中國幸福投資(控股)有限公司

China Fortune Investments (Holding) Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8116)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 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.

This announcement, 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Continuing operations			
Revenue	5	**62,839**	249,033
Cost of sales		**(52,280)**	(203,781)
Gross profit		**10,559**	45,252
Other income, gains and losses, net	5	**(50,800)**	(35,224)
Selling and distribution expenses		**(4,332)**	(6,763)
Administrative expenses		**(38,572)**	(34,367)
Loss from continuing operations		**(83,145)**	(31,102)
Finance costs	6	**(46,263)**	(43,645)
Loss before tax		**(129,408)**	(74,747)
Income tax credit (expense)	7	**286**	(2,898)
Loss for the year from continuing operations	8	**(129,122)**	(77,645)
Discontinued operation			
Profit for the period from discontinued operation		**–**	23,262
Loss on deconsolidation of subsidiaries		**–**	(288,084)
Loss for the period from discontinued operation		**–**	(264,822)
Loss for the year		**(129,122)**	(342,467)
Loss for the year attributable to:			
Owners of the Company		**(129,126)**	(342,473)
Non-controlling interests		**4**	6
		(129,122)	(342,467)
Loss per share	10		
Basic and diluted			
– For continuing and discontinued operations		**(HK4.26 cents)**	(HK11.30 cents)
– For continuing operations		**(HK4.26 cents)**	(HK2.56 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
Loss for the year	**(129,122)**	(342,467)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**–**	3,943
Release of foreign currency translation reserve upon deconsolidation of subsidiaries	**–**	(4,648)
Other comprehensive expense for the year, net of tax	**–**	(705)
Total comprehensive expense for the year	**(129,122)**	(343,172)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(129,126)**	(343,178)
Non-controlling interests	**4**	6
Total comprehensive expense for the year	**(129,122)**	(343,172)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**3,353**	5,116
Right-of-use assets		**3,511**	–
Deferred tax assets		**572**	216
Goodwill		**23,584**	70,084
Other intangible assets	*11*	**–**	–
Deposits and prepayments		**1,210**	1,210
		32,230	76,626
Current assets			
Inventories		**89,269**	131,305
Trade receivables	*12*	**27,656**	127,231
Financial assets at fair value through profit or loss		**4,080**	–
Loan and interest receivables		**–**	6,880
Other receivables, deposits and prepayments		**1,125**	23,030
Bank balances and cash		**9,304**	23,120
		131,434	311,566
Current liabilities			
Trade payables	*13*	**720**	1,212
Accruals, other payables and deposits received		**19,377**	6,535
Amounts due to directors		**2,906**	5,116
Tax payables		**814**	752
Convertible bonds		**–**	56,960
Promissory note payables		**115,984**	79,350
Lease liabilities		**2,804**	–
		142,605	149,925
Net current (liabilities) assets		**(11,171)**	161,641
Total assets less current liabilities		**21,059**	238,267

	2019	2018
	HK$'000	*HK$'000*
Non-current liabilities		
Other payables	**–**	6,778
Convertible bonds	**50,924**	92,028
Promissory note payables	**39,713**	80,590
Lease liabilities	**966**	–
	91,603	179,396
Net (liabilities) assets	**(70,544)**	58,871
Capital and reserves		
Issued capital	**15,156**	15,156
Reserves	**(86,080)**	43,339
(Deficit) equity attributable to owners of the Company	**(70,924)**	58,495
Non-controlling interests	**380**	376
Total (deficit) equity	**(70,544)**	58,871

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 October 1999 under the Companies Law of the Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited ("Stock Exchange").

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Going concern

The Group incurred a net loss attributable to owners of the Company of approximately HK$129,126,000 for the year ended 31 December 2019 and, as of that date, the Group and the Company had net current liabilities of approximately HK$11,171,000 and HK$133,111,000 respectively and net liabilities of approximately HK$70,544,000 and HK$91,079,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Group's ability to operate as a going concern, the directors of the Company have implemented measures as follow:

(i) The Company has commenced legal proceedings and the directors of the Company considered the Company will be successful in the legal claims against Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (collectively, the "Vendors") and Radiant Thrive Enterprises Limited ("Radiant") in the rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 due to fraudulent misrepresentation and for the return of HK$120,000,000 from the Vendors to the Company and cancellation of the promissory notes that the Company will not be required to repay the promissory notes at the maturity date;

(ii) On 30 March 2020, Glory Wealth Development Holding Limited ("Glory Wealth"), the largest shareholder of the Company has also undertaken to provide continuing financial support to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due, so that the Group can continue as a going concern for the thirteen months from 30 April 2020; and

(iii) The directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The directors have carried out a detailed review of the cash flow forecast of the Group for the coverage period to 31 March 2021, taking into account the impact of above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the date of the annual report, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. 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 Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the above amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and disclosed as "right-of-use assets".

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application on 1 January 2019.

As at 1 January 2019, the Group recognised lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application be applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

– excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

– applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

(1) Measurement of lease liabilities

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5% p.a..

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	9,280
Less: commitments relating to leases exempt from capitalisation	
– Cancellation of lease during year ended 31 December 2019	(2,347)
– Change in allocation basis between lease and non-lease components	(100)
	6,833
Less: future interest expense	(396)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and lease liabilities as at 1 January 2019	6,437
Analysed as	
Current	2,667
Non-current	3,770

(2) Measurement of right-of-use assets

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018. The carrying amount of right-of-use assets for own use relating to operating leases recognised upon application of HKFRS 16 is approximately HK$6,144,000.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019.

	Accumulated losses *HK$'000*
Closing balance at 31 December 2018	1,959,258
Impact of adopting HKFRS 16	293
Opening balance at 1 January 2019	1,959,551

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
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[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

2 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.

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

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptial Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs and the interpretation will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

4. OPERATING SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of all operating subsidiaries) (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on profit (loss), which is a measure of adjusted (loss) profit before tax. Segment performance is evaluated based on reportable segments.

The Group's operating and reportable segments include (i) sales of wine and cigar; (ii) sales of golf products, (iii) sales of watch and jewellery; (iv) provision of money lending service and (v) others.

(a) Segment revenue and results

For the year ended 31 December 2019

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewellery *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE						
External sales	**36,560**	**13,539**	**12,726**	**–**	**14**	**62,839**
Inter-segment sales	**–**	**–**	**–**	**–**	**–**	**–**
Segment revenue	**36,560**	**13,539**	**12,726**	**–**	**14**	**62,839**
RESULTS						
Segment loss	**(4,822)**	**(660)**	**(5,628)**	**(2,816)**	**(3,048)**	**(16,974)**
Finance costs						**(46,263)**
Unallocated corporate income						**550**
Unallocated corporate expenses						**(20,753)**
Gain on early redemption of convertible bonds						**532**
Impairment loss on goodwill						**(46,500)**
Loss before tax from continuing operations						**(129,408)**

For the year ended 31 December 2018

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Watch and jewellery *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Total *HK$'000*
REVENUE						
External sales	46,828	27,063	171,031	1,650	2,461	249,033
Inter-segment sales	–	–	–	–	–	–
Segment revenue	46,828	27,063	171,031	1,650	2,461	249,033
RESULTS						
Segment profit (loss)	8,134	1,866	16,031	(1,933)	390	24,488
Finance costs						(43,645)
Unallocated corporate income						602
Unallocated corporate expenses						(20,022)
Loss on settlement of contingent consideration payable						(1,703)
Impairment loss on other intangible asset						(5,925)
Impairment loss on goodwill						(28,542)
Loss before tax from continuing operations						(74,747)

(b) Segment assets and liabilities

As at 31 December 2019

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
ASSETS							
Segment assets	**48,025**	**11,016**	**4,080**	**68,373**	**59**	**(1,943)**	**129,610**
Bank balances and cash							**9,304**
Unallocated corporate assets							**24,750**
Consolidated assets							**163,664**

Segment liabilities

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
LIABILITIES							
Segment liabilities	**2,261**	**3,929**	**250**	**2,535**	**51**	**(1,943)**	**7,083**
Unallocated corporate liabilities							**227,125**
Consolidated liabilities							**234,208**

As at 31 December 2018

Segment assets

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets	79,700	23,942	6,880	184,309	2,161	296,992
Bank balances and cash						23,120
Unallocated corporate assets						68,080
Consolidated assets						388,192

Segment liabilities

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Total *HK$'000*
LIABILITIES						
Segment liabilities	1,296	2,605	372	2,642	95	7,010
Unallocated corporate liabilities						322,311
Consolidated liabilities						329,321

(c) Other segment information

For the year ended 31 December 2019

	Wine and cigar *HK$'000*	**Golf products** *HK$'000*	**Money lending** *HK$'000*	**Watch and jewellery** *HK$'000*	**Others** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Addition to non-current assets	**52**	**52**	**–**	**–**	**–**	**–**	**104**
Depreciation of property, plant and equipment	**297**	**241**	**–**	**304**	**5**	**247**	**1,094**
Depreciation of right-of-use assets	**728**	**1,905**	**–**	**–**	**–**	**–**	**2,633**

For the year ended 31 December 2018

	Wine and cigar *HK$'000*	Golf products *HK$'000*	Money lending *HK$'000*	Watch and jewellery *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Addition to non-current assets	157	89	–	3,019	11	28	3,304
Amortisation of other intangible assets	–	–	–	–	–	2,844	2,844
Depreciation of property, plant and equipment	286	250	–	303	4	454	1,297

(d) Geographical information

All of the Group's operations are located in Hong Kong.

(e) Information about major customers

Revenues from continuing operations from the Group's largest customer represented 42% of the Group's total turnover. No other single customer contribute 10% or more to the Group's turnover.

5. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's revenue, other income, gains and losses, net for the year from continuing operations is as follows:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Revenue recognised at point in time		
Sale of goods	**62,825**	244,922
Travel agency service income	**14**	2,461
Revenue recognised over time		
Interest income from loan receivables	**–**	1,650
	62,839	249,033
Other income, gains and losses, net		
Sundry income	**157**	86
Net exchange gains	**22**	–
Gain on disposal of property, plant and equipment	**550**	–
Gain on early redemption of convertible bonds	**532**	–
Write off of other receivables	**(2,761)**	–
Impairment loss on goodwill	**(46,500)**	(28,542)
Reversal of allowance for doubtful debts	**1,040**	–
Unrealised loss on revaluation of financial assets at fair value through profit or loss ("FVTPL")	**(3,840)**	–
Loss on settlement of contingent consideration payable	**–**	(1,703)
Impairment loss on other intangible assets	**–**	(5,925)
Other financing service income	**–**	258
Waiver of accrued salaries	**–**	602
	(50,800)	(35,224)

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on:		
– convertible bonds	**16,126**	25,309
– promissory note payables	**29,876**	18,336
– lease liabilities	**261**	–
	46,263	43,645

7. INCOME TAX (CREDIT) EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, Hong Kong profit tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

	2019	2018
	HK$'000	*HK$'000*
Continuing operations:		
Current tax:		
Hong Kong Profits Tax	**70**	4,034
Deferred taxation	**(356)**	(1,136)
	(286)	2,898

Tax (credit) charge for the year can be reconciled to the loss before tax from continuing operations per the consolidated statement of profit or loss as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before tax from continuing operations	**(129,408)**	(74,747)
Tax at the applicable statutory income tax rates	**(21,352)**	(12,333)
Income not subject to tax	**(256)**	–
Expenses not deductible for tax	**20,859**	15,351
Tax effect of deductible temporary difference not recognised	**(6)**	–
Tax effect of tax loss not recognised	**579**	–
Tax concession	**(110)**	(120)
Tax (credit) charge for the year	**(286)**	2,898

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's loss for the year from continuing operations has been arrived at after charging (crediting) the following items:

	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**9,203**	12,308
Retirement benefits scheme contributions	**371**	514
	9,574	12,822
Cost of inventories sold	**52,280**	203,781
Auditors' remuneration		
– audit services	**1,100**	950
– non-audit services	**100**	100
Depreciation of property, plant and equipment	**1,094**	1,297
Depreciation of right-of-use assets	**2,633**	–
Amortisation of other intangible assets	**–**	2,844
Gain on early redemption of convertible bonds	**(532)**	–
Gain on disposal of property, plant and equipment	**(550)**	–
Write off of property, plant and equipment	**773**	–
Loss on settlement of contingent consideration payable	**–**	1,703
Impairment loss on other intangible assets	**–**	5,925
Impairment loss on goodwill	**46,500**	28,542
Allowance for credit losses	**10,149**	110
Allowance for doubtful debts	**–**	3,570
Reversal of allowance for doubtful debts	**(1,040)**	–
Write off of trade receivables	**1,857**	–
Write off of other receivables	**2,761**	–

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(129,126)**	(342,473)
Less: Loss for the period from discontinued operation	**–**	(264,822)
Loss for the purpose of basic loss per share from continuing operations	**(129,126)**	(77,651)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**3,031,101,766**	3,031,101,766

For the year ended 31 December 2018, basic and diluted loss per share for the discontinued operation is HK8.74 cents per share, based on the loss for the period from the discontinued operation of HK$264,822,000 and the denominators detailed above for both basic and diluted loss per share.

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares and the Group's loss attributable to owners of the Company.

The Company has dilutive potential ordinary shares attributable to convertible bonds. The calculation of diluted loss per share in the both year does not assume the conversion of convertible bonds since they are anti-dilutive for the years ended 31 December 2019 and 2018. Accordingly, the diluted loss per share is the same as the basic loss per share.

11. OTHER INTANGIBLE ASSETS

	Customer Relationship *HK$'000*	Brand name *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2018	14,220	41,047	55,267
Deconsolidation of subsidiaries	–	(41,047)	(41,047)
At 31 December 2018, 1 January 2019 and 31 December 2019	14,220	–	14,220
Impairment			
At 1 January 2018	5,451	–	5,451
Amortised for the year	2,844	–	2,844
Impairment loss recognised during the year	5,925	–	5,925
At 31 December 2018, 1 January 2019 and 31 December 2019	14,220	–	14,220
Carrying amounts			
At 31 December 2019	–	–	–
At 31 December 2018	–	–	–

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**39,601**	129,027
Less: Allowance for credit losses	**(11,945)**	(1,796)
	27,656	127,231

As at 31 December 2019, trade receivables from contracts with customers (net of allowance for credit losses) amounted to approximately HK$27,656,000 (2018: approximately HK$127,231,000).

Ageing analysis of the Group's trade receivables net of allowance for credit losses as at the end of the reporting period, based on the invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**4,724**	58,486
31 to 60 days	**26**	5,392
61 to 90 days	**17**	896
91 to 180 days	**38**	23,329
181 to 360 days	**119**	38,630
Over 360 days	**22,732**	498
	27,656	127,231

The Group normally grants a credit period of 30 to 180 days to its customers.

Before accepting new customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customers on individual basis. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Recoverability and credit limit of the existing customers and overdue balances are reviewed by the senior management of the Group on regular basis. In view of the aforementioned and the fact that the Group's trade receivables relate to large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or credit enhancements over its trade receivable balances.

As at 31 December 2019, included in trade receivables were an aggregate amount of approximately HK$22,908,000 (2018: approximately HK$39,144,000) which were past due and regarded as having low default risk by the management of the Company based on regular repayment history in the ECL assessment.

On 30 October 2019, the former convertible bond holder (the "former CB holder") has signed a guarantee document to the Company pursuant to which the former CB Holder unconditionally and irrevocably guaranteed to the Company the due and punctual payment and discharge of trade receivables amounting to approximately HK$24,171,000 due by the certain trade debtors in accordance with agreed repayment schedule.

Ageing of trade receivables which are past due but not impaired is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**31**	33,902
31 to 60 days	**–**	2,086
61 to 90 days	**18**	1,548
91 to 180 days	**114**	1,061
181 to 360 days	**20,223**	547
Over 360 days	**2,522**	–
	22,908	39,144

The movements in allowance for expected credit losses during the years are set out below:

	2019	2018
	HK$'000	*HK$'000*
Balance at beginning of the year	**1,796**	–
Impact on initial application of HKFRS 9	**–**	1,686
	1,796	1,686
Increase in allowance recognised in profit or loss	**10,149**	110
Balance at end of the year	**11,945**	1,796

Included in the allowance for expected credit losses are individually impaired trade debtors with an aggregate balance of approximately HK$11,945,000 (2018: approximately HK$1,796,000). For overdue debts, the Group assessed the customers for potential impairment losses based on the past default experience, payment history of the customers and subsequent settlement.

13. TRADE PAYABLES

The average credit period on purchase of goods is 30 to 60 days. The following is an ageing analysis of trade payables based on the invoice date.

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**437**	862
31 to 60 days	**109**	240
61 to 90 days	**105**	–
91 to 180 days	**52**	110
Over 180 days	**17**	–
	720	1,212

14. EVENTS AFTER THE REPORTING PERIOD

On 16 January 2020, the Company has commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) against Tai Quan Enterprises Limited, Extreme Rich Corporate Development Limited (collectively, the "Vendors") and Radiant Thrive Enterprises Limited ("Radiant"). The Company's principal claims are for:

(i) rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

(ii) declaration that the Vendors are not entitled to enforce the Acquisition Agreement dated 28 April 2017, the convertible bonds Instruments and promissory notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;

(iii) declaration that the Vendors and Radiant are not entitled to enforce the promissory notes dated 27 November 2017;

(iv) return of HK$120,000,000 money from the Vendors; and

(v) damages for fraudulent misrepresentation against the Vendors

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by HLM CPA Limited, the auditor of the Company, regarding the Group's consolidated financial statements for the year ended 31 December 2019.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Uncertainty on going concern

Included in note 29 to the consolidated financial statements, the Company had outstanding promissory notes with principal amounts of approximately HK$155,697,000 as at 31 December 2019 and in which there are two promissory notes (the "P-Notes") with principal amounts of HK$100,000,000 will be matured on 28 November 2020. As at 31 December 2019, the outstanding principal amounts and related outstanding interest in relation the P-Notes recorded in the consolidated financial statements are HK$100,000,000 and approximately HK$13,364,000, respectively.

In addition, we draw attention to note 2 to this announcement, which indicates that the Group reported a net loss attributable to the owners of the Company of approximately HK$129,126,000 for the year ended 31 December 2019, and as of that date, the Group and the Company had net current liabilities of approximately HK$11,171,000 and HK$133,111,000 respectively and net liabilities of approximately HK$70,544,000 and HK$91,079,000, respectively.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon whether (i) the Company will be successful in the legal claims against Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (collectively, the "Vendors"), and Radiant Thrive Enterprises Limited ("Radiant") (details referred in note 14 to this announcement) in the rescission of the acquisition agreement entered between the Company and the Vendors for acquiring the entire share capital of Affluent Grand Limited on 28 April 2017 ("Acquisition Agreement"), the convertible bonds instruments and P-Notes (subsequently transferred to Radiant on 19 June 2018) issued to the Vendors on 27 November 2017 due to fraudulent misrepresentation and for the return of HK$120,000,000 from the Vendors to the Company and cancellation of the P-Notes that the Company will not be required to repay the P-Notes at the maturity date; and (ii) the continuing financial support undertaken by Glory Wealth Development Holding Limited ("Glory Wealth"), the largest shareholder of the Company, to the Group.

Up to the date of this announcement, we were not provided with sufficient appropriate evidence to (i) assess the outcome of the above legal claims; and (ii) ascertain the financial ability of Glory Wealth in relation to the continuing financial support undertaken by Glory Wealth to the Group for the foreseeable future. Given the above scope limitation, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the underlying assumptions on the going concern of the Group are reasonable and supportable.

Should the Group fail to achieve the intended effects of the management's proposal as disclosed in note 2 to this announcement, it might not be able to operate as a going concern, to settle its obligations and commitments and adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

Opening Balance and Corresponding Figures

The consolidated financial statements of the Group for the year ended 31 December 2018, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, included a disclaimer of opinion in view of the possible effects of the de-consolidation of subsidiaries in respect of the departure from Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10"). Details of the disclaimer opinion was set out in the independent auditor's report dated 1 November 2019 which was included in the Company's annual report for the year ended 31 December 2018.

We were unable to obtain sufficient appropriate audit evidence to enable us to assess the possible effects of de-consolidation of subsidiaries for the year ended 31 December 2018. Any adjustments to the opening balances as at 1 January 2019 found to be necessary may affect the balance of accumulated losses as at 1 January 2019 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2019. The comparative figures shown in the consolidated financial statements may not be comparable with the figures for the current year.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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, Queensway Watch & Jewellery Limited ("Queensway Watch") ("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. Moreover, Maxpark Group has also become the exclusive distributor in Hong Kong and Macau of Vuelo, Guapas and Koa series (produced by Nobel Chile) since January 2020. 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. In February 2020, Maxpark Group has entered into a formal agreement with the manufacturer of "Kasco" brand products to be the sole distributor in Hong Kong and Macau of "Kasco" brand golf products to 2024. 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. In March 2020, Maxpark Group also launched its online shops for its wine products, cigar and tobacco (http://www.queenswaywine.com.hk/) and golf products (http://www.queenswaygolf.com.hk/).

Watch & Jewelleries business

I Products

Queensway Watch will focus on high-grade watch products. Tourbillion, Luxury watch or Miniature Painting watch are main products of Queensway Watch.

II Supplier

Queensway Watch bought watch products mainly from the manufacturer directly in United States and Switzerland. The suppliers including Corum, Girard Perregaux, 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.

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 December 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 and gross profit

For the year ended 31 December 2019, the consolidated revenue of the Group from continuing operations was approximately HK$62.84 million and HK$249.03 million in 2018. Gross profit in 2019 is approximately HK$10.56 million (2018: HK$45.25 million) and gross profit margin of approximately 17% (2018: 18%).

The revenue approximately HK$50.10 million was generated from the retail and wholesales of wine, cigar and golf products, HK$12.73 million was generated from the retail of watch and jewelleries products and travel agency service income amounted to HK$14,000.

Other income

The other income from continuing operations was approximately HK$2.30 million for the year ended 31 December 2019 (2018: HK$946,000). Other income mainly included reversal of allowance of doubtful debts gain on disposal of a motor vehicle and gain on early redemption of convertible bonds.

Selling and distribution expenses

Selling and distribution expenses from continuing operations was approximately HK$4.33 million for the year ended 31 December 2019 (2018: HK$6.76 million). Selling and distribution expenses mainly included rental expenses, salaries and wages and building management fees.

Administrative expenses

Administrative expenses from continuing operations was approximately HK$38.57 million for the year ended 31 December 2019 (2018: HK$34.37 million). Administrative expenses mainly included rental expenses, legal and professional fees, salaries and wages and provision for expected credit loss of accounts receivables.

Finance costs

Finance costs from continuing operations increased from approximately HK$43.65 million for the year ended 31 December 2018 to approximately HK$46.26 million for the year ended 31 December 2019. The finance costs were mainly consisted of imputed interests on convertible bonds, interest on promissory notes and lease liabilities. The increase of finance costs was mainly attributed to the interests on promissory notes.

Results of the Group's operations

Loss attributable to shareholders of the Company was approximately HK$129.12 million for the year ended 31 December 2019, compared with the loss approximately HK$342.47 million for the year ended 31 December 2018. The loss for the year was ,mainly attributed to the economy in Hong Kong was struck hard due to the social unrest since June 2019, which heavily affected the retail business of the Group in 2019.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents as at 31 December 2018 and 2019 amounted to approximately HK$23.12 million and HK$9.30 million respectively. The major capital resources of the Group included cash generated from operating activities and the proceeds raised by the Group in Hong Kong.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

GEARING RATIO

As at 31 December 2019, the Group's gearing ratio (total liabilities by total assets) is approximately 143% (31 December 2018: approximately 85%). Given the continuing financial support from the largest shareholder of the Company, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

CAPITAL STRUCTURE

In January 2014, the Group issued convertible bonds with principal amount of HK$312 million (the "CB I"). For the CB I, approximately HK$257.40 million was converted in previous years. The CB I was fully redeemed during the year.

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. As at 31 December 2019, principal amount of HK$80 million CB III was outstanding.

In April 2018, the Group issued convertible bonds with an aggregate principal amount of HK$100 million 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. The CB IV was fully redeemed by way of set off during the year.

CHARGE ON GROUP ASSET

As at 31 December 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 31 December 2019, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a workforce with head count of 30. Employee benefit expenses, including directors' emoluments, amounted to approximately HK$12.85 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 year ended 31 December 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 31 December 2019.

SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not have any significant investment as at 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The Corporate governance principles of the Company emphasis a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules ("CG Code") throughout the year ended 31 December 2019, except that the roles of chairman and chief executive officer are performed by the same individual which is a deviation from code provision A.2.1 of the Code. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for operation of the Company. The balance of power and authority between the Board and management will not be compromised.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua, Mr. Xu Jingan and Mr. Chang Jun. Mr. Lee Chi Hwa Joshua is the Chairman of the Audit Committee. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2019, the Audit Committee held 2 meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Audit Committee also carried out and discharged its duties set out in the CG. In the course of doing so, the Audit Committee has met the Company's management, qualified accountant and external auditors in 2019.

Scope of Work of HLM CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on this announcement.

By order of the Board of
CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
Cheng Chun Tak
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Cheng Chun Tak (Chairman), Mr. Stephen William Frostick, Ms. Li Ka Ki and Mr. Wong Chi Ho, 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.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company..