no share options were outstanding.

## **COMPETING INTERESTS**

The Directors of the Company are not aware of, as at 30 June 2018, 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 2018.

## **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 six months ended 30 June 2018 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 2018.

On behalf of the Board

**CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED**

**Pan Xiaodong**

*Chairman*

Hong Kong, 14 August 2018

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