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CAPITAL
VC LIMITED

首都創投有限公司

Capital VC Limited 首都創投有限公司

(Incorporated in the Cayman Islands with limited liability
and carrying on business in Hong Kong as CNI VC Limited)

(Stock Code: 02324)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2018

The board (the “Board”) of directors (the “Directors”) of Capital VC Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 30 September 2018 together with the comparative figures in the year ended 30 September 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2018

	Notes	2018 HK\$	2017 HK\$
Continuing operations			
Turnover	3	(179,754,212)	(516,171,722)
Other income, net		8,146,306	5,000,000
Administrative expenses		(29,403,919)	(28,383,914)
Impairment losses on available-for-sale investments		(41,795,121)	(41,864,660)
Share-based payments		–	(3,881,200)
Operating loss		(242,806,946)	(585,301,496)
Finance cost		(1,615,048)	(8,585,269)
Loss before tax	5	(244,421,994)	(593,886,765)
Income tax expense	6	–	(9,843,716)
Loss for the year from continuing operations		(244,421,994)	(603,730,481)
Discontinued operation			
Profit for the year from discontinued operation	7	–	15,712,949
Loss for the year attributable to equity holders of the Company		(244,421,994)	(588,017,532)
Dividend	8	–	–
(Loss)/earnings per share – basic and diluted			
– Continuing and discontinued operations	9	(0.0887)	(0.3137)
– Continuing operations	9	(0.0887)	(0.3221)
– Discontinued operation	9	–	0.0084

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2018

	2018 HK\$	2017 HK\$
Loss for the year attributable to equity holders of the Company	(244,421,994)	(588,017,532)
Other comprehensive loss for the year, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Net movement in investment revaluation reserve	<u>(270,059)</u>	<u>(75,021)</u>
Total comprehensive loss for the year attributable to equity holders of the Company	<u>(244,692,053)</u>	<u>(588,092,553)</u>
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the Company		
– from continuing operations	(244,692,053)	(603,805,502)
– from discontinued operation	<u>–</u>	<u>15,712,949</u>
	<u>(244,692,053)</u>	<u>(588,092,553)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	2018 HK\$	2017 HK\$
Non-current assets			
Plant and equipment	10	8,964,466	18,822,966
Available-for-sale investments	11	57,733,160	143,634,340
		<u>66,697,626</u>	<u>162,457,306</u>
Current assets			
Prepayments, deposits and other receivables	12	162,330,258	163,790,117
Financial assets at fair value through profit or loss	13	465,607,032	627,113,409
Tax recoverable		–	8,508,838
Cash and cash equivalents		56,862,337	52,151,520
		<u>684,799,627</u>	<u>851,563,884</u>
Current liabilities			
Other payables and accruals	14	15,943,215	23,775,099
		<u>668,856,412</u>	<u>827,788,785</u>
Net current assets			
		<u>668,856,412</u>	<u>827,788,785</u>
Total assets less current liabilities			
		735,554,038	990,246,091
Non-current liabilities			
Interest-bearing borrowings	15	–	10,000,000
		<u>735,554,038</u>	<u>980,246,091</u>
Net assets			
		<u>735,554,038</u>	<u>980,246,091</u>
Capital and reserves			
Share capital		68,872,062	68,872,062
Reserves		666,681,976	911,374,029
		<u>735,554,038</u>	<u>980,246,091</u>
Total equity attributable to equity holders of the Company			
		<u>735,554,038</u>	<u>980,246,091</u>
Net asset value per share	16	<u>0.2670</u>	<u>0.3558</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2018

1. BASIS OF PREPARATION AND PRESENTATION

Capital VC Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 2302, 23rd Floor, New World Tower I, 18 Queen’s Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the “Group”).

The principal activities of the Group are engaged in investing in listed and unlisted companies mainly in Hong Kong and the People’s Republic of China.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the year ended 30 September 2018 (the “Year”), the Group has applied the following new and amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealised Losses

The application of the above new and amendments to HKFRSs in the current year has no material financial impact on the consolidated financial statements of the Group.

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments ¹
HKFRS 16	Leases ²
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
HKFRS 17	Insurance Contracts ⁴
Amendment to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

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 2021

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 31 March 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 October 2018:

The Group's debt instruments that are currently designated as fair value through profit or loss ("FVTPL") will satisfy the conditions for classification as fair value through other comprehensive income ("FVTOCI"). Any fair value changes of these instruments will be recognised in other comprehensive income and accumulated in the investment revaluation reserve. These gains or losses will be reclassified to profit or loss when the bonds are derecognised. On the other hand, the Group's certain equity instruments which are not held for trading are currently classified as available-for-sale investments ("AFS"). The Group will irrevocably elect to designate these investments as FVTOCI. If these equity investments are designated as FVTOCI, then only dividend income on these investments will be recognised in profit or loss. Any other gains or losses on these investments will be recognised in other comprehensive income without recycling to profit or loss.

The other financial assets held by the Group include:

- equity investments currently measured at FVTPL which will continue to be measured on the same basis under HKFRS 9; and
- debt instruments currently classified as loans and receivables and measured at amortised cost will continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVTOCI, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Group expects that the application of the ECL model will result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

The new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 October 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

3. TURNOVER

The amount of each significant category of turnover is as follows:

	2018	2017
	HK\$	HK\$
Continuing operations		
Net realised loss on financial assets at FVTPL	(153,675,363)	(356,303,360)
Net unrealised loss on financial assets at FVTPL	(41,166,191)	(169,172,424)
Dividend income from investments in listed securities	82,291	159,889
Interest income on amounts due from investee companies	5,602,524	4,893,385
Bank and bond interest income	9,402,527	4,250,788
	<u>(179,754,212)</u>	<u>(516,171,722)</u>
Discontinued operation		
Interest income on amount due from an associate	–	1,345,813
	<u>–</u>	<u>1,345,813</u>

Among the net unrealised loss on financial assets at FVTPL, a gain of HK\$2,579,000 (2017: loss of HK\$4,300,000) was related to the bond investments which were designated as financial assets at FVTPL.

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular reports reviewed by the chief operating decision maker for decisions about resources allocated to the Group's business components and for the review of the performance of those components.

The principal activity of the Group is investing in listed and unlisted companies. Interest in an associate was regarded as discontinued operation. The Group has identified the operating and reportable segments as follows:

Investment in financial assets at FVTPL – Investments in listed securities and unlisted bonds

Investment in available-for-sale investments – Investments in unlisted securities

Plant and equipment, tax recoverable, accruals, interest-bearing borrowings and certain amount of prepayment, deposits and other receivables and cash and cash equivalents, were not allocated to segment.

	For the year ended 30 September 2018			
	Investment in financial assets at FVTPL <i>HK\$</i>	Investment in available-for- sale investments <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	(185,358,317)	5,602,524	1,581	(179,754,212)
Administrative expenses	–	–	(29,403,919)	(29,403,919)
Impairment losses on available-for-sale investments	–	(41,795,121)	–	(41,795,121)
Segment result	(185,358,317)	(36,192,597)	(29,402,338)	(250,953,252)
Other income	–	8,164,000	(17,694)	8,146,306
Finance cost	(615,048)	–	(1,000,000)	(1,615,048)
Loss before tax	(185,973,365)	(28,028,597)	(30,420,032)	(244,421,994)
Income tax expense	–	–	–	–
Loss for the year	<u>(185,973,365)</u>	<u>(28,028,597)</u>	<u>(30,420,032)</u>	<u>(244,421,994)</u>
Segment assets	491,111,136	198,420,956	61,965,161	751,497,253
Segment liabilities	<u>7,060,552</u>	<u>–</u>	<u>8,882,663</u>	<u>15,943,215</u>
Other segment information				
Net realised loss on financial assets at FVTPL	(153,675,363)	–	–	(153,675,363)
Net unrealised loss on financial assets at FVTPL	(41,166,191)	–	–	(41,166,191)
Interest income	9,400,946	5,602,524	1,581	15,005,051
Depreciation of plant and equipment	–	–	9,858,500	9,858,500

	For the year ended 30 September 2017					
	Investment in financial assets at FVTPL HK\$	Investment in available-for-sale investments HK\$	Unallocated HK\$	Continuing operations HK\$	Discontinued operation HK\$	Total HK\$
Segment revenue	(521,075,895)	4,893,385	10,788	(516,171,722)	1,345,813	(514,825,909)
Administrative expenses	-	-	(28,383,914)	(28,383,914)	-	(28,383,914)
Impairment losses on available-for-sale investments	-	(41,864,660)	-	(41,864,660)	-	(41,864,660)
Segment result	(521,075,895)	(36,971,275)	(28,373,126)	(586,420,296)	1,345,813	(585,074,483)
Other income	-	5,000,000	-	5,000,000	15,337,796	20,337,796
Share-based payment	-	-	(3,881,200)	(3,881,200)	-	(3,881,200)
Finance cost	(8,585,269)	-	-	(8,585,269)	-	(8,585,269)
Share of results of an associate	-	-	-	-	(748,660)	(748,660)
(Loss)/profit before tax	(529,661,164)	(31,971,275)	(32,254,326)	(593,886,765)	15,934,949	(577,951,816)
Income tax expense	(9,843,716)	-	-	(9,843,716)	(222,000)	(10,065,716)
(Loss)/profit for the year	<u>(539,504,880)</u>	<u>(31,971,275)</u>	<u>(32,254,326)</u>	<u>(603,730,481)</u>	<u>15,712,949</u>	<u>(588,017,532)</u>
Segment assets	644,918,409	289,219,612	79,883,169	1,014,021,190	-	1,014,021,190
Segment liabilities	<u>13,499,647</u>	<u>-</u>	<u>20,275,452</u>	<u>33,775,099</u>	<u>-</u>	<u>33,775,099</u>
Other segment information						
Net realised loss on financial assets at FVTPL	(356,303,360)	-	-	(356,303,360)	-	(356,303,360)
Net unrealised loss on financial assets at FVTPL	(169,172,424)	-	-	(169,172,424)	-	(169,172,424)
Interest income	4,240,000	4,893,385	10,788	9,144,173	1,345,813	10,489,986
Depreciation of plant and equipment	-	-	10,907,587	10,907,587	-	10,907,587

The Group's operations and specified non-current assets are located in Hong Kong.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

5. LOSS BEFORE TAX

The Group's loss before tax has been arrived at after charging:

	2018 HK\$	2017 HK\$
Continuing operations		
Directors' emoluments	1,500,000	1,293,333
Staff costs		
– Salaries, allowances and other benefits	2,871,898	2,528,048
– MPF Scheme contributions	80,518	68,085
Total staff costs	<u>4,452,416</u>	<u>3,889,466</u>
Auditor's remuneration	550,000	550,000
Depreciation of plant and equipment	9,858,500	10,907,587
Interest on margin payables	615,048	8,585,269
Bonds interest expenses	1,000,000	-
Operating lease rentals	134,200	22,000
Donation	3,151,413	88,000

6. INCOME TAX EXPENSE

The amount of taxation expenses charged to the consolidated statement of profit or loss represents:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Continuing operations		
Current tax expense	–	–
Deferred tax expense	–	9,843,716
	<u>–</u>	<u>9,843,716</u>
	<u>–</u>	<u>9,843,716</u>
Discontinued operation		
Current tax expense	–	222,000
Deferred tax expense	–	–
	<u>–</u>	<u>222,000</u>
	<u>–</u>	<u>222,000</u>

7. DISCONTINUED OPERATION

On 21 December 2016, the Company and an independent third party (the “Counterparty”) entered into a formal sale and purchase agreement, pursuant to which the Company sold 34 shares or 34% of the share capital of Kendervon Profits Inc. (“Kendervon”) to the Counterparty. Upon completion of the aforesaid transaction on 31 December 2016, the Company’s shareholding in Kendervon decreased to 66% and the Counterparty held 34% equity interest in Kendervon, the Company’s equity interest in CNI Bullion Limited decreased from 30% to 19.8%, and the Company had resigned as the sole director of Kendervon on 31 December 2016. As at 30 September 2018, the amount due from CNI Bullion Limited was HK\$69,658,187 (2017: HK\$84,055,663), which was included in prepayments, deposits and other receivables of HK\$162,330,258 (2017: HK\$163,790,117) (see note 12).

The profit for the Year 2017 from discontinued operation was analysed as follows:

	2017 <i>HK\$</i>
Interest income on amount due from CNI Bullion Limited (as an associate)	1,345,813
Share of loss of CNI Bullion Limited (as an associate)	(748,660)
Gain on disposal of Kendervon	15,337,796
Current tax expense	(222,000)
	<u>15,712,949</u>
	<u>15,712,949</u>

During the period from 1 October 2016 to 31 December 2016 (the completion date of disposal of Kendervon), Kendervon has not recognised any revenue or expenses, but only recognised share of loss of CNI Bullion Limited as associate of HK\$748,660 for the period, which have been included in the Group's consolidated statement of profit or loss for the Year 2017.

During the period from 1 October 2016 to 31 December 2016, Kendervon Group did not generate any cash flows.

The net assets of Kendervon Group as at the date on which the Group lost control (i.e. 31 December 2016) were HK\$67,015,144, which represented Kendervon's interests in CNI Bullion Limited as associate. Save for the interest in CNI Bullion Limited, Kendervon Group did not have any other asset or liability as at 31 December 2016.

	2017 <i>HK\$</i>
Gain on disposal of the Kendervon Group:	
Consideration	28,000,000
Recognition of an available-for-sale investment (i.e. 66% equity interest in Kendervon)	54,352,940
Net assets disposed of	(67,015,144)
	15,337,796
Net cash inflow arising on disposal:	
Consideration of the disposal in cash and cash equivalents	28,000,000
Less: Receivable for the disposal as at the completion date (<i>Note 12</i>)	(14,000,000)
Cash and cash equivalents disposed of	–
	14,000,000

8. DIVIDEND

The Board does not recommend the payment of a dividend for the Year (2017: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share – continuing and discontinued operation are based on the Group's loss for the Year attributable to the equity holders of the Company of HK\$244,421,994 (2017: HK\$588,017,532).

The calculation of basic and diluted loss per share – continuing operations are based on the Group's loss for the Year from continuing operations of HK\$244,421,994 (2017: HK\$603,730,481).

For the Year 2017, the calculation of basic and diluted earnings per share – discontinued operation are based on the Group's profit for the Year 2017 discontinued operation of HK\$15,712,949.

The above basic and diluted loss/earnings per share based on the weighted average number of 2,754,882,496 (2017: 1,874,308,478) ordinary shares in issue during the Year.

The Company had no potentially dilutive ordinary shares in issue during the year ended 30 September 2018. The share options outstanding during the year ended 30 September 2017 were anti-dilutive.

10. PLANT AND EQUIPMENT

During the Year, the Group did not acquire any plants and equipment (2017: Nil).

11. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK\$	2017 HK\$
Unlisted securities, at fair value	<u>57,733,160</u>	<u>143,634,340</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	2018 HK\$	2017 HK\$
Prepayment and deposits		291,667	399,845
Margin receivables	<i>(a)</i>	21,350,795	17,805,000
Amount due from an available-for-sale investment	<i>(b)</i>	69,658,187	84,055,663
Amount receivable on disposal of Kendervon (<i>Note 7</i>)		10,000,000	14,000,000
Amounts receivable on disposal of available-for-sale investments	<i>(c)</i>	<u>61,029,609</u>	<u>47,529,609</u>
		<u>162,330,258</u>	<u>163,790,117</u>

The carrying amounts of prepayments, deposits and other receivables at the end of the reporting period approximated their fair values.

Notes:

- (a) Margin receivables are generated from investment in financial assets at FVTPL, with interest rates ranged from 0.001% to 0.003% (2017: 0.001% to 0.003%) per annum for the Year.
- (b) The amount was made for financing the business of CNI Bullion Limited, and was unsecured, interest-bearing at 8% per annum (2017: 8% per annum) and repayable on demand.

(c) The balance is represented by receivables from:

	2018	2017
	HK\$	HK\$
The purchaser of Starfame Investments Limited	20,000,000	30,000,000
The purchaser of IIN Network Education (BVI) Limited	864,732	8,864,732
The purchaser of UCCTV Holdings Limited	664,877	8,664,877
The purchaser of Uni-Venture International Investment Limited	30,500,000	–
Others	9,000,000	–
	<u>61,029,609</u>	<u>47,529,609</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL as at 30 September 2018 comprise:

	2018	2017
	HK\$	HK\$
Fair value:		
Unlisted bonds issued in Hong Kong	120,300,000	102,000,000
Listed securities held for trading		
– listed in Hong Kong other than suspended stocks	343,253,177	518,616,701
– suspended stocks listed in Hong Kong	2,053,855	–
– listed outside Hong Kong	–	6,496,708
	<u>465,607,032</u>	<u>627,113,409</u>

The fair values of the Group's listed securities other than the suspended stocks held for trading were determined based on the quoted market bid prices available on the relevant exchanges at the end of the reporting period.

The fair values of the Group's unlisted bonds issued in Hong Kong and the listed suspended stocks were measured using valuation techniques in which some significant inputs are not based on observable market data.

14. OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK\$	HK\$
Margin payables	7,060,552	13,499,647
Accruals	8,882,663	10,275,452
	15,943,215	23,775,099

Margin payables bear interest rates ranged from 8% to 11% (2017: 8% to 10%) per annum for the Year. The margin payables are secured by financial assets at FVTPL, repayable on demand and are guaranteed by the Company on behalf of a subsidiary.

15. INTEREST-BEARING BORROWINGS

Interest-bearing borrowings represent the bond that was fully repaid during the Year.

16. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Group as at 30 September 2018 of HK\$735,554,038 (2017: HK\$980,246,091) and on the number of 2,754,882,496 ordinary shares of HK\$0.025 each in issue as at 30 September 2018 (2017: 2,754,882,496 ordinary shares of HK\$0.025 each).

In the course of preparation of this announcement, the value of the Group's unlisted investments decreased by net amount of approximately HK\$41.8 million, included in which were principally impairment losses on investments in Kendervon Profits Inc. and Merit Advisory Limited of approximately HK\$24.4 million and HK\$10.1 million respectively, with reference to independent valuation reports and other information of the unlisted investments (collectively the "Information of the Unlisted Investments"). As the Information of the Unlisted Investments was obtained by the Company after 12 October 2018, the date of the Company's announcement titled "Net Asset Value" (the "NAV Announcement"), the net asset value per share of the Company as at 30 September 2018 decreased from HK\$0.2830 as stated in the NAV Announcement to HK\$0.2670 as stated in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 30 September 2018 (the “Year”), the Group reported a negative turnover of approximately HK\$179.8 million (Year ended 30 September 2017 (“Year 2017”): HK\$516.2 million) and net loss attributable to equity holders of the Company of approximately HK\$244.4 million (Year 2017: HK\$588.0 million). During the Fiscal Year 2017/18, the decrease in Group’s loss on financial asset investments led to decrease in loss of approximately HK\$330.7 million from HK\$525.5 million in Year 2017 to HK\$194.8 million in the Year.

In connection with the unlisted investments, the Group recorded a loss of approximately HK\$41.8 million during the Year (Year 2017: 41.9 million). Please refer to the section “Business Review, Important Events Occurred after the end of Financial Year and Prospect” below for further details.

As a result of the unsatisfactory performance of listed and unlisted financial assets investments, the Group recorded net loss of approximately HK\$244.4 million for the Year. Even so, the loss was significantly reduced as compared to that for Year 2017 of approximately HK\$588.0 million.

Liquidity and Financial Resources

As at 30 September 2018, the Group held assets of approximately HK\$751.5 million (2017: HK\$1,014.0 million), including cash and cash equivalents of HK\$56.9 million (2017: HK\$52.2 million). The Group’s current ratio (as defined by current assets/current liabilities) increased from 35.8 as at 30 September 2017 to 43.0 as at 30 September 2018, which was maintained at a healthy level. The Board believes that the Group has sufficient resources to satisfy its working capital requirement.

Capital Structure

The Company did not run any capital exercise during the Year. During the year ended 30 September 2018, the share capital of the Company remained unchanged and comprised of 2,754,882,496 issued shares with par value of HK\$0.025.

Capital Commitment and Operating Lease Commitment

As at 30 September 2018, the Group had no material commitment.

Contingent Liabilities

As at 30 September 2018, the Group had no material contingent liabilities.

Charge of Assets

As at 30 September 2018, the Group had pledged financial assets at FVTPL of approximately HK\$313.0 million to secure the margin payables.

BUSINESS REVIEW, IMPORTANT EVENTS OCCURRED AFTER THE END OF FINANCIAL YEAR AND PROSPECT

Consistent with previous year, the overall stock market in Hong Kong continued to behave unstable in the fiscal year 2017/18. Hang Seng Index (“HSI”) experienced encouraging rising early this Year and climbed over 33,000 points in January 2018, from 27,554 points as at 30 September 2017. However, the booming situation cannot be sustained and in June 2018, HSI fell sharply from the highest point of 31,521 points to 27,788 points on the last trading day of the Year, in less than four months. In such unstable market environment, the Group’s listed securities, mainly small-mid cap stocks, performed not very satisfactory and recorded loss on listed securities of approximately HK\$194.8 million. Even so, as compared to the trading loss on listed securities of approximately HK\$525.5 million for the year ended 30 September 2017, this year’s loss has reduced significantly.

In connection with the Group’s principal unlisted investments, the Group disposed of 29 shares or 29% of the share capital of Uni-Venture International Investment Limited (“Uni-Venture”) at a consideration of HK\$40.0 million during the Year, and gain on disposal of HK\$5.5 million was recorded. Uni-Venture group is engaged in the business of provision of workforce solutions on manpower sourcing, training and recruitment services. In addition, the Group’s investment in bonds issued by Rich Circle Investment Limited was matured in August 2018 and the Group has redeemed that bond with its 4% coupons. During the Year, the Group has acquired two bonds. One of them was issued by Hao Wen Holdings Limited, a company listed on GEM of the Stock Exchange, with bond size of HK\$30 million and coupon of 11%. Another was issued by Sincere Smart International Limited (“SSIL”). The bond size and coupon rate of SSIL bonds are HK\$30 million and 12% respectively. SSIL and its subsidiaries are principally engaged in software application industry. Together with the bonds issued by Gold Medal Hong Kong Limited, the maturity date of which was extended to 11 September 2020, the Group held bonds at fair value of approximately HK\$120.3 million. The Board consider bond investments are satisfactory investments, which can bring steady income flows to the Group.

As mentioned in the section “Financial Review” in this announcement, the Group recorded impairment loss on unlisted investments of approximately HK\$41.8 million, which was principally the impairment losses on the Group’s investments in Kendervon Profits Inc. (“Kendervon”) of approximately HK\$24.4 million and Merit Advisory Limited (“Merit Advisory”) of approximately HK\$10.1 million. Kendervon is an unlisted investment holding company, holding 30% equity interest of its associate, CNI Bullion Limited, which is principally engaged the provision of services on trading of gold in gold market. As mentioned in last year’s annual report, the business of gold trading has been very keen in the Hong Kong market. As such, loss on fair value of the Group’s investment in Kendervon was recorded in the current year. Merit Advisory and its subsidiaries are principally engaged in investor relationship service. Merit Advisory is an unlisted company. Owing to the decrease of corporate activities of many listed companies in Hong Kong in the Year, the financial results and its forecast of Merit Advisory group were affected negatively, which resulted in the loss on fair value of the Group’s investment in Merit Advisory in the current year.

There is no important events affecting the Group which have occurred since the end of the year ended 30 September 2018 are noted.

Looking forward, we expect the global investment environment will not be as good as that in prior years. The mist of trade war between China and the United States affects both capital market and economic growth worldwide significantly. Accordingly, we, the Directors, consider that the change of global investment environment is much faster than that in the couple of years before, due to unstable political atmosphere, and we will continue to adopt cautious measures to manage the Group’s investment portfolio.

CORPORATE GOVERNANCE CODE

During the Year, the Company has complied with the code provisions in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules, except for the deviations from the CG Code as described below:

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Decisions of the Company are made collectively by the executive Directors. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

CG Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently all non-executive Directors (i.e. independent non-executive Directors) have no specific term of appointment but they are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this CG Code provision.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the Year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDIT COMMITTEE

The audit committee (“Audit Committee”) of the Board comprises all three independent non-executive Directors and is currently chaired by Mr. Cheung Wai Kin, who possesses extensive financial and accounting experience in commercial sectors. It is responsible for appointment of external auditors, review of the Group’s financial information and oversight of the Group’s financial reporting system and risk management and internal control systems. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. The results for the Year has been reviewed by the Audit Committee. It meets regularly to review financial reporting, risk management and internal control matters and to this end has unrestricted access to personnel, records and external auditors and senior management.

SCOPE OF WORKS OF MESSRS. CHENG & CHENG LIMITED

The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto For the year ended 30 September 2018 as set out in this announcement have been agreed by the Group’s auditors, Messrs. CHENG & CHENG LIMITED to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. CHENG & CHENG 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 Messrs. CHENG & CHENG LIMITED in this announcement.

DISCLOSURE OF INFORMATION ON WEBSITES

All the information required by the Listing Rules will be published on the websites of The Stock Exchange of Hong Kong Limited and of the Company in due course.

By Order of the Board
Capital VC Limited
Chan Cheong Yee
Executive Director

Hong Kong, 21 December 2018

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Kong Fanpeng
Mr. Chan Cheong Yee

Independent non-executive Directors:

Mr. Lee Ming Gin
Ms. Lai Fun Yin
Mr. Cheung Wai Kin

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.