



**CHINA
FORTUNE
INVESTMENTS**
中國幸福投資
Half-Year 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)

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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 turnover of the Group from continuing operations approximately HK\$21.80 million for the six months ended 30 June 2019 and HK\$121.92 million for the six months ended 30 June 2018. Gross profit from continuing operations is approximately HK\$5.03 million in 2019 and approximately HK\$26.31 million in 2018;
- Recorded an unaudited loss attributable to the equity holders of the Company of approximately HK\$28.24 million, for the six months ended 30 June 2019;
- The Board do not recommend the payment of an interim dividend for the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2019

	NOTES	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000 (Represented)	2019 HK\$'000	2018 HK\$'000 (Represented)
Continuing operations					
Revenue	2	6,758	94,945	21,798	121,918
Cost of sales		(4,372)	(76,489)	(16,768)	(95,608)
Gross profit		2,386	18,456	5,030	26,310
Other income and gains, net	2	–	1,569	571	2,290
Administrative expenses		(9,207)	(10,833)	(17,476)	(20,187)
Finance costs		(8,169)	(10,660)	(16,365)	(19,651)
Loss before income tax expenses	4	(14,990)	(1,468)	(28,240)	(11,238)
Income tax expenses	5	–	(2,424)	(3)	(3,009)
Loss for the period from continuing operations		(14,990)	(3,892)	(28,243)	(14,247)
Discontinued operations					
Profit for the period from discontinued operations		–	10,175	–	25,161
(Loss)/profit for the period		(14,990)	6,283	(28,243)	10,914
(Loss)/profit for the period attributable to:					
Owners of the Company		(14,991)	6,268	(28,244)	10,913
Non-Controlling interests		1	15	1	1
		(14,990)	6,283	(28,243)	10,914

NOTES	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000 (Represented)	2019 HK\$'000	2018 HK\$'000 (Represented)
(Loss)/profit for the period	(14,990)	6,283	(28,243)	10,914
Other comprehensive (expenses)/income:				
Exchange difference on translation of foreign operations	–	(5,458)	–	136
Other comprehensive (expenses)/income for the period, net of tax	–	(5,458)	–	136
Total comprehensive (expenses)/income for the period	(14,990)	825	(28,243)	11,050
Total comprehensive (expenses)/income attributable to:				
Shareholders of the Company	(14,991)	810	(28,244)	11,049
Non-controlling interest	1	15	1	1
	(14,990)	825	(28,243)	11,050
(Loss)/earnings per share attributable to Shareholder of the Company				
From continuing and discontinued operations Basic and diluted (HK cents per share)	(0.49)	0.21	(0.93)	0.36
From continuing operations Basic and diluted (HK cents per share)	(0.49)	(0.13)	(0.93)	(0.47)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		(Unaudited) As at 30 June 2019 HK\$'000	(Audited) As at 31 December 2018 HK\$'000
	NOTES		
Non-current assets			
Property, plant and equipment	7	4,608	5,116
Goodwill		70,084	70,084
Deposits and prepayments		1,067	1,210
Deferred tax assets		216	216
		75,975	76,626
Current assets			
Inventories		120,978	131,305
Trade receivables	8	124,654	127,231
Loan and interest receivables		–	6,880
Other receivables, deposits and prepayments		23,586	23,030
Financial assets at fair value through profit or loss	9	5,680	–
Cash and cash equivalents		16,609	23,120
		291,507	311,566
Current liabilities			
Trade payables	10	204	1,212
Accruals, other payables and deposits received		137,949	6,535
Amounts due to directors		2,774	5,116
Tax payable		755	752
Convertible bonds	12	–	56,960
Primossoy notes payable		21,701	79,350
		163,383	149,925
NET CURRENT ASSETS		128,124	161,641
TOTAL ASSETS LESS CURRENT LIABILITIES		204,099	238,267

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
		2019	2018
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
Non-current liabilities			
Other payable		–	6,778
Convertible bonds	12	100,370	92,028
Promissory notes payables		73,100	80,590
		<hr/>	<hr/>
Total non-current liabilities		173,470	179,396
		<hr/>	<hr/>
NET ASSETS		30,629	58,871
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	15,156	15,156
Reserves		15,096	43,339
Non-controlling interest		377	376
		<hr/>	<hr/>
TOTAL EQUITY		30,629	58,871
		<hr/>	<hr/>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019

	(Unaudited) Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	131,735	(156,905)
Net cash outflow from investing activities	(66,020)	(53,124)
Net cash (outflow)/inflow from financing activities	(72,226)	50,606
Decrease in cash and cash equivalents	(6,511)	(159,423)
Effect of foreign exchange rate changes	–	(1,362)
Cash and cash equivalents at the beginning of the period	23,120	226,150
Cash and cash equivalents at the end of the period	16,609	65,365
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	16,609	65,365

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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
Six months ended 30 June 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	-	-	-	-	-	-	(28,244)	1	(28,243)
At 30 June 2019	15,156	1,995,281	(46,815)	-	41,577	-	(1,974,947)	377	30,629
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	15,156	1,995,281	(46,815)	2,885	56,818	136	(1,609,758)	371	414,074

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) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Represented)	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Represented)
Revenue				
Continuing operations				
Wine and Cigar business	2,645	16,693	6,942	34,443
Golf business	4,107	9,827	8,179	16,758
Watch & Jewelleries business	6	67,975	6,677	69,817
Money lending	–	450	–	900
	6,758	94,945	21,798	121,918
Other income and gains, net				
Bank interest income	–	–	–	–
Others	–	1,569	571	2,290
	–	1,569	571	2,290
Total revenue	6,758	96,514	22,369	124,208

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, 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 loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that investment and other income, fair value 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 2019 (Unaudited):

	Wine and Cigar business HK\$'000	Golf business HK\$'000	Watch & Jewelleries business HK\$'000	Money lending HK\$'000	Total HK\$'000
From continuing operations					
Period ended 30 June 2019					
Segment revenue:					
Sales to external customers	6,942	8,179	6,677	-	21,798
Segment results	(248)	11	(718)	-	(955)
Reconciliation:					
Other income					571
Corporate and other unallocated expenses					(11,494)
Finance costs					(16,365)
Loss for the period from continuing operations					(28,243)

For the six month ended 30 June 2018 (Unaudited) (Represented):

	Wine and Cigar business HK\$'000	Golf business HK\$'000	Watch & Jewelleries business HK\$'000	Money lending HK\$'000	Total HK\$'000
From continuing operations					
Period ended 30 June 2018					
Segment revenue:					
Sales to external customers	34,443	16,758	69,817	900	121,918
Segment results	6,132	939	7,683	891	15,645
Reconciliation:					
Other income					2,290
Corporate and other unallocated expenses					(12,531)
Finance costs					(19,651)
Loss for the period from continuing operations					(14,247)

Geographical information

As at 30 June 2019, all the Group's continuing operations are located in Hong Kong. The Group's revenue from external customers based on locations are all derived in Hong Kong. All the Group's assets are located in Hong Kong.

4. Loss before income tax expenses

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000 (Represented)	2019 HK\$'000	2018 HK\$'000 (Represented)
Loss before tax from continuing operations has been arrived after charging:				
Cost of sales	4,372	76,489	16,768	95,608
Depreciation of property, plant and equipment	305	248	611	684
Amortisation of intangible assets	-	711	-	1,422
Operating lease rental in respect of rented premises	1,869	1,627	3,746	3,474
Staff costs, including directors' emoluments: - Basic salaries and other benefits	2,925	4,414	6,940	8,792

5. Income tax expenses

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Continuing operations:				
Hong Kong profits tax	-	2,424	3	3,009

Notes:

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

6. **(Loss)/earnings per share**
From continuing and discounted operations

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

	(Unaudited)	
	For the six months	
	ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(Represented)
(Loss)/profit for the period		
(Loss)/profit for the period attributable to owners of the Company	(28,244)	10,913
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	8,712	13,192
(Loss)/profit for the purpose of diluted earnings per share	(19,532)	24,105
	(Unaudited)	
	As at 30 June	
	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	725,543,723	1,119,846,535
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,756,645,489	4,150,948,301

6. (Loss)/earnings per share (continued)
From continuing operations

	(Unaudited) For the six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period		
Loss for the period attributable to owners of the Company	(28,244)	(14,247)
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	8,712	13,192
Loss for the purpose of diluted earnings per share	(19,532)	(1,055)

7. Property, plant and equipment

	(Unaudited) 30 June	(Audited) 31 December
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book value as at 1 January	5,116	45,379
Additions	103	3,304
De-consolidation of subsidiaries	–	(39,883)
Depreciation	(611)	(3,684)
Net book value, end of the period/year	4,608	5,116

8. 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 2019	498	159	129	2,071	66,717	55,080	124,654
As at 31 December 2018	58,486	5,392	895	23,329	38,630	499	127,231

9. Financial assets at fair value through profit or loss

	(Unaudited) 30 June 2019 <i>HK\$'000</i>	(Audited) 31 December 2018 <i>HK\$'000</i>
Current:		
– Listed equity securities in Hong Kong	5,680	–

Note:

Financial assets at fair value through profit or loss include debt securities held by the Group and is listed in The Stock Exchange of Hong Kong Limited. The issuer is engaged in property investment, trading of properties and automobile business.

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 2019	136	15	36	1	16	204
As at 31 December 2018	862	240	–	110	–	1,212

11. Share capital

	The Company			
	30 June 2019		31 December 2018	
	Number of share of <i>HK\$0.005 each</i>	Nominal Value <i>HK\$'000</i>	Number of share of <i>HK\$0.005 each</i>	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. The CB I with an aggregate principal amount of HK\$54,600,000 was fully redeemed during the period.

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 II”) as part of the consideration for acquisition for Affluent Grand Limited. The CB II 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 II. As at 30 June 2019, the CB II 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 III”) as final consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB III 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 III. As at 30 June 2019, the CB III with an aggregate principal amount of HK\$100,000,000 remained outstanding.

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			
	CB I	CB II	CB III	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Proceeds of issue	236,376	80,000	51,267	367,643
Equity component	(12,554)	(44,383)	(7,551)	(64,488)
Liability component				
at date of issue	223,822	35,617	43,716	303,155
Interest charge	24,167	7,277	5,418	36,862
Converted into ordinary shares	(191,029)	–	–	(191,029)
At 31 December 2018 and 1 January 2019	56,960	42,894	49,134	148,988
Interest charge	370	3,842	4,500	8,712
Redeemed during the period	(57,330)	–	–	(57,330)
As at 30 June 2019	–	46,736	53,634	100,370
Classified as current liabilities	–	–	–	–
Non-current liabilities	–	46,736	53,634	100,370

13. Dividend

The Board does not recommend the payment of an interim dividend throughout the six months ended 30 June 2019 (2018: Nil).

14. Charge on group's assets

As at 30 June 2019, none of the 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 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 and 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. Tourbillon, 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.

P2P online credit platform in China

Affluent Grand Limited (“Affluent”) and its subsidiaries (collectively “Affluent Group”) engages in the P2P online lending services in the PRC through its indirect subsidiary 口貨網絡服務股份有限公司 (“OPCO”). OPCO provides matching services to borrowers and private lenders.

According to the Company’s announcements dated 5 October 2018, 18 October 2018, 16 November 2018, 21 December 2018, 24 January 2019, 8 February 2019, 8 May 2019, and 2 August 2019 in relation to the Group’s operation of the P2P online platform and loan facilitation services in China, the Company has set up an investigation committee to investigate into the financial, operational and other affairs of OPCO. An independent investigator was appointed by the investigation committee on 24 January 2019. For details key findings of the independent investigation, please refer to the Company’s announcement dated 30 October 2019.

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 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 six months period ended 30 June 2019, the unaudited consolidated revenue of the Group from continuing operations was approximately HK\$21.80 million and HK\$121.92 million in the corresponding period in 2018. Gross profit from continuing operations is a approximately HK\$5.03 million. The revenue approximately HK\$15.12 million was generated from retail and wholesales of wine, cigar and golf products and approximately HK\$6.68 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 six months ended 30 June 2019, the Group obtained approximately HK\$571,000 in other revenues from continuing operations. Other revenue mainly comprised of the disposal of a motor vehicle.

Administrative expenses

Administrative expenses from continuing operations decreased from approximately HK\$20.19 million for the six months ended 30 June 2018 to approximately HK\$17.48 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 decreased from HK\$19.65 million for the six months ended 30 June 2018 to approximately HK\$16.37 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 of the Company approximately HK\$28.24 million for the six months ended 30 June 2019 and unaudited profit attributed to shareholders was approximately HK\$10.91 million in the corresponding period in 2018. The changes in 2019 was mainly attributed to business of Maxpark Group was influenced by economic dilemma due to US-China conflicts.

LIQUIDITY AND FINANCIAL RESOURCES

The bank balances and cash of the Group was amounting to HK\$16.61 million as at 30 June 2019 and HK\$23.12 million as at 31 December 2018.

CAPITAL STRUCTURE

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. The CB I with an aggregate principal amount of HK\$54,600,000 was fully redeemed during the period.

In November 2017, the Group issued convertible bonds with principal amount of HK\$80 million (the “CB II”) as part of the consideration for acquisition of Affluent Grand Limited. The CB II 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 II. The CB II has not been converted as at 30 June 2019.

In April 2018, the Group issued convertible bonds with principal amount of HK\$100 million (the “CB III”) as consideration to acquire 100% equity interest in Maxpark Enterprises Limited. The CB III 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 III. The CB III has not been converted as at 30 June 2019.

As at 30 June 2019, the Group’s gearing ratio (total liabilities by total assets) is 92% (31 December 2018: 85%). 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 2019, none of the 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 2019, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed a workforce with head count of 37. Employee benefit expenses, including directors' emoluments, amounted to approximately HK\$6.94 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 2019.

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 2019.

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 2019.

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

As at 30 June 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 30 June 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 <i>(Note 1)</i>	Beneficial	152,000,000	-	152,000,000	5.01%
New League Limited <i>(Note 2)</i>	Beneficial	119,200,000	238,095,238	357,295,238	11.79%
Radiant Thrive Enterprises Limited <i>(Note 2)</i>	Beneficial	201,470,398	-	201,470,398	6.65%
Tai Quan Enterprises Limited <i>(Note 3)</i>	Beneficial	-	242,424,242	242,424,242	8.00%
Extreme Rich Corporate Development Limited <i>(Note 4)</i>	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 30 June 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 30 June 2019, no share options were outstanding.

COMPETING INTERESTS

The Directors of the Company are not aware of, as at 30 June 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 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 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 six months ended 30 June 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 six months ended 30 June 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.

