



**CHINA
FORTUNE
INVESTMENTS**
中國幸福投資
First Quarterly Report
2019



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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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 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\$15.04 million for the three months ended 31 March 2019 and HK\$26.97 million for the three months ended 31 March 2018. Gross profit from continuing operations is approximately HK\$2.64 million in 2019 and approximately HK\$7.85 million in 2018;
- Recorded an unaudited loss attributable to the equity holders of the Company of approximately HK\$13.25 million, for the three months ended 31 March 2019;
- The Directors do not recommend the payment of a dividend for the three months ended 31 March 2019.



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 2019, 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 2019

	NOTES	(Unaudited) For the three months ended 31 March 2019 HK\$'000	2018 HK\$'000 (Represented)
Continuing operations			
Revenue	2	15,040	26,973
Cost of sales		(12,396)	(19,119)
Gross profit		2,644	7,854
Other income and gains, net	2	571	721
Administrative expenses		(8,269)	(9,354)
Finance costs		(8,196)	(8,991)
Loss before income tax expenses		(13,250)	(9,770)
Income tax expenses	3	(3)	(585)
Loss for the period from continuing operations		(13,253)	(10,355)
Discontinued operations			
Profit for the period from discontinued operations		-	14,986
(Loss)/profit for the period		(13,253)	4,631
(Loss)/profit for the period attributable to:			
Owners of the Company		(13,253)	4,645
Non-Controlling interests		-	(14)
		(13,253)	4,631

	NOTES	(Unaudited) For the three months ended 31 March	
		2019 HK\$'000	2018 HK\$'000 (Represented)
(Loss)/profit for the period		<u>(13,253)</u>	<u>4,631</u>
Other comprehensive income			
Exchange difference on translation of foreign operations		<u>-</u>	<u>5,594</u>
Other comprehensive income for the period, net of tax		<u>-</u>	<u>5,594</u>
Total comprehensive (expenses)/income for the period		<u>(13,253)</u>	<u>10,225</u>
Total comprehensive (expenses)/income attributable to:			
Shareholders of the Company		<u>(13,253)</u>	10,239
Non-controlling interests		<u>-</u>	<u>(14)</u>
		<u>(13,253)</u>	<u>10,225</u>
(Loss)/earnings per share attributable to Shareholder of the Company			
From continuing and discontinued operations	4		
Basic and diluted (<i>HK cents per share</i>)		<u>(0.44)</u>	<u>0.15</u>
From continuing operations			
Basic and diluted (<i>HK cents per share</i>)		<u>(0.44)</u>	<u>(0.34)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019 (unaudited)

	Share Capital	Share Premium	Merger Reserve	Statutory Surplus 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 2019									
At 1 January 2019	15,156	1,995,281	(46,815)	-	54,131	-	(1,959,257)	376	58,872
Redemption of convertible bonds	-	-	-	-	(12,554)	-	12,554	-	-
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	(13,253)	-	(13,253)
At 31 March 2019	15,156	1,995,281	(46,815)	-	41,577	-	(1,959,956)	376	45,619
Three months ended 31 March 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	-	-	-	-	-	5,594	-	-	5,594
Transfer to statutory surplus reserve	-	-	-	1,379	-	-	(1,379)	-	-
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	4,645	(14)	4,631
At 31 March 2018	15,156	1,995,281	(46,815)	1,586	49,267	6,299	(1,614,727)	356	406,403

Notes:

1. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

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 2018. The condensed consolidated results have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

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

² *Effective for annual periods beginning on or after 1 January 2021.*

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

⁴ *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

⁵ *Effective for annual periods beginning on or after 1 January 2020.*

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 and trade discounts and (ii) provision of money lending service.

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

	(Unaudited)	
	For the three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
		(Represented)
Revenue		
Continuing operations		
Wine & Cigar business	4,297	17,750
Golf business	4,072	6,930
Watches & Jewellery business	6,671	1,843
Money lending	–	450
	<u>15,040</u>	<u>26,973</u>
Other income and gains, net		
Others	571	721
	<u>571</u>	<u>721</u>
Total revenue	<u>15,611</u>	<u>27,694</u>

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	
	2019	2018
	HK\$'000	HK\$'000
		(Represented)
Continuing operations		
Hong Kong profits tax	3	585

Notes:

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. (Loss)/earnings per share

From continuing and discontinued operations

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

	(Unaudited)	
	For the three months	
	ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
(Loss)/profit for the period		
(Loss)/profit for the period attributable to owners of the Company	(13,253)	4,645
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	4,450	5,830
(Loss)/profit for the purpose of diluted earnings per share	(8,803)	10,475

	(Unaudited)	
	As at 31 March	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,031,101,766	3,031,101,766
Effect of dilutive potential ordinary share:		
Convertible bonds	712,197,473	1,025,931,191
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,743,299,239	4,057,032,957

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

From continuing operations

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

	(Unaudited)	
	For the three months	
	ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Loss for the period		
Loss for the period attributable to owners of the Company	(13,253)	(10,355)
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	4,450	5,830
Loss for the purpose of diluted earnings per share	(8,803)	(4,525)

5. **Dividend**

The Board does not recommend the payment of a dividend for the three months ended 31 March 2019 (2018: 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 and trading of internationally renowned watch brands and luxury and prestigious jewelleries 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 and trading of internationally renowned watch brands and luxury and prestigious jewelleries through 6 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, Kasco (Hong Kong) Limited (“HK Subsidiaries”) Queensway Watch & Jewellery Limited (“Queensway Watch”). 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.

Watch & Jewellery business

I Products

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

II Supplier

Queensway Watch will sources 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.

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. The money lender license was expired in June 2019.



Group's other business

Apart from the above mentioned, the Group had no other significant acquisition or disposal of investments during the year ended 31 March 2019.

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 2019, the unaudited consolidated revenue of the Group from continuing operations was approximately HK\$15.04 million and HK\$26.97 million in the corresponding period in 2018. The revenue approximately HK\$8.37 million was generated from retail and wholesales of wine, cigar and golf products and approximately HK\$6.67 million was generated from trading of watches & jewelleryes business.

In 2019, the US-China trade conflicts continues to create pressure on the commodity market. The result of Maxpark Group was influenced by economic dilemma due to US-China trade conflicts. The revenue of Maxpark Group was significantly declined as compared with the same period in 2018.

Other revenue

For the three months ended 31 March 2019, the Group obtained approximately HK\$571,000 in other revenue from continuing operations. Other revenue mainly included disposal of a motor vehicle.

Administrative expenses

Administrative expenses from continuing operations decreased from approximately HK\$9.35 million for the three months ended 31 March 2018 to approximately HK\$8.27 million in the corresponding period in 2019. Administrative expenses mainly included salaries and wages, rental expenses and amortisation of intangible assets.

Finance costs

Finance costs from continuing operations slightly decreased from HK\$8.99 million for the three months ended 31 March 2018 to approximately HK\$8.20 million in the corresponding period in 2019. The finance costs were mainly consisted of imputed interest in convertible bonds and interest in promissory notes. The decrease of finance costs was mainly attributed to the outstanding number of convertible bonds were decreased resulted in the decrease in the imputed interests in convertible bonds.

Results for the period

The unaudited loss attributed to shareholders approximately HK\$13.25 million for the three months ended 31 March 2019 and unaudited profit attributed to shareholders was approximately HK\$4.65 million in the corresponding period in 2018. The deterioration of the results in 2019 was mainly attributed to the business of Maxpark Group was influenced by economic dilemma due to US-China trade conflicts.



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

As at 31 March 2019, 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 2019, 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%
Tai Quan Enterprises Limited (Note 3)	Beneficial	-	242,424,242	242,424,242	8.00%
Extreme Rich Corporate Development Limited (Note 4)	Beneficial	-	242,424,242	242,424,242	8.00%


Notes:

1. Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.
2. 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 Cheng who is deemed to be interested in the shares.
3. Tai Quan Enterprises Limited is wholly owned by Zhao Xin who is deemed to be interested in the shares.
4. 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 31 March 2019, 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 31 March 2019, no share options were outstanding.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2019, 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 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 31 March 2019.

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 2019 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 2019.

On behalf of the Board

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED

Cheng Chun Tak

Chairman

Hong Kong, 1 November 2019

As at the date of this report, the Board comprises three executive Directors, namely Mr. Cheng Chun Tak (Chairman), Mr. Stephen William Frostick and Ms. Li Ka Ki, one non-executive Director, namely Mr. Huang Shenglan and three independent non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua.

