

# CHINA FORTUNE INVESTMENTS

## 中國幸福投資

HALF-YEAR 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)

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## FINANCIAL HIGHLIGHT

- Recorded an unaudited turnover of the Group approximately HK\$8.31 million for the six months ended 30 June 2020 and HK\$21.80 million for the six months ended 30 June 2019. Gross profit is approximately HK\$2.82 million in 2020 and approximately HK\$5.03 million in 2019;
- Recorded an unaudited loss attributable to the equity holders of the Company of approximately HK\$18.54 million, for the six months ended 30 June 2020;
- The Board do not recommend the payment of an interim dividend for the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2020


	NOTES	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	2	3,284	6,758	8,307	21,798
Cost of sales		(1,925)	(4,372)	(5,491)	(16,768)
Gross profit		1,359	2,386	2,816	5,030
Other income and gains, net	2	5,742	–	5,742	571
Administrative expenses		(3,916)	(9,207)	(9,001)	(17,476)
Finance costs		(9,124)	(8,169)	(18,102)	(16,365)
Loss before income tax expenses	4	(5,939)	(14,990)	(18,545)	(28,240)
Income tax expenses	5	–	–	–	(3)
Loss for the period		(5,939)	(14,990)	(18,545)	(28,243)
Loss for the period attributable to:					
Owners of the Company		(5,936)	(14,991)	(18,541)	(28,244)
Non-Controlling interests		(3)	1	(4)	1
		(5,939)	(14,990)	(18,545)	(28,243)

	NOTES	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loss for the period		<b>(5,939)</b>	(14,990)	<b>(18,545)</b>	(28,243)
Other comprehensive expense for the period, net of tax		–	–	–	–
<b>Total comprehensive expense for the period</b>		<b>(5,939)</b>	(14,990)	<b>(18,545)</b>	(28,243)
<b>Total comprehensive expense attributable to:</b>					
Shareholders of the Company		<b>(5,936)</b>	(14,991)	<b>(18,541)</b>	(28,244)
Non-controlling interest		<b>(3)</b>	1	<b>(4)</b>	1
		<b>(5,939)</b>	(14,990)	<b>(18,545)</b>	(28,243)
<b>Loss per share attributable to Shareholder of the Company</b>	6				
Basic and diluted ( <i>HK cents per share</i> )		<b>(0.20)</b>	(0.49)	<b>(0.61)</b>	(0.93)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		(Unaudited) As at 30 June 2020 HK\$'000	(Audited) As at 31 December 2019 HK\$'000
	NOTES		
<b>Non-current assets</b>			
Property, plant and equipment	7	2,968	3,353
Right of use assets	8	2,194	3,511
Goodwill		23,584	23,584
Deposits and prepayments		–	1,210
Deferred tax assets		416	572
		<u>29,162</u>	<u>32,230</u>
<b>Current assets</b>			
Inventories		87,812	89,269
Trade receivables	9	27,902	27,656
Financial assets at fair value through profit or loss	10	8,685	4,080
Other receivables, deposits and prepayments		2,313	1,125
Bank balance and cash		3,545	9,304
		<u>130,257</u>	<u>131,434</u>
<b>Current liabilities</b>			
Trade payables	11	442	720
Accruals, other payables and deposits received		20,465	19,377
Amounts due to directors		3,608	2,906
Tax payable		992	814
Promissory notes payable		137,332	115,984
Lease liabilities		2,385	2,804
		<u>165,224</u>	<u>142,605</u>
<b>Net current liabilities</b>		<u>(34,967)</u>	<u>(11,171)</u>
<b>Total assets less current liabilities</b>		<u>(5,805)</u>	<u>21,059</u>



		<b>(Unaudited)</b>	(Audited)
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>NOTES</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Convertible bonds	13	<b>55,485</b>	50,924
Promissory notes payables		<b>27,799</b>	39,713
Lease liabilities		<b>–</b>	966
Total non-current liabilities		<b>83,284</b>	91,603
<b>Net liabilities</b>		<b>(89,089)</b>	(70,544)
<b>Capital and reserves</b>			
Issued capital	12	<b>15,156</b>	15,156
Reserves		<b>(104,621)</b>	(86,080)
Deficit attribute to owners of the Company		<b>(89,465)</b>	(70,924)
Non-controlling interest		<b>376</b>	380
<b>Total deficit</b>		<b>(89,089)</b>	(70,544)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

	<b>(Unaudited)</b>	
	<b>Six months</b>	
	<b>ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(2,936)</b>	131,735
<b>Net cash outflow from investing activities</b>	<b>(2,823)</b>	(66,020)
<b>Net cash outflow from financing activities</b>	<b>–</b>	(72,226)
<b>Decrease in cash and cash equivalents</b>	<b>(5,759)</b>	(6,511)
<b>Effect of foreign exchange rate changes</b>	<b>–</b>	–
<b>Cash and cash equivalents at the beginning of the period</b>	<b>9,304</b>	23,120
<b>Cash and cash equivalents at the end of the period</b>	<b>3,545</b>	16,609
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>3,545</b>	16,609



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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>
Six months ended 30 June 2020							
At 1 January 2020	15,156	1,995,281	(46,815)	44,383	(2,078,929)	380	(70,544)
Total comprehensive expense attribute to shareholders	-	-	-	-	(18,541)	(4)	(18,545)
<b>At 30 June 2020</b>	<b>15,156</b>	<b>1,995,281</b>	<b>(46,815)</b>	<b>44,383</b>	<b>(2,097,470)</b>	<b>376</b>	<b>(89,089)</b>
Six months ended 30 June 2019							
At 1 January 2019	15,156	1,995,281	(46,815)	54,131	(1,959,257)	376	58,872
Redemption of convertible bonds	-	-	-	(12,554)	12,554	-	-
Total comprehensive expense attribute to shareholders	-	-	-	-	(28,244)	1	(28,243)
At 30 June 2019	15,156	1,995,281	(46,815)	41,577	(1,974,947)	377	30,629

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 <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2021.*

<sup>2</sup> *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.*

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

<sup>4</sup> *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:

	<b>(Unaudited) Three months ended 30 June</b>		<b>(Unaudited) Six months ended 30 June</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>				
Wine and Cigar business	<b>1,646</b>	2,645	<b>4,783</b>	6,942
Golf business	<b>1,638</b>	4,107	<b>3,453</b>	8,179
Watch & Jewelleries business	<b>–</b>	6	<b>71</b>	6,677
	<b>3,284</b>	6,758	<b>8,307</b>	21,798
<b>Other income and gains, net</b>				
Bank interest income	<b>–</b>	–	<b>–</b>	–
Others	<b>5,742</b>	–	<b>5,742</b>	571
	<b>5,742</b>	–	<b>5,742</b>	571
<b>Total revenue</b>	<b>9,026</b>	6,758	<b>14,049</b>	22,369

## 3. Operating segment information

For management purposes, the Group is organised into business units based on their products and services, which are the wine and cigar business, golf business and watch & jewellery business. The corporate office in Hong Kong does not earn revenue and is not classified as an operating segment.

Management monitors the results of the Group's operating segments separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that investment and other income, fair value loss on financial assets at fair value through profit or loss and derivative financial instrument, impairment loss on available-for-sale investments, equity-settled share option expense, head office and corporate expenses, finance costs as well as provision for inventories are excluded from such measurement.

### 3. Operating segment information (continued)

For the six month ended 30 June 2020 (Unaudited):

	Wine and Cigar business HK\$'000	Golf business HK\$'000	Watch & Jewelleries business HK\$'000	Total HK\$'000
<b>Period ended 30 June 2020</b>				
<b>Segment revenue:</b>				
Sales to external customers	4,783	3,453	71	8,307
<b>Segment results</b>	(226)	(413)	(751)	(1,390)
<b>Reconciliation:</b>				
Other income				5,742
Corporate and other unallocated expenses				(4,795)
Finance costs				(18,102)
<b>Loss for the period</b>				<b>(18,545)</b>

For the six month ended 30 June 2019 (Unaudited):

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

#### 4. Loss before income tax expenses

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Loss before tax has been arrived after charging:				
Cost of sales	1,925	4,372	5,491	16,768
Depreciation of property, plant and equipment	188	305	385	611
Depreciation of right-of-use assets	658	-	1,317	-
Operating lease rental in respect of rented premises	72	1,869	144	3,746
Staff costs, including directors' emoluments: - Basic salaries and other benefits	2,168	2,925	4,588	6,940

#### 5. Income tax expenses

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax	-	-	-	3

Notes:

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

## 6. Loss per share

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

	<b>(Unaudited)</b> <b>For the six months</b> <b>ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the period</b>		
Loss for the period attributable to owners of the Company	<b>(18,541)</b>	<b>(28,244)</b>
	<b>(Unaudited)</b> <b>As at 30 June</b>	
	<b>2020</b>	2019
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>3,031,101,766</b>	<b>3,031,101,766</b>

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 periods does not assume the conversion of convertible bonds since they are anti-dilutive for the periods ended 30 June 2020 and 2019. Accordingly, the diluted loss per share is the same as the basic loss per share.

## 7. Property, plant and equipment

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net book value as at 1 January	<b>3,353</b>	5,116
Additions	–	104
Write off	–	(773)
Depreciation	<b>(385)</b>	(1,094)
Net book value, end of the period/year	<b>2,968</b>	3,353

## 8. Right-of-use assets

	<b>Leased properties</b>
	<b>HK\$'000</b>
At 1 January 2019	6,144
Depreciation charge	(2,633)
At 31 December 2019 and 1 January 2020	3,511
Depreciation charge	(1,317)
At 30 June 2020	2,194

The Group leases shops and warehouse for its operations. Lease contracts are entered into for fixed term 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.

## 9. Trade receivables

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of impairment allowance, is as follows:

	0 to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 180 days <i>HK\$'000</i>	181 to 360 days <i>HK\$'000</i>	Over 360 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2020	150	19	13	249	2,387	25,084	27,902
As at 31 December 2019	4,724	26	17	38	119	22,732	27,656

## 10. Financial assets at fair value through profit or loss

	(Unaudited) 30 June 2020 <i>HK\$'000</i>	(Audited) 31 December 2019 <i>HK\$'000</i>
<b>Current:</b>		
– Listed equity securities in Hong Kong	8,685	4,080

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

## 11. Trade payables

An aged analysis of the Group's trade payables as at the end of the reporting period, based on invoice date, is as follows:

	0 to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 180 days <i>HK\$'000</i>	Over 180 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2020	349	40	36	1	16	442
As at 31 December 2019	437	109	105	52	17	720



## 12. Share capital

	The Company			
	30 June 2020		31 December 2019	
	Number of share of HK\$0.005 each	Nominal Value HK\$'000	Number of share of HK\$0.005 each	Nominal Value HK\$'000
Authorised:				
Ordinary shares	<u>100,000,000,000</u>	<u>500,000</u>	<u>100,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 January	<u>3,031,101,766</u>	<u>15,156</u>	<u>3,031,101,766</u>	<u>15,156</u>
At 30 June and 31 December 2019	<u>3,031,101,766</u>	<u>15,156</u>	<u>3,031,101,766</u>	<u>15,156</u>

## 13. Convertible bonds

In November 2017, the Group issued convertible bonds with an aggregate principal amount of HK\$80,000,000 due in 2022 with conversion price of HK\$0.165 per share (the "CB I") as part of the consideration for acquisition for Affluent Grand Limited. The CB I does not bear any interest. The effective interest rate of the liability component is 18.72% per annum. The maturity date is on the fifth anniversary of the date of issue of the CB I. As at 30 June 2020, the CB I with an aggregate principal amount of HK\$80,000,000 remained outstanding.

**13. Convertible bonds (continued)**

The movement of liabilities component of the Convertible Bonds for the year is set out below:

	<b>The Group and the Company</b>	
	<b>CB I</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proceeds of issue	80,000	80,000
Equity component	(44,383)	(44,383)
Liability component at date of issue	35,617	35,617
Interest charge	15,307	15,307
Redeemed during the period	—	—
At 31 December 2019 and 1 January 2020	50,924	50,924
Interest charge	4,561	4,561
Redeemed during the period	—	—
<b>As at 30 June 2020</b>	<b>55,485</b>	<b>55,485</b>
Classified as current liabilities	—	—
Non-current liabilities	55,485	55,485

**14. Dividend**

The Board does not recommend the payment of an interim dividend throughout the six months ended 30 June 2020 (2019: Nil).

**15. Charge on group's assets**

As at 30 June 2020, none of the Group's assets were charged or pledged to secure any loans or borrowings.

**16. Comparative figures**

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



## **BUSINESS REVIEW AND OUTLOOK**

### **Wine, Cigar and Golf products retail and trading business and trading of internationally renowned watch brands and luxury and prestigious jewelleries in Hong Kong**

Maxpark Enterprises Limited (“Maxpark”) and its subsidiaries (collectively “Maxpark Group”) engages in the retail and trading business of wine, cigar and golf products and trading of internationally renowned watch brands and luxury and prestigious jewelleries through 6 direct subsidiaries all of which are incorporated in Hong Kong, namely Queensway Wine International Limited, Queensway Wine (Hong Kong) Limited, Queensway Golf International Limited, Mass Fortune (Asia) Limited, Kasco (HK) Limited and Queensway Watch & Jewellery Limited (“Queensway Watch”) (“HK Subsidiaries”). Kasco (HK) Limited is a direct subsidiary of Maxpark and held as to 90.5% by Maxpark and 9.5% by an Independent Third Party.

#### **Wine and cigar business**

##### ***I Products***

Maxpark Group sells a wide variety of wine products including red wine, white wine, champagne, whisky and other liquors and spirits, with particular focus on premium red wine produced from the leading wineries in France, namely Château Lafite Rothschild in Pauillac, Château Latour in Pauillac, Château Margaux in Margaux, Château Haut-Brion in Pessac-Léognan and Château Mouton Rothschild in Pauillac. The origin of the wine are mainly from France, the United States and Italy. Moreover, Maxpark Group has also become the exclusive distributor in Hong Kong and Macau of Vuelo, Guapas and Koa series (produced by Nobel Chile) since January 2020. Maxpark Group also sells cigar and tobacco which are considered to be complementary to the needs of the customers for the wine products.

##### ***II Suppliers***

Maxpark Group sources its wine products from both overseas and local wine distributors and merchants. Overseas suppliers include wine distributors and merchants for leading wineries in France, United Kingdom, United States, Italy, Chile and Australia. Maxpark Group obtains its supplies for cigar and tobacco products from local distributors.

### **III Customers**

The customers for Maxpark Group's wine products include corporations engaging in entertainment, travel, restaurants and luxury products businesses and high net-worth individuals.

### **IV Storage**

Maxpark Group's wine inventory are stored either at its retail shop or at external warehouses which are equipped with automatic air-conditioning system to control the humidity and temperature of the storage environment.

## **Golf business**

### **I Products**

Maxpark Group sells a wide range of golf related products including golf club, ball, shoes, glove, clothing and other accessories of various reputable brands from different countries.

### **II Suppliers**

Maxpark Group mainly sources its golf products from local distributors with the exception of "Kasco" brand products which are sourced directly from Kasco's Japan and Taiwan office. Maxpark Group is the sole distributor in Hong Kong of "Kasco" brand golf products. "Kasco" is a well-known Japanese golf brand with over 50 years' history. In February 2020, Maxpark Group has entered into a formal agreement with the manufacturer of "Kasco" brand products to be the sole distributor in Hong Kong and Macau of "Kasco" brand golf products to 2024. Maxpark Group will also source products from overseas suppliers according to customers' needs.

### **III Customers**

The customers for Maxpark Group's golf products include individual retail customers, local corporate customers such as banks and large corporations. Wholesale customers are mainly local golf clubs and golf retail shops.



### **Wine, Cigar and Golf products retail stores**

Maxpark Group currently operates one shop for retail of wine products, cigar and tobacco and one shop for retail of golf products. The two shops are leased properties located next to each other at Shun Tak Centre, Sheung Wan, Hong Kong and occupy a total gross floor area of approximately 4,100 square feet. In March 2020, Maxpark Group also launched its online shops for its wine products, cigar and tobacco (<http://www.queenswaywine.com.hk/>) and golf products (<http://www.queenswaygolf.com.hk/>).

### **Watch & Jewelleries business**

#### ***I Products***

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

#### ***II Supplier***

Queensway Watch bought watch products mainly from the manufacturer directly in United States and Switzerland. The suppliers including Corum, Girard Perregaux, Audemars Piguet and Bovet 1822 which are the large and well-known luxury watch producer in the market.

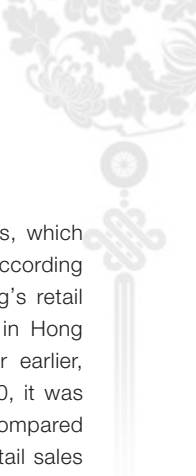
#### ***III Customers***

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

### **Group's other business**

Apart from the above mentioned, the Group had no other significant acquisition or disposal of investments during the six months ended 30 June 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. For the first half of 2020, it was provisionally estimated that the value of total retail sales decreased by 33.3% compared with the same period in 2019. 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 six months ended 30 June 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 six months period ended 30 June 2020, the unaudited consolidated revenue of the Group was approximately HK\$8.31 million and HK\$21.80 million in the corresponding period in 2019. Gross profit is approximately HK\$2.82 million. The revenue approximately HK\$8.24 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.

### Other revenue

For the six months ended 30 June 2020, the Group obtained approximately HK\$5.74 million in other revenues. Other revenue mainly comprised of unrealised gain on revaluation of the financial assets at FVTPL and subsidies received from the Hong Kong Government.

### Administrative expenses

Administrative expenses decreased from approximately HK\$17.48 million for the six months ended 30 June 2019 to approximately HK\$9.00 million in the corresponding period in 2020. Administrative expenses mainly included salaries and wages, depreciation of right-of-use assets and legal and professional fees. The decrease in administrative expenses is mainly attributed to a leased property was expired in August 2019 resulted in the decreased in rental expenses in 2020.

### Finance costs

Finance costs increased from HK\$16.37 million for the six months ended 30 June 2019 to approximately HK\$18.10 million in the corresponding period in 2020. The finance costs were mainly consisted of imputed interest in convertible bonds and interest in promissory notes.

### Results for the period

The unaudited loss attributed to shareholders of the Company approximately HK\$18.54 million for the six months ended 30 June 2020 and unaudited loss attributed to shareholders of the Company was approximately HK\$28.24 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.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The bank balances and cash of the Group was amounting to HK\$3.55 million as at 30 June 2020 and HK\$9.30 million as at 31 December 2019.

## **CAPITAL STRUCTURE**

In November 2017, the Group issued convertible bonds with principal amount of HK\$80 million (the “CB I”) as part of the consideration for acquisition of Affluent Grand Limited. The CB I do not bear any interest. The effective interest rate of liability is 18.72% per annum. The maturity dates is on the fifth anniversary of the date of issue of the CB I. The CB I has not been converted as at 30 June 2020.

As at 30 June 2020, the Group’s gearing ratio (total liabilities by total assets) is 156% (31 December 2019: 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.

## **CHARGE ON GROUP ASSETS**

As at 30 June 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 of the Company consider that the potential foreign exchange exposure of the Group is limited.





## **CONTINGENT LIABILITIES**

As at 30 June 2020, the Group did not have any material contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group employed a workforce with head count of 29. Employee benefit expenses, including directors' emoluments, amounted to approximately HK\$4.59 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement benefits scheme and medical insurance.

## **ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as disclosed above, the Group had no other acquisitions or disposals of subsidiaries and affiliated companies for the six months ended 30 June 2020.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 30 June 2020.

## **FUND RAISING ACTIVITIES OF THE COMPANY UNDER GENERAL MANDATE**

The Group did not have any fund raising activities under general mandate for the six months ended 30 June 2020.

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

As at 30 June 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

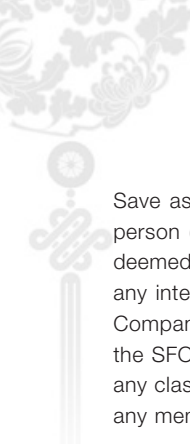
As at 30 June 2020, so far as is known to the Directors of the Company, the following persons (other than a Director and the chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 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.



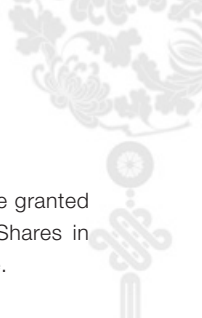
Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect 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 30 June 2020, no share options were outstanding.

## **COMPETING INTERESTS**

The Directors of the Company are not aware of, as at 30 June 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 compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

## **CORPORATE GOVERNANCE PRACTICES**

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Corporate Governance Code as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the period ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2020.

## **EVENT AFTER THE REPORTING PERIOD**

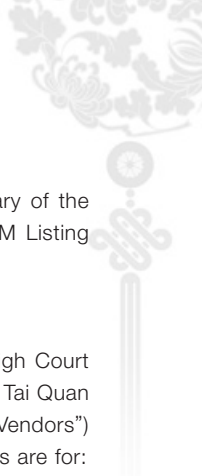
Since July 2020, due to the third wave of the coronavirus infection in Hong Kong, the Hong Kong Government had tightened the "requirements to reduce gathering" including the following requirements and restrictions for catering business:

- catering business must cease selling or supplying food or drink after 6 p.m. for consumption on the premises of the business;
- no more than 2 persons may be seated together at one table within any catering premises;
- the number of customers at any catering premises at any one time when consumption on the premises may be allowed must not exceed 50% of the seating capacity of the premises.

According to the press release issued by the Hong Kong Government, the above-mentioned requirements and restrictions have been further extended till 18 August 2020 and subject to the epidemic situation in Hong Kong afterwards. The restrictions may further affect the Group's retails business for the second half of the year.

## **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 GEM Rules Governing the Listing of Securities (the "GEM 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 GEM Rule 17.28.




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.

## **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, 14 August 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.*