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 2020

## 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.**

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*This announcement, for which the directors (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.*

The board of Directors (the "Board") hereby presents the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 (the "Year") together with the comparative audited figures for the year ended 31 December 2019, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*For the year ended 31 December 2020*

| | *Notes* | **2020** **HK$'000** | 2019 *HK$'000* |
|---|---|---|---|
| Revenue | *4* | **23,318** | 62,839 |
| Cost of sales | | **(22,562)** | (52,280) |
| Gross profit | | **756** | 10,559 |
| Other income, gains and losses, net | *6* | **262,025** | (50,800) |
| Selling and distribution expenses | | **(3,533)** | (4,332) |
| Administrative expenses | | **(46,459)** | (38,572) |
| Finance costs | *7* | **(11,260)** | (46,263) |
| Profit (Loss) before tax | | **201,529** | (129,408) |
| Income tax (expense) credit | *8* | **(385)** | 286 |
| Profit (Loss) for the year | *9* | **201,144** | (129,122) |
| Profit (Loss) for the year attributable to: | | | |
| Owners of the Company | | **201,145** | (129,126) |
| Non-controlling interests | | **(1)** | 4 |
| | | **201,144** | (129,122) |
| **Earnings (Loss) per share** | | | |
| Basic and diluted | *11* | **HK$6.64 cents** | (HK$4.26 cents) |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit (Loss) and total comprehensive income (expense) for the year** | **201,144** | (129,122) |
| **Total comprehensive income (expense) attributable to:** | | |
| Owners of the Company | **201,145** | (129,126) |
| Non-controlling interests | **(1)** | 4 |
| **Total comprehensive income (expense) for the year** | **201,144** | (129,122) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2020*

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *12* | **143** | 3,353 |
| Right-of-use assets | *13* | **878** | 3,511 |
| Deferred tax assets | | **167** | 572 |
| Goodwill | *14* | **–** | 23,584 |
| Other intangible assets | *15* | **–** | – |
| Deposits and prepayments | | **–** | 1,210 |
| | | **1,188** | 32,230 |
| **Current assets** | | | |
| Inventories | *17* | **18,310** | 89,269 |
| Trade receivables | *18* | **108** | 27,656 |
| Financial assets at fair value through profit or loss | *16* | **–** | 4,080 |
| Other receivables, deposits and prepayments | | **121,780** | 1,125 |
| Tax receivables | | **905** | – |
| Bank balances and cash | | **19,860** | 9,304 |
| | | **160,963** | 131,434 |
| **Current liabilities** | | | |
| Trade payables | *19* | **6,267** | 720 |
| Accruals, other payables and deposits received | | **4,462** | 19,377 |
| Amounts due to directors | | **3,653** | 2,906 |
| Tax liabilities | | **1,203** | 814 |
| Promissory notes | | **–** | 115,984 |
| Other loan | | **15,000** | – |
| Lease liabilities | | **966** | 2,804 |
| | | **31,551** | 142,605 |
| **Net current assets (liabilities)** | | **129,412** | (11,171) |
| **Total assets less current liabilities** | | **130,600** | 21,059 |

| | Notes | **2020** **HK$'000** | 2019 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Convertible bonds | | **–** | 50,924 |
| Promissory notes | | **–** | 39,713 |
| Lease liabilities | | **–** | 966 |
| | | **–** | 91,603 |
| **NET ASSETS (LIABILITIES)** | | **130,600** | (70,544) |
| **Capital and Reserves** | | | |
| Share capital | | **15,156** | 15,156 |
| Reserves | | **115,065** | (86,080) |
| Equity (Deficit) attributable to owners of the Company | | **130,221** | (70,924) |
| Non-controlling interests | | **379** | 380 |
| **TOTAL EQUITY (DEFICIT)** | | **130,600** | (70,544) |

## 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instrument that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

## 2. GENERAL INFORMATION

China Forture Investments (Holding) Limited (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").

The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Shops 212-213, 2nd Floor, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

## 3. APPLICATION OF AMENDMENTS TO HKFRSs

### (A) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(a) *Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(b) *Impacts on application of Amendments to HKFRS 3 Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments in the current year had no impact on the consolidated financial statements, but may impact future periods should the Group make any acquisition.

(c) *Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform*

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(d) *Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs. The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from six months waiver of lease payments on several leases in Hong Kong. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK$473,000, which has been recognised as variable lease payments in profit or loss for the current year.

**(B) 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:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments | 1 January 2023 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 | 1 January 2021 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | A date to be determined |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) | 1 January 2023 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018 – 2020 | 1 January 2022 |

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) *Amendments to HKFRS 3 Reference to the Conceptual Framework*

The amendments:

– update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

– add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

– add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

(b) *Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

– Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

– Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

– Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(c) *Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(d) *Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

– specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

– clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

(e) *Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020*

The annual improvements make amendments to the following standards.

*HKFRS 9 Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

*HKFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

*HKAS 41 Agriculture*

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## 4. REVENUE

| **Revenue from contracts with customers within the scope of HKFRS 15** | **Year ended 31 December** **2020** ***HK$'000*** | 2019 *HK$'000* |
|---|---|---|
| Revenue recognised at point in time | **23,318** | 62,839 |
| Sale of goods | **23,318** | 62,825 |
| Travel agency service income | **–** | 14 |
| | **23,318** | 62,839 |

## 5. SEGMENT INFORMATION

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

The Group's operating and reportable segments include (i) sale of wine and cigar; (ii) sale of golf products, (iii) sale of watch and jewellery; (iv) provision of money lending service and (v) others. The provision of money lending service and others suspended during the year ended 31 December 2020.

(a) **Segment revenue and results**

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

**For the year ended 31 December 2020**

| | **Wine and cigar** *HK$'000* | **Golf products** *HK$'000* | **Watch and jewelry** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| REVENUE | | | | |
| External sales | **12,616** | **7,287** | **3,415** | **23,318** |
| Inter-segment sales | **–** | **–** | **–** | **–** |
| Segment revenue | **12,616** | **7,287** | **3,415** | **23,318** |
| RESULTS | | | | |
| Segment loss | **(15,754)** | **(1,182)** | **(21,190)** | **(38,126)** |
| Finance costs | | | | **(11,260)** |
| Unallocated corporate income | | | | **264** |
| Gain on rescind adjustment | | | | **276,160** |
| Gain on settlement of promissory notes | | | | **7,979** |
| Impairment loss on goodwill | | | | **(23,584)** |
| Unallocated corporate expenses | | | | **(9,904)** |
| Profit before tax | | | | **201,529** |

For the year ended 31 December 2019

| | Wine and cigar *HK$'000* | Golf products *HK$'000* | Watch and jewelry *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 |
| Gain on early redemption of convertible bonds | | | | | | 532 |
| Impairment loss on goodwill | | | | | | (46,500) |
| Unallocated corporate expenses | | | | | | (20,753) |
| Loss before tax | | | | | | (129,408) |

## (b) Segment assets and liabilities

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

### At 31 December 2020

### Segment assets

| | Wine and cigar *HK$'000* | Golf products *HK$'000* | Watch and jewellery *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Segment assets | **14,291** | **10,785** | **1** | **(3,164)** | **21,913** |
| Bank balances and cash | | | | | **19,860** |
| Unallocated corporate assets | | | | | **120,378** |
| Consolidated assets | | | | | **162,151** |
| **LIABILITIES** | | | | | |
| Segment liabilities | **4,979** | **4,563** | **3,158** | **(3,164)** | **9,536** |
| Unallocated corporate liabilities | | | | | **22,015** |
| Consolidated liabilities | | | | | **31,551** |

At 31 December 2019

### Segment assets

| | Wine and cigar *HK$'000* | Golf products *HK$'000* | Watch and jewellery *HK$'000* | Money lending *HK$'000* | Others *HK$'000* | Elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Segment assets | 48,025 | 11,016 | 68,373 | 4,080 | 59 | (1,943) | 129,610 |
| Bank balances and cash | | | | | | | 9,304 |
| Unallocated corporate assets | | | | | | | 24,750 |
| Consolidated assets | | | | | | | 163,664 |
| **LIABILITIES** | | | | | | | |
| Segment liabilities | 2,261 | 3,929 | 2,535 | 250 | 51 | (1,943) | 7,083 |
| Unallocated corporate liabilities | | | | | | | 227,125 |
| Consolidated liabilities | | | | | | | 234,208 |

## (c) Other segment information

### For the year ended 31 December 2020

| | Wine and cigar *HK$'000* | Golf products *HK$'000* | Watch and jewellery *HK$'000* | Unallocated *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| Addition to non-current assets | **623** | **–** | **–** | **11** | **634** |
| Depreciation of property, plant and equipment | **287** | **203** | **304** | **133** | **927** |
| Impairment of property, plant and equipment | **658** | **139** | **2,109** | **11** | **2,917** |
| Depreciation of right-of-use assets | **728** | **1,905** | **–** | **–** | **2,633** |

For the year ended 31 December 2019

| | Wine and cigar *HK$'000* | Golf products *HK$'000* | Watch and jewellery *HK$'000* | Money lending *HK$'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 |

**(d) Geographical information**

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

**(e) Information about major customers**

For the year ended 31 December 2020, no single customer contribute 10% or more to the Group's turnover.

For the year ended 31 December 2019, 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.

## 6. OTHER INCOME, GAINS AND LOSSES, NET

| | **Year ended 31 December** | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Other income | | |
| Sundry income | **90** | 157 |
| Other gains and losses, net | | |
| Net exchange gains, net | **–** | 22 |
| Government grant | **1,251** | – |
| Gain on rescind adjustment | **276,160** | – |
| Gain on disposal of property, plant and equipment | **–** | 550 |
| Gain on early redemption of convertible bond | **–** | 532 |
| Gain on settlement of promissory notes | **7,979** | – |
| Write off of other receivables | **–** | (2,761) |
| Impairment loss on goodwill | **(23,584)** | (46,500) |
| Reversal of allowance for doubtful debts | **–** | 1,040 |
| Rent concessions | **473** | – |
| Realised loss on disposal of financial assets at FVTPL | **(344)** | – |
| Unrealised loss on revaluation of financial assets at FVTPL | **–** | (3,840) |
| | **261,935** | (50,957) |
| Total other income, gains and losses, net | **262,025** | (50,800) |

## 7. FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Interest on convertible bonds | **–** | 16,126 |
| Interest on promissory notes | **11,135** | 29,876 |
| Interest on lease liabilities | **125** | 261 |
| | **11,260** | 46,263 |

## 8. INCOME TAX EXPENSE (CREDIT)

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 2019 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of a corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2020 and 2019, 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.

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong Profits Tax | | |
| Current year provision | **–** | 70 |
| Over-provision in prior years | **(20)** | – |
| Deferred taxation | **405** | (356) |
| | **385** | (286) |

The reconciliation between the income tax credit and the profit (loss) before tax per the consolidated statement of profit or loss is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Profit (Loss) before tax | **201,529** | (129,408) |
| Tax at the applicable statutory income tax rates | **33,252** | (21,352) |
| Income not subject to tax | **(47,071)** | (256) |
| Expenses not deductible for tax | **7,313** | 20,859 |
| Tax effect of deductible temporary difference not recognised | **(1,479)** | (6) |
| Tax effect of tax loss not recognised | **8,391** | 579 |
| Overprovision in prior years | **(20)** | – |
| Tax concession | **(1)** | (110) |
| Tax expense (credit) for the year | **385** | (286) |

## 9. PROFIT (LOSS) FOR THE YEAR

The Group's profit (loss) before tax has been arrived after charging (crediting) the following:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| Employee benefit expenses (excluding directors' and chief executive's remuneration): | | |
| Wages and salaries | **6,542** | 9,203 |
| Retirement benefits scheme contributions | **279** | 371 |
| | **6,821** | 9,574 |
| Cost of inventories sold | **18,272** | 52,280 |
| Auditors' remuneration | | |
| – audit services | **620** | 1,100 |
| – non-audit services | **–** | 100 |
| Depreciation of property, plant and equipment | **927** | 1,094 |
| Depreciation of right-of-use assets | **2,633** | 2,633 |
| Gain on early redemption of convertible bonds | **–** | (532) |
| Gain on rescind adjustment | **(276,160)** | – |
| Gain on settlement of promissory notes | **(7,979)** | |
| Government grant | **(1,251)** | |
| Gain on disposal of property, plant and equipment | **–** | (550) |
| Write off of property, plant and equipment | **–** | 773 |
| Impairment loss on property, plant and equipment | **2,917** | – |
| Impairment loss on goodwill | **23,584** | 46,500 |
| Allowance for credit losses | **27,687** | 10,149 |
| Reversal of allowance for doubtful debts | **–** | (1,040) |
| Write down of inventories | **4,290** | – |
| Write off of trade receivables | **–** | 1,857 |
| Write off of other receivables | **–** | 2,761 |

## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed for the year ended 31 December 2020 (2019: Nil).

## 11. EARNINGS (LOSS) PER SHARE

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

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Profit (Loss) for the purpose of basic earnings (loss) per share** | | |
| Profit (Loss) for the year attributable to owners of the Company | **201,145** | (129,126) |
| Profit (Loss) for the purpose of basic earnings (loss) per share | **201,145** | (129,126) |

| | **2020** | 2019 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share | **3,031,101,766** | 3,031,101,766 |

Diluted earnings (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 profit (loss) attributable to owners of the Company.

During the year ended 31 December 2020, the Company has no dilutive potential ordinary shares.

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

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements *HK$'000* | Furniture, fixtures and equipment *HK$'000* | Computer equipment *HK$'000* | Motor vehicles *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 January 2019 | 2,773 | 3,881 | 1,209 | 4,932 | 12,795 |
| Additions | 104 | – | – | – | 104 |
| Disposals | – | – | – | (3,480) | (3,480) |
| Write off | (1,527) | (429) | – | – | (1,956) |
| At 31 December 2019 | 1,350 | 3,452 | 1,209 | 1,452 | 7,463 |
| Additions | – | 623 | 11 | – | 634 |
| At 31 December 2020 | 1,350 | 4,075 | 1,220 | 1,452 | 8,097 |
| **DEPRECIATION** | | | | | |
| At 1 January 2019 | 1,398 | 687 | 1,039 | 4,555 | 7,679 |
| Charge for the year | 449 | 415 | 97 | 133 | 1,094 |
| Eliminated upon disposals | – | – | – | (3,480) | (3,480) |
| Write off | (836) | (347) | – | – | (1,183) |
| At 31 December 2019 | 1,011 | 755 | 1,136 | 1,208 | 4,110 |
| Charge for the year | 224 | 518 | 69 | 116 | 927 |
| Impairment | 115 | 2,802 | – | – | 2,917 |
| At 31 December 2020 | 1,350 | 4,075 | 1,205 | 1,324 | 7,954 |
| **CARRYING AMOUNTS** | | | | | |
| At 31 December 2020 | – | – | 15 | 128 | 143 |
| At 31 December 2019 | 339 | 2,697 | 73 | 244 | 3,353 |

## 13. RIGHT-OF-USE ASSETS

| | Leased properties *HK$'000* |
|---|---|
| **At 31 December 2020** | |
| Carrying amount | 878 |
| At 31 December 2019 | |
| Carrying amount | 3,511 |
| **For the year ended 31 December 2020** | |
| Depreciation | (2,633) |
| For the year ended 31 December 2019 | |
| Depreciation | (2,633) |

| | 2020 | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Expense relating to short-term leases | **290** | 2,476 |
| Total cash outflow for leases | **2,746** | 5,404 |

For both years, the Group leases shops and warehouse for its operations. Lease contracts are entered into for fixed terms of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

## 14. GOODWILL

| | 2020 | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **COST** | | |
| At 1 January and 31 December | **98,626** | 98,626 |
| **IMPAIRMENT** | | |
| At 1 January | **75,042** | 28,542 |
| Impairment loss recognised during the year | **23,584** | 46,500 |
| At 31 December | **98,626** | 75,042 |
| **CARRYING AMOUNTS** | | |
| At 31 December | **–** | 23,584 |

**Impairment test for cash-generating units containing goodwill**

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to country of operation and operating segments as follows:

| | 2020 | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Wine, cigar and golf products – Hong Kong ("Wine CGU") | **–** | 23,584 |

The directors have reviewed the carrying amounts of goodwill in accordance with HKAS 36 as follows:

As at 31 December 2020, the recoverable amount of Wine CGU was assessed with reference to a valuation report by using a value-in-use calculation from Peak Vision Appraisals Limited, an independent valuation firm. These calculations use discounted cash flow projection based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period uses estimated growth rate of 2.5% (2019: 3%). The cash flows are discounted using a discount rate of 12.44% (2019: 14.29%).

Due to continue unstable economic environment in Hong Kong and the PRC, keen competition of the market and drop in demand for wine, cigar and golf products from both Hong Kong and PRC customers, the Group expected the sales orders would be decreased in the next five years and revised the five-year period projection after taking into account the current operating environment and market condition. The key assumptions used in calculating the recoverable amount of Wine CGU were forecasted revenue, forecasted gross margin and discount rate. Management determined forecasted revenue and forecasted gross margin based on past performance, current economic environment and its expectations of the market development. The discount rate used was pre-tax and reflected specific risks relating to the business.

As at 31 December 2020, the net carrying amount of goodwill allocated to Wine CGU was reduced to its recoverable amount of HK$Nil (2019: approximately HK$23,584,000).

## 15. OTHER INTANGIBLE ASSETS

| | **Customer relationship** *HK$'000* |
|---|---|
| **COST** | |
| At 1 January 2019, 31 December 2019 and 31 December 2020 | 14,220 |
| **IMPAIRMENT** | |
| At 1 January 2019, 31 December 2019 and 31 December 2020 | 14,220 |
| **CARRYING AMOUNT** | |
| At 31 December 2019 and 2020 | – |

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2020** ***HK$'000*** | 2019 *HK$'000* |
|---|---|---|
| Equity securities listed in Hong Kong | **–** | 4,080 |

The fair value of equity securities is based on quoted closing price in an active market.

## 17. INVENTORIES

| | **2020** ***HK$'000*** | 2019 *HK$'000* |
|---|---|---|
| Wine, cigar and golf instrument products | **18,310** | 40,791 |
| Watches and jewellery | **–** | 48,478 |
| | **18,310** | 89,269 |

## 18. TRADE RECEIVABLES

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade receivables | **39,740** | 39,601 |
| Less: Allowance for credit losses | **(39,632)** | (11,945) |
| | **108** | 27,656 |

As at 31 December 2020, trade receivables from contracts with customers (net of allowance for credit losses) amounted to approximately HK$108,000 (2019: HK$27,656,000).

Ageing analysis of the Group's trade receivables, net of allowance for credit losses as at 31 December 2020 and 2019, based on the invoice date is as follows:

| | 2020 | 2019 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within 30 days | **66** | 4,724 |
| 31 – 60 days | **39** | 26 |
| 61 – 90 days | **2** | 17 |
| 91 – 180 days | **1** | 38 |
| 181 – 360 days | **–** | 119 |
| Over 360 days | **–** | 22,732 |
| | **108** | 27,656 |

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

Before accepting new customers, the Group assesses the potential customers' 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. Recoverability and credit limit of the existing customers and overdue balances are reviewed by the senior management of the Group on regular basis.

As at 31 December 2020, included in trade receivables were an aggregate amount of approximately HK$42,000 (2019: HK$22,908,000) 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 certain trade debtors in accordance with agreed repayment schedule.

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

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **39** | 31 |
| 31 – 60 days | **2** | – |
| 61 – 90 days | **1** | 18 |
| 91 – 180 days | **–** | 114 |
| 181 – 360 days | **–** | 20,223 |
| Over 360 days | **–** | 2,522 |
| | **42** | 22,908 |

Changes in the loss allowance for trade receivables are mainly due to:

| | **Lifetime ECL (not credit-impaired)** | **Lifetime ECL (credit-impaired)** | **Total** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| At 1 January 2019 | 1,796 | – | 1,796 |
| Changes due to financial instruments recognised as at 1 January 2019: | | | |
| – Impairment losses recognised | 10,149 | – | 10,149 |
| At 31 December 2019 | 11,945 | – | 11,945 |
| Changes due to financial instruments recognised as at 1 January 2020: | | | |
| – Transfer to credit-impaired | (11,944) | 11,944 | – |
| – Impairment losses recognised | – | 27,687 | 27,687 |
| **At 31 December 2020** | **1** | **39,631** | **39,632** |

Included in the allowance for ECL are individually impaired trade debtors with an aggregate balance of approximately HK$39,632,000 (2019: approximately HK$11,945,000). 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.

## 19. 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.

| | **2020** | 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **5,946** | 437 |
| 31 – 60 days | **88** | 109 |
| 61 – 90 days | **194** | 105 |
| 91 – 180 days | **35** | 52 |
| Over 180 days | **4** | 17 |
| | **6,267** | 720 |

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Elite Partners CPA Limited, the auditor of the Company, regarding the Group's consolidated financial statements for the year ended 31 December 2020.

### Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Disclaimer of Opinion

On 28 April 2017, the Company entered into an acquisition agreement ("Acquisition Agreement") to acquire the entire equity interest in Affluent Grand Limited and its subsidiaries, namely, Win Wave Development Limited; Chengdu Xingfu Koudai Enterprise Management Consulting Company Limited（成都幸福口袋企業管理諮詢有限公司）("WOFE"); and Koudai Network Services Company Limited（口貸網絡服務股份有限公司）("OPOC") (collectively, the "Affluent Group"), from Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (collectively, the "Vendors") for consideration of HK$380,000,000 ("Acquisition"). The Acquisition was completed on 28 November 2017 ("Completion Date").

The consideration for the Acquisition was satisfied by (i) HK$120,000,000 in cash; (ii) promissory notes with principal amount of HK$100,000,000 ("Promissory Notes"); (iii) convertible bonds with principal amount of HK$80,000,000 ("Convertible Bonds"); and (iv) convertible bonds with principal amount of HK$80,000,000 subject to the profit guarantee ("Contingent Consideration"). The Promissory Notes were subsequently transferred to Radiant Thrive Enterprises Limited ("Radiant") on 19 June 2018.

During the year ended 31 December 2018, the management of the Company became aware serval incidents ("Incidents") which resulted in the investigation as disclosed in note 3 and 35 to the consolidated financial statements for the year ended 31 December 2018 ("Investigation"). Based on the findings in the Investigation, the Group considered that the Vendors were in breach of the representations and warranties contained in the Acquisition Agreement in respect of the concealment of unrecorded liabilities in the financial records of the OPCO provided to the Company prior to the Acquisition. Details of the Incidents and Investigation has been set out the Company's announcement dated 30 October 2019.

Given the situation of the Incidents, the Group faced obstructions in exercising control over, and gathering information and documents from the WOFE and OPOC (collectively, the "De-consolidated Subsidiaries"). The Group regards it has lost control over the entire operations of the De-consolidated Subsidiaries and the directors had determined to exclude the financial position, results and cash flows of the De-consolidated Subsidiaries since 1 September 2018 from the Group's consolidated financial statements ("Deconsolidation").

On 16 January 2020, the Company commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) ("Court Hearing") against the Vendors and Radiant (together as "Defendants") for (i) rescission of the Acquisition Agreement; the instruments of the Convertible Bonds and Promissory Notes for fraudulent misrepresentation, (ii) declaration that the Vendors are not entitled to enforce the Acquisition Agreement, the instrument of the Convertible bonds and Promissory Notes for fraudulent misrepresentation; (iii) declaration that the Vendors and Radiant are not entitled to enforce the Promissory Notes; (iv) return of HK$120,000,000 money from the Vendors (the "Refund Receivable"); and (v) Damages for fraudulent misrepresentation against the Vendors.

In the opinion of the Directors, the Company considered it is more than probable that the Acquisition Agreement will be rescinded by the order of the High Court and the Company has no further obligation to satisfy the liabilities of the Convertible Bonds and Promissory Notes. Accordingly, the Company discharge the liabilities of the Convertible Bonds and Promissory Notes ("Discharge of liabilities") and recognised the Refund Receivable during the year ended 31 December 2020 to reflect the rescind of the Acquisition Agreement.

## *1. Opening balances and comparative figures*

### *(a) Opening balance on comparative figures*

The consolidated financial statements of the Group for the year ended 31 December 2019 contained qualified opinion in respect of the opening balances and comparative figures ("Comparative Figures"), in view of the possible effects of the Deconsolidation in respect of the departure from Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". Details of which has been set out in the auditor's report dated 31 March 2020.

As the consolidated financial statements of the Group for the year ended 31 December 2019 formed the Comparative Figures in the consolidated financial statements of the Group for the year ended 31 December 2020, any adjustments found to be necessary in the comparative figures would have a significant effect to consolidated financial position as at 1 January 2019, consolidated results and cash flows for the year ended 31 December 2019 and the related disclosures.

(b) *Fair value of the Convertible Bonds on initial recognition for business combination of Affluent Group at the Completion Date*

As a part of consideration of the Acquisition, the Company issued the Convertible Bonds with principal amount of HK$80,000,000. The Group appointed a valuer to assess the fair value of the Convertible Bonds at the Completion Date. According to the valuation report issued by the valuer, the fair value of the Convertible Bonds as a whole at Completion Date was approximately HK$53,196,000, of which HK$35,617,000 was liabilities component and the remaining balance of HK$17,579,000 was equity component.

However, as referred to note 26 of the Group's consolidated financial statements for the year ended 31 December 2017, the fair value of the Convertible Bonds was accounted for approximate to its principal amount of HK$80,000,000 as at the Completion Date, of which HK$35,617,000 recognised as liability component and the remaining balance of HK$44,383,000 recognised as equity component under the equity heading "Convertible Bonds Equity Reserve".

In accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination", the consideration transferred in a business combination should be measured at fair value. Accordingly, we are unable to obtain sufficient appropriate audit evidence and explanation for (i) the fair value of the Convertible Bonds of HK$80,000,000 as at the Completion Date; (ii) the equity component of the Convertible Bonds of approximately HK$44,383,000 recognised at the Completion Date; (iii) goodwill arising from the Acquisition of approximately HK$161,961,000 recognised at the Completion Date; and (iv) the loss arising from the Derecognition of approximately HK$288,084,000 for the year ended 31 December 2018 were free from material misstatement.

(c) *Fair value of Contingent Consideration*

The fair value of the Contingent Consideration at the Completion Date and at 31 December 2017 were appropriately HK$42,530,000 and HK$42,775,000 respectively. As disclosed in note 35 to consolidated financial statements for the year ended 31 December 2018, the Contingent Consideration of HK$42,775,000 had been derecognised together with the De-consolidated Subsidiaries on 1 September 2018. Since then, no fair value of the Contingent Consideration were recognised for the years ended 31 December 2018 and 2019.

According to the Acquisition Agreement, the Contingent Consideration represent the Company's obligation to settle the consideration to the Vendors should the Affluent Group satisfied the Profit Guarantee. Accordingly, we were unable to satisfy ourselves as to whether (i) the derecognition of the Contingent Consideration during the year ended 31 December 2018 were appropriate; (ii) the loss arising from the Derecognition of approximately HK$288,084,000 for the year ended 31 December 2018 were accurate and free from material misstatement; (iii) no fair value recognition of the Contingent Consideration as at 31 December 2018 and 2019 were appropriate and free from material misstatement; and (iv) the opening balance of the Contingent Consideration for the year ended 31 December 2020 were free from material misstatement.

In addition, any adjustment found to be necessary in respect of the fair value of the Convertible Bonds and the Contingent Consideration as mentioned above would have significant effect on the net liabilities position of the Group as at 31 December 2019 and the result for the year then ended; (i) the opening balance of consolidated statement of financial position of the Group for the year ended 31 December 2020; (ii) the result for the year ended 31 December 2020; and (iii) the related disclosures in the consolidated financial statements.

***2. Limitation of scope – Discharge of Liabilities and Refund Receivable***

During the year ended 31 December 2020, the Company recorded certain adjustments to reflect the rescind of the Acquisition Agreement ("Rescind Adjustments"), including (i) derecognised the liabilities and equity component of the Convertible Bonds of approximately HK$50,924,000 and HK$44,383,000 respectively; (ii) derecognised the Promissory Note of approximately HK$92,082,000; iii) accrued interest of the promissory notes of approximately HK$13,154,000; and (iv) recognised the Refund Receivable of HK$120,000,000 in the consolidated statement of financial position as at 31 December 2020. As a result, the Group recognised a gain from the Rescind Adjustments of approximately HK$276,160,000 for the year ended 31 December 2020.

Due to the circumstances leading to the Rescind Adjustments which is subject to the outcome of the litigation, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the timing for the recognition of Rescind Adjustments during the year ended 31 December 2020 were appropriate; and (ii) the net gain arising from the Rescind Adjustment of approximately HK$276,160,000 were accurate.

Any adjustment found to be necessary in respect of the Rescind Adjustments would have a significant effect on the net assets of the Group as at 31 December 2020 and the profit of the Group for the year ended 31 December 2020, and the related disclosures thereof in the consolidated financial statements.

***3. Limitation of scope – Recoverability of the Refund Receivable***

As mentioned in (2) above, the directors recognised the Refund Receivable based on the consideration that it is more than probable that the Acquisition Agreement will be rescinded. However, we were unable to obtain sufficient appropriate audit evidence regarding the existence and recoverability of the Refund Receivable because we were unable to carry out any effective confirmation procedures in relation to the Refund Receivable for the purpose of our audit. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverability of the Refund Receivable included in the consolidated statement of financial position as at 31 December 2020.

## 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") engage in the retail and trading business of wine, cigar and golf products and trading of internationally renowned watch brands and luxury and prestigious jewelleries through 6 direct subsidiaries all of which are incorporated in Hong Kong, namely Queensway Wine International Limited, Queensway Wine (Hong Kong) Limited, Queensway Golf International Limited, Mass Fortune (Asia) Limited, Kasco (Hong Kong) Limited and 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 origins 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 from leading wineries in France, United Kingdom, the 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 inventories 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 offices. 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 (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 manufacturers directly in the United States and Switzerland. The suppliers, including Corum, Girard Perregaux, Audemars Piguet and Bovet 1822, are large and well-known luxury watch producers in the market.

***III Customers***

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

**Group's other business**

The Group had no significant acquisition or disposal of investments during the year ended 31 December 2020.

## OUTLOOK

According to the Hong Kong SAR Government, the injection of COVID-19 vaccines under the territory-wide COVID-19 vaccination programme is crucial to the resumption of the normal ways of life in Hong Kong. The Group is optimistic with the retail businesses after the resumption.

Furthermore, the Group continues to explore any other new potential investment opportunities to improve the Group's standard performance and returns to its shareholders.

## LISTING STATUS OF THE COMPANY

By a letter dated 12 June 2020, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") informed the Company that the GEM Listing Committee has decided to cancel the Company's listing under Rule 9.14A of the Rules Governing the Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The GEM Listing Committee considered that the Company has not fulfilled the resumption guidance requiring publication of all the outstanding financial results with any audit modification addressed and has not demonstrated its compliance with Rule 17.28 of the GEM Listing Rules. On 22 June 2020, the Company has submitted a written request to the secretary of the GEM Listing Review Committee applying for a review of the decision of the GEM Listing Committee.

On 2 November 2020, the GEM Listing Review Committee heard the application by the Company for a review of the decision of the GEM Listing Committee to cancel the Company's listing under Rule 9.14A of the GEM Listing Rules (the "GEM Listing Committee Decision"). On 19 November 2020, the Company received the decision of the GEM Listing Review Committee (the "GEM Listing Review Committee Decision") on such application. Pursuant to the GEM Listing Review Committee Decision, the GEM Listing Review Committee (i) overturned the GEM Listing Committee Decision; and (ii) granted the Company an extension of time to the end of June 2021 to enable the Company to have its application in the High Court Proceedings (as defined below) heard and to address its compliance with Rule 17.26 of the GEM Listing Rules and related matters.

## LITIGATION

On 16 January 2020, the Company had commenced legal proceedings at the High Court of the Hong Kong Special Administrative Region (Case no. HCA 88/2020) (the "Proceedings") 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 into 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 issued to the Vendors on 27 November 2017 (subsequently transferred to Radiant on 19 June 2018) on the ground of, inter alia, fraudulent misrepresentation;

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

(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, inter alia, fraudulent misrepresentation against the Vendors.

As at the date of this announcement, no notice of intention to contest the Proceedings has been received by the Company. The Company is taking legal advice and will take steps to obtain judgment against the Vendors and Radiant.

The Company will take all reasonable steps for the return of HK$120,000,000 money from the Vendors once the Company receives the judgment.

The Company will continue to closely monitor any further developments of the matter and will make further announcements as and when appropriate.

**FINANCIAL REVIEW**

**Revenue and gross profit**

For the year ended 31 December 2020 (the "Year"), the consolidated revenue of the Group from continuing operations was approximately HK$23.32 million and HK$62.84 million in 2019. Gross profit for the Year was approximately HK$0.76 million (2019: HK$10.56 million) and gross profit margin of approximately 3% (2019: 17%).

The revenue of approximately HK$19.90 million was generated from the retail and wholesales of wine, cigar and golf products, HK$3.42 million was generated from the retail of watch and jewelleries products.

**Other income, gains and losses, net**

The net other income, gains and losses from continuing operations was approximately HK$262.03 million for the Year (2019: losses of HK$50.80 million). Other income mainly consists of the gain adjustment resulted from the rescission of the sales and purchases agreement dated 28 April 2017 and the impairment loss on goodwill.

**Selling and distribution expenses**

Selling and distribution expenses from continuing operations was approximately HK$3.53 million for the Year (2019: HK$4.33 million). Selling and distribution expenses mainly included depreciation of right-of-use assets, salaries and wages and building management fees.

**Administrative expenses**

Administrative expenses from continuing operations was approximately HK$46.46 million for the Year (2019: HK$38.57 million). Administrative expenses mainly included legal and professional fees, salaries and wages and allowance for credit losses of trade receivables.

**Finance costs**

Finance costs from continuing operations decreased from approximately HK$46.26 million for the year ended 31 December 2019 to approximately HK$11.26 million for the Year. The finance costs were mainly consisted of interest on promissory notes and lease liabilities.

**Results of the Group's operations**

Profit attributable to shareholders of the Company was approximately HK$201.14 million for the Year, compared with the loss of approximately HK$129.12 million for the year ended 31 December 2019. The profit for the Year was mainly attributed to (i) the rescission of the acquisition agreement dated 28 April 2017 (the "Acquisition Agreement") entered amongst between the Company, Tai Quan Enterprises Limited and Extreme Rich Corporate Development Limited (collectively, the "Vendors") for the acquisition of Affluent Grand Limited and its subsidiaries upon the Court granting Order of the same; and/or (ii) the unenforceability of the convertible bonds in the principal amount of HK$80 million and promissory notes in the principal amount of HK$100 million issued by the Company on 28 November 2017 (the "Unenforceability of the Convertible Bonds and the Promissory Notes") under the Acquisition Agreement. The Company had commenced legal proceedings against the Vendors and Radiant Thrive Enterprises Limited at the High Court of the Hong Kong Special Administrative Region. Details of the aforesaid transactions and the legal proceedings are set out in the announcements of the Company dated 28 April 2017, 28 November 2017 and 30 November 2020, and circular of the Company dated 26 July 2017 as well as "Litigation" section in this announcement.

**Dividends**

The Board does not recommend the payment of a dividend for the Year (2019: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents as at 31 December 2019 and 2020 amounted to approximately HK$9.30 million and HK$19.86 million respectively. The major capital resources of the Group included cash generated from operating activities and financing activities 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 compliance with loan covenants.

## GEARING RATIO

As at 31 December 2020, the Group's gearing ratio (total liabilities divided by total assets) is approximately 19% (31 December 2019: approximately 143%). 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 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 does not bear any interest. The effective interest rate of liability is 18.72% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB II. During the Year, with reference to the litigation disclosed in the Litigation section in the opinion of the Directors, the Company derecognised the balance of liabilities portion and equity portion of CB II of approximately HK$50,924,000 and HK$44,383,000 respectively.

## CHARGE ON GROUP ASSET

As at 31 December 2020, 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 consider that the potential foreign exchange exposure of the Group is limited.

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a workforce with head count of 32 (2019: 30). Employee benefit expenses, including directors' emoluments, amounted to approximately HK$8.91 million (2019: 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 claims.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the Year.

## ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no acquisitions or disposals of subsidiaries and affiliated companies for the Year.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have any future plans for material investments or capital assets as at 31 December 2020.

## SIGNIFICANT INVESTMENT

Save as disclosed in this announcement, the Group did not have any significant investment as at 31 December 2020.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance code is based on the principles of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. The Company is committed to ensuring a quality board and transparency and accountability to shareholders.

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. As of 31 December 2020, the Company has not appointed a CEO and the roles and functions of the CEO have been performed by all Executive Directors collectively.

According to E.1.2 of the CG Code, the chairman of the board of directors should attend the annual general meeting. Due to the outbreak of COVID-19, Mr. Cheng Chun Tak, the then Chairman of the Board, was unable to travel to Hong Kong to attend the annual general meeting held on 26 June 2020.

Under Rule 5.05A of the GEM Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of its board of directors. Upon the appointment of Mr. Cheng Wing Tsan, Mr. Zhou Dengchao and Ms. Pan Xuemei on 14 November 2020, the Board comprised ten members with six executive Directors, one non-executive Directors and three independent non-executive Directors. As such, the number of independent non-executive Directors fell below one-third of the Board as required under Rule 5.05A of the GEM Listing Rules. Following the appointment of Mr. Chan Kim Fai and Mr. Chan Yuk Tong as independent non-executive Directors with effect from 1 January 2021, the Company had fulfilled such requirement.

Code Provisions A.4.1 and A.4.2 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Save as Mr. Xu Jingan, all the Non-executive Directors (including Independent Non-executive Directors) have been appointed for a term of three years. Mr. Xu Jingan has not been appointed for a specific term but he is subject to retirement by rotation once every three (3) years in accordance with the Articles. Mr. Xu Jingan had been retired and re-elected in annual general meetings held in 2016 and 2020 which was more than three years. Due to the delay in publication of the 2018 annual report, the 2019 annual general meeting was then postponed to be held in January 2020 and as a result, Mr. Xu Jingan did not retire at least once every three years.

Save as disclosed above, the Company complied with all code provisions in the CG Code during the Year.

## AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of three Independent Non-executive Directors, namely Mr. Xu Jingan, Mr. Chang Jun and Mr. Chan Kim Fai. 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 2020, the Audit Committee held 4 meetings. The Audit Committee has 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 Code.

## SCOPE OF WORK OF ELITE PARTNERS 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 2020 as set out in this announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Elite Partners 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 Elite Partners CPA Limited on this announcement.

By order of the Board of
**China Fortune Investments (Holding) Limited**
**Cheng Wing Tsan**
*Chairman*

Hong Kong, 29 March 2021

*As at the date of this announcement, the Board comprises six executive Directors, namely, Mr. Cheng Wing Tsan, Mr. Zhou Dengchao, Ms. Pan Xuemei, Mr. Cheng Chun Tak, Mr. Stephen William Frostick 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. Chan Kim Fai.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*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.*