

CHINA FORTUNE INVESTMENTS

中國幸福投資

FIRST QUARTERLY REPORT
2020



中國幸福投資(控股)有限公司
China Fortune Investments (Holding) Limited

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with Limited Liability)
(Stock code: 8116)

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on 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.

Hong Kong Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of China Fortune Investments (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



FINANCIAL HIGHLIGHT

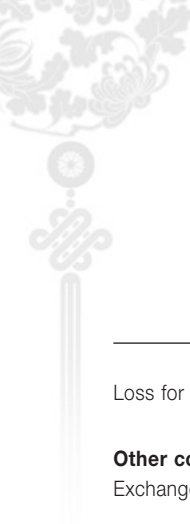
- Recorded an unaudited revenue of the Group approximately HK\$5.02 million for the three months ended 31 March 2020 and HK\$15.04 million for the three months ended 31 March 2019. Gross profit is approximately HK\$1.46 million in 2020 and approximately HK\$2.64 million in 2019;
- Recorded an unaudited loss attributable to the equity holders of the Company of approximately HK\$12.61 million, for the three months ended 31 March 2020;
- The Directors do not recommend the payment of a dividend for the three months ended 31 March 2020.

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2020, together with the unaudited comparative figures for the corresponding period in last year, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

		(Unaudited) For the three months ended 31 March	
	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	2	5,023	15,040
Cost of sales		<u>(3,566)</u>	<u>(12,396)</u>
Gross profit		1,457	2,644
Other income and gains, net	2	–	571
Administrative expenses		<u>(5,085)</u>	<u>(8,269)</u>
Finance costs		<u>(8,978)</u>	<u>(8,196)</u>
Loss before income tax expenses		<u>(12,606)</u>	<u>(13,250)</u>
Income tax expenses	3	<u>–</u>	<u>(3)</u>
Loss for the period		<u>(12,606)</u>	<u>(13,253)</u>
Loss for the period attributable to:			
Owners of the Company		<u>(12,605)</u>	<u>(13,253)</u>
Non-Controlling interests		<u>(1)</u>	<u>–</u>
		<u>(12,606)</u>	<u>(13,253)</u>



	(Unaudited) For the three months ended 31 March	
	2020	2019
NOTES	HK\$'000	HK\$'000
Loss for the period	<u>(12,606)</u>	<u>(13,253)</u>
Other comprehensive expense		
Exchange difference on translation of foreign operations	<u>-</u>	<u>-</u>
Other comprehensive income for the period, net of tax	<u>-</u>	<u>-</u>
Total comprehensive expense for the period	<u>(12,606)</u>	<u>(13,253)</u>
Total comprehensive expense attributable to:		
Shareholders of the Company	<u>(12,605)</u>	<u>(13,253)</u>
Non-controlling interests	<u>(1)</u>	<u>-</u>
	<u>(12,606)</u>	<u>(13,253)</u>
Loss per share attributable to		
Shareholder of the Company		
Basic and diluted (<i>HK cents per share</i>)	<u>(0.42)</u>	<u>(0.44)</u>

4

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020 (unaudited)

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Merger Reserve <i>HK\$'000</i>	Convertible Bonds Equity Reserve <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Three months ended 31 March 2020							
At 1 January 2020	15,156	1,995,281	(46,815)	44,383	(2,078,929)	380	(70,544)
Total comprehensive expense attributable to shareholders	-	-	-	-	(12,605)	(1)	(12,606)
At 31 March 2020	15,156	1,995,281	(46,815)	44,383	(2,091,534)	379	(83,150)
Three months ended 31 March 2019							
At 1 January 2019	15,156	1,995,281	(46,815)	54,131	(1,959,257)	376	58,872
Redemption of convertible bonds	-	-	-	(12,554)	12,554	-	-
Total comprehensive expense attributable to shareholders	-	-	-	-	(13,253)	-	(13,253)
At 31 March 2019	15,156	1,995,281	(46,815)	41,577	(1,959,956)	376	45,619

Notes:

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

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

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, Accounting Standards and Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules. They have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair value.

The accounting policies and method of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2019. The condensed consolidated results have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

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

HKFRS 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 Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

2. **Revenue, other income and gains, net**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	(Unaudited) For the three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
Wine & Cigar business	3,137	4,297
Golf business	1,815	4,072
Watches & Jewelleries business	71	6,671
	5,023	15,040
Other income and gains, net		
Others	-	571
Total revenue	5,023	15,611

3. **Income tax expenses**

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

	(Unaudited) For the three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong profits tax	-	3

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

4. Loss per share

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

	(Unaudited)	
	For the three months	
	ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Loss for the period		
Loss for the period attributable to owners of the Company	(12,605)	(13,253)
	(Unaudited)	
	As at 31 March	
	2020	2019
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

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 period does not assume the conversion of convertible bonds since they are anti-dilutive for the periods ended 31 March 2020 and 2019. Accordingly, the diluted loss per share is the same as the basic loss per share.

5. Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2020 (2019: Nil).

6. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

BUSINESS REVIEW AND OUTLOOK

Wine, Cigar and Golf products retail and trading business and trading of internationally renowned watch brands and luxury and prestigious jewelleryes 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 jewelleryes 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 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 for the three months ended 31 March 2020.

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

Impact on the Group's business from coronavirus

The coronavirus has reduced tourist arrivals and kept residents away from shops, which struck heavily again on the Hong Kong retail sector since end of January 2020. According to the Hong Kong Retail Management Association, it is believed that Hong Kong's retail market had entered "a super-cold winter" threatening its survival. Retail sales in Hong Kong plummeted by 44% and 42% in February and March 2020 from a year earlier, respectively, making it the largest ever slump on record. Government spokesperson said that such fall in retail sales reflected the heavy blow to tourism and consumption-related activities caused by the coronavirus outbreak, and further warned that the retail business will remain "extremely austere in the near term".

Further, in accordance with the requirement from the Hong Kong Government, from 4 February 2020, Hong Kong Macau Ferry Terminal in Sheung Wan has been temporarily closed. Meanwhile, all the sailing services between Hong Kong and Macau has been suspended until further notice. The closure of the terminal has further affected the customer willingness of spending at Shun Tak Centre, and has seriously impacted the Group's retail business for the three months ended 31 March 2020.

In view of the growing popularity of online shopping and to mitigate the impact from the coronavirus, the Group has launched its online shops in March 2020. Moreover, the Group has also cooperated with various reputable online shopping platforms for customers to order the Group's products through these platforms.

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2020, the unaudited consolidated revenue of the Group was approximately HK\$5.02 million and HK\$15.04 million in the corresponding period in 2019. The revenue approximately HK\$4.95 million was generated from retail and wholesales of wine, cigar and golf products and approximately HK\$71,000 was generated from trading of watches & jewellery business.

The retail business of Maxpark Enterprises Limited (“Maxpark”) and its subsidiaries (collectively, “Maxpark Group”) was struck by the coronavirus pandemic since the end of January 2020, and the global economic environment in 2020. The revenue of Maxpark Group was therefore significantly declined as compared with the same period in 2019.

Administrative expenses

Administrative expenses decreased from approximately HK\$8.27 million for the three months ended 31 March 2019 to approximately HK\$5.09 million in the corresponding period in 2020. Administrative expenses mainly included salaries and wages, rental payments and unrealised loss on revaluation of financial assets at FVTPL. The decrease in administrative expenses was mainly attributed to the decrease in rental payments and salaries and wages in 2020.

Finance costs

Finance costs increased from HK\$8.20 million for the three months ended 31 March 2019 to approximately HK\$8.98 million in the corresponding period in 2020. The finance costs were mainly consisted of imputed interests in convertible bonds, interests in promissory notes and loan interests.

Results for the period

The unaudited loss attributed to shareholders approximately HK\$12.61 million for the three months ended 31 March 2020 and unaudited loss attributed to shareholders was approximately HK\$13.25 million in the corresponding period in 2019. The decline of revenue of Maxpark Group in 2020 was mainly influenced by the coronavirus pandemic since end of January 2020.

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

As at 31 March 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 March 2020, so far as is known to the Directors of the Company, the following persons (other than a Director and the chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Total number of shares and underlying shares	Approximate percentage of issued share capital
Shiny Valour Limited (Note 1)	Beneficial	152,000,000	-	152,000,000	5.01%
Glory Wealth Development Holding Limited (Note 2)	Beneficial	797,555,072	-	797,555,072	26.31%
Tai Quan Enterprises Limited (Note 3)	Beneficial	-	242,424,242	242,424,242	8.00%
Extreme Rich Corporate Development Limited (Note 4)	Beneficial	-	242,424,242	242,424,242	8.00%

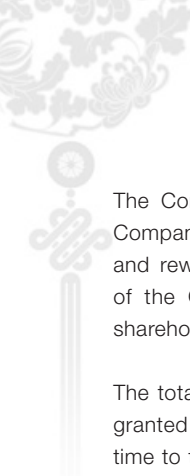
Notes:

1. Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.
2. Glory Wealth Development Holding Limited is wholly owned by Zhang Pan who is deemed to be interested in the shares.
3. Tai Quan Enterprises Limited is wholly owned by Zhao Xin who is deemed to be interested in the shares.
4. Extreme Rich Corporate Development Limited is wholly owned by Ren Wei who is deemed to be interested in the shares.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 16 June 2017 (“the Scheme”), which became effective for a period of 10 years commencing on 16 June 2017. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company (“Share”) at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 28 days from the date of offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.



The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.

As at 31 March 2020, no share options were outstanding.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2020, any business or interests of each directors of the Company, management shareholders and the respective associates (as defined in the GEM Listing Rules) of each that competes or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Corporate Governance Code as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the period ended 31 March 2020.

AUDIT COMMITTEE

The audit committee has been established since July 2000 with defined terms of reference, which are of no less exacting terms than those set out in the Corporate Governance Code of the GEM Listing Rules, to review the Group's financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the Board.

The audit committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua (Chairman), Mr. Xu Jingan and Mr. Chang Jun. The Group's unaudited results for the three months ended 31 March 2020 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.


PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2020.

LITIGATION

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 "Vendors") and Radiant Thrive Enterprises Limited ("Radiant"). The Company's principal claims are for:

- 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 19 June 2018) issued to the Vendors on 27 November 2017 for fraudulent misrepresentation;
- 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;

- 
- declaration that the Vendors and Radiant are not entitled to enforce the promissory notes dated 27 November 2017;
 - return of HK\$120,000,000 money from the Vendors; and
 - damages for fraudulent misrepresentation against the Vendors

As at the date of this report, the litigation is still on-going and further announcement will be made in due course.

On behalf of the Board
CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
Cheng Chun Tak
Chairman

Hong Kong, 15 May 2020

As at the date of this report, the Board comprises three executive Directors, namely Mr. Cheng Chun Tak (Chairman), 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. Lee Chi Hwa Joshua.