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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2018**

The board of directors (the “Board”) of Capital VC Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 March 2018 (the “Period”). This interim results announcement has not been reviewed by the Company’s independent auditor but has been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2018

		Six months ended	
		31 March 2018 (unaudited) HK\$	31 March 2017 (unaudited) HK\$
	<i>Notes</i>		
Continuing operations			
Revenue	5	(112,237,197)	(69,529,369)
Administrative expenses		(17,275,730)	(16,033,059)
Share-based payments		–	(3,881,200)
Gain on disposal of available-for-sale investment	12	<u>5,500,000</u>	<u>5,000,000</u>
Operating loss		(124,012,927)	(84,443,628)
Finance costs		<u>(886,076)</u>	<u>(4,766,238)</u>
Loss before tax	7	(124,899,003)	(89,209,866)
Income tax	8	<u>–</u>	<u>11,222,000</u>
Loss for the Period from continuing operations		<u>(124,899,003)</u>	<u>(77,987,866)</u>
Discontinued operation			
Profit for the Period from discontinued operation	19	<u>–</u>	<u>15,712,949</u>
Loss for the Period attributable to equity holders of the Company		<u>(124,899,003)</u>	<u>(62,274,917)</u>
Other comprehensive loss for the Period, net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Released on disposal of an asset classified as held for sale		<u>2,500,000</u>	<u>(187,080)</u>
Total comprehensive loss for the Period attributable to equity holders of the Company		<u>(122,399,003)</u>	<u>(62,461,997)</u>
Dividend	9	<u>–</u>	<u>–</u>
Loss per share (HK cents) – Continuing and discontinued operations			
– Basic and diluted	10	(4.53)	(4.81)
Loss per share (HK cents) – Continuing operations			
– Basic and diluted	10	(4.53)	(6.02)
Profit per share (HK cents) – Discontinued operation			
– Basic and diluted	10	<u>NIL</u>	<u>1.21</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	<i>Notes</i>	31 March 2018 (unaudited) HK\$	30 September 2017 (audited) HK\$
NON-CURRENT ASSETS			
Plant and equipment	<i>11</i>	13,646,347	18,822,966
Available-for-sale investments	<i>12</i>	111,634,340	143,634,340
		<u>125,280,687</u>	<u>162,457,306</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	<i>13</i>	546,677,446	627,113,409
Prepayments, deposits and other receivables	<i>14</i>	187,911,877	163,790,117
Tax recoverable		5,511,142	8,508,838
Bank balances and cash		19,771,075	52,151,520
		<u>759,871,540</u>	<u>851,563,884</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>17,305,139</u>	<u>23,775,099</u>
NET CURRENT ASSETS			
		<u>742,566,401</u>	<u>827,788,785</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		867,847,088	990,246,091
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		<u>10,000,000</u>	<u>10,000,000</u>
NET ASSETS			
		<u>857,847,088</u>	<u>980,246,091</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	68,872,062	68,872,062
Reserves		788,975,026	911,374,029
		<u>857,847,088</u>	<u>980,246,091</u>
NET ASSET VALUE PER SHARE			
	<i>16</i>	<u>0.3114</u>	<u>0.3558</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 March 2018

1. GENERAL INFORMATION

Capital VC Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. 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 was Room 2302, 23/F, New World Tower 1, 18 Queen’s Road Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These condensed consolidated interim financial information are presented in Hong Kong dollars, unless otherwise stated.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements (“Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statements should be read in conjunction with the 2016/17 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2017.

3. ACCOUNTING POLICIES

The Company and its subsidiaries (the “Group”) has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 October 2017. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years/period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2017.

5. REVENUE

Revenue represents the amounts received and receivable on investments, net gains on financial assets at fair value through profit or loss (“FVTPL”) and bank and other interest income during the Period as follows:

	Six months ended	
	31 March 2018 (unaudited) HK\$	31 March 2017 (unaudited) HK\$
Continuing Operations		
Net realized loss on financial assets of FVTPL	(81,482,230)	(23,578,128)
Net unrealized loss on financial assets of FVTPL	(33,675,455)	(47,580,616)
Dividend income from investments in listed securities	35,363	12,071
Interest income on amounts due from investee companies	2,880,073	1,606,911
Bank and other interest income	5,052	10,393
	<u>(112,237,197)</u>	<u>(69,529,369)</u>
Discontinued Operation		
Interest income on amounts due from an associate	<u>–</u>	<u>1,345,813</u>

6. 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 their review of the performance of those components.

The principal activity of the Group is investing in listed and unlisted companies. The Group has identified the operating and reportable segments as follows.

Financial assets at FVTPL	–	Investments in securities listed on Hong Kong Stock Exchange
Available-for-sale investment	–	Investments in unlisted securities
Associate	–	Investments in an entity which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture

For the six months ended 31 March 2018

	Investment in financial assets at FVTPL <i>HK\$</i>	Investment in available- for-sale investments <i>HK\$</i>	Unallocated <i>HK\$</i>	Continuing operations <i>HK\$</i>	Discontinued operation <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	(115,122,322)	8,380,073	5,052	(106,737,197)	-	(106,737,197)
Administrative expenses	-	-	(17,275,730)	(17,275,730)	-	(17,275,730)
Segment result	(115,122,322)	8,380,073	(17,270,678)	(124,012,927)	-	(124,012,927)
Share of result of an associate	-	-	-	-	-	-

For the six months ended 31 March 2017

	Investment in financial assets at FVTPL <i>HK\$</i>	Investment in available- for-sale investments <i>HK\$</i>	Unallocated <i>HK\$</i>	Continuing operations <i>HK\$</i>	Discontinued operation <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	(71,146,673)	6,606,911	10,393	(64,529,369)	16,683,609	(47,845,760)
Administrative expenses	-	-	(16,033,059)	(16,033,059)	-	(16,033,059)
Segment result	(71,146,673)	6,606,911	(16,022,666)	(80,562,428)	16,683,609	(63,878,819)
Share of result of an associate	-	-	-	-	(748,660)	(748,660)

7. LOSS BEFORE TAX

Six months ended	
31 March 2018 (unaudited) <i>HK\$</i>	31 March 2017 (unaudited) <i>HK\$</i>

Continuing Operations

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

Total staff costs (including directors' remuneration)	2,389,944	1,764,300
Depreciation on plant and equipment	5,176,619	5,453,792
Operating lease charges on rented premises	66,000	-
Interest expenses	886,076	4,766,238

8. INCOME TAX

	Six months ended	
	31 March	31 March
	2018	2017
	(unaudited)	(unaudited)
	HK\$	HK\$
Continuing Operations		
Deferred tax credit for the Period	–	11,222,000
Discontinued Operation		
Deferred tax charges for the Period	–	(222,000)

As at 31 March 2018, the Group has unused tax losses of HK\$727,166,394 available for offset against future profits. The unrecognised tax losses may be carried forward indefinitely. No provision for Hong Kong Profits Tax has been made for the six months ended 31 March 2018 and 2017.

9. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 31 March 2018 (2017: Nil).

10. LOSS PER SHARE

The calculations of basic and diluted loss per share – Continuing and discontinued operations are based on the Group's loss for the Period attributable to the equity holders of the Company of HK\$124,899,003 (2017: HK\$62,274,917).

The calculation of basic and diluted loss per share – Continuing operations are based on the Group's loss for the Period from continuing operations of HK\$124,899,003 (2017: HK\$77,987,866).

The calculation of basic and diluted profit per share – Discontinued operation are based on the Group's profit for the Period from continuing operations of HK\$Nil (2017: HK\$15,712,949).

The above basic and diluted profit/(losses) per share are based on the weighted average number of 2,754,882,496 (2017: 1,296,017,936) ordinary shares in issue for the Period.

11. PLANT AND EQUIPMENT

During the Period, the Group did not acquire or dispose of any plant and equipment.

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2018 (unaudited) HK\$	30 September 2017 (audited) HK\$
Unlisted equity securities representing investments in private entities, at fair value	<u>111,634,340</u>	<u>143,634,340</u>

The principal available-for-sale investment as at 31 March 2018 is detailed below:

			Approximate percentage of the Group's investment portfolio	Approximate percentage of the Group's net assets	For the six months ended 31 March 2018 Fair value gain/(loss) HK\$'000
	<i>Note</i>	Stock code	Fair value HK\$'000		
Available-for-sale investments					
Kendervon Profit Inc.	<i>1</i>	Unlisted	57,123	8.68%	6.66%
					–

Note:

- (1) Kendervon Profit Inc. 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. No dividend was received from Kendervon Profit Inc. during the six months ended 31 March 2018. The unaudited net loss for the year ended 30 September 2017 and net asset value attributable to equity holders as at 30 September 2017 were approximately HK\$5,610,000 and HK\$79,880,000 respectively.

The Group is unable to exercise significant influence over Kendervon Profit Inc. as the Group does not have the power to appoint any director of Kendervon and does not participate in Kendervon's policy-making processes.

The Group had completed the disposal of its investment in Uni-Venture International Investment Limited, the acquisition cost and fair value as at 30 September 2017 of which were HK\$34,500,000 and HK\$32,000,000 respectively. The consideration of the aforesaid disposal is HK\$40,000,000. Gain on disposal of HK\$5,500,000 and other comprehensive income of HK\$2,500,000 were recorded in the Period, respectively.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2018 (unaudited) HK\$	30 September 2017 (audited) HK\$
Fair value		
Unlisted bonds issued in Hong Kong	162,000,000	102,000,000
Listed equity securities held for trading,		
– listed in Hong Kong	384,677,446	518,616,701
– listed outside Hong Kong	<u>–</u>	<u>6,496,708</u>
	<u>546,677,446</u>	<u>627,113,409</u>

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

All of the Group's unlisted bonds issued in Hong Kong were designated as financial assets at FVTPL. The fair value of the bonds were measured using valuation techniques in which significant input is not based on observable market data.

The principal financial assets at fair value through profit or loss as at 31 March 2018 are detailed below:

			Fair/ Market value HK\$'000	Approximate percentage of the Group's investment portfolio	Approximate percentage of the Group's net assets	For the six months ended 31 March 2018 Fair value gain/(loss) HK\$'000
	<i>Notes</i>	Stock code				
Unlisted bonds Investment						
Gold Medal Hong Kong Limited	<i>1</i>	Unlisted	52,600	7.99%	6.13%	–
Rich Circle Investment Limited	<i>2</i>	Unlisted	49,400	7.50%	5.76%	–
Listed securities						
Larry Jewelry International Company Limited	<i>3</i>	8351	46,911	7.13%	5.47%	(20,105)
China e-Wallet Payment Group Limited	<i>4</i>	802	46,348	7.04%	5.40%	4,635
EJE (Hong Kong) Holdings Limited	<i>5</i>	8101	45,857	6.97%	5.35%	33,779

Notes:

- (1) Gold Medal Hong Kong Limited is a company incorporated in Hong Kong with limited liability and principally engaged in money lending business. It is a wholly owned subsidiary of WLS Holdings Limited which is listed in the Hong Kong Stock Exchange (stock code: 8021). According to the terms of the agreement and subject to certain conditions, both the Group and Gold Medal Hong Kong Limited have the early redemption rights as follows:

The Group can early redeem the bond at 100% of the outstanding principal amount and 50% of outstanding coupon.

Gold Medal Hong Kong Limited can early redeem the bond at 100% of the total amount of such bond together with any payment of interests accrued up to the date of such early redemption. Additional 1% will be given to the Group, together with the outstanding principal and coupon.

- (2) Rich Circle Investment Limited is a company incorporated in the British Virgin Islands with limited liability. It is a wholly owned subsidiary of Lerado Financial Group Company Limited which is listed in the Hong Kong Stock Exchange (stock code: 1225). According to the terms of the agreement and subject to certain conditions, both the Group and Rich Circle Investment Limited have the early redemption rights as follows:

The Group can early redeem the bond at 100% of the outstanding principal amount and 50% of outstanding coupon.

Rich Circle Investment Limited can early redeem the bond at 100% of the total amount of such bond together with any payment of interests accrued up to the date of such early redemption. Additional 0.5% will be given to the Group, together with the outstanding principal and coupon.

- (3) Larry Jewelry International Company Limited (stock code: 8351) and its subsidiaries are principally engaged in design and retailing of jewelry products and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs in Hong Kong, Macau and the People's Republic of China. For the year ended 31 December 2017, net loss attributable to equity holders and net liabilities attributable to equity holders was approximately HK\$816,569,000 and HK\$151,064,000 respectively.
- (4) China e-Wallet Payment Group Limited (stock code: 0802) and its subsidiaries are principally engaged in provision of biometric and RFID products and solution services. Net loss attributable to equity holders of approximately HK\$392,785,000 was recognized for the year ended 31 December 2017. According to the latest published consolidated financial statements of China e-Wallet Payment Group Limited as at 31 December 2017, its net asset value attributable to equity holders was approximately HK\$587,683,000.
- (5) EJE (Hong Kong) Holdings Limited (stock code: 8101) and its subsidiaries are principally engaged in the mattress and soft bed products business. The Company operates through three business segments: the design, manufacture and sale of mattress and soft bed products segment, property investment segment and securities investment segment. Net loss attributable to equity holders of approximately HK\$116,820,000 was recognized for the year ended 31 March 2017. According to the latest published consolidated financial statements of China Information Technology Development Limited as at 30 September 2017, its net asset value attributable to equity holders was approximately HK\$321,145,000.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The prepayments, deposits and other receivables of HK\$187,911,877 as at 31 March 2018 (30 September 2017: HK\$163,790,117) included receivables for five (30 September 2017: four) disposed available-for-sale investments of HK\$62,029,610 (30 September 2017: HK\$61,529,609), advance to CNI Bullion Limited, which is an available-for-sale investment of the Group, of HK\$66,935,736 (30 September 2017: HK\$84,055,663) and amounts held in securities account of the Group of HK\$58,733,501 as at 31 March 2018 (30 September 2017: HK\$17,805,000). The balances are unsecured, and repayable within one year from 31 March 2018. Except for the advance to CNI Bullion Limited of HK\$66,935,736 which is interest-bearing at 8% per annum, all the other balances as at 31 March 2018 are interest-free.

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.005 each	Number of ordinary shares of HK\$0.025 each	Nominal value HK\$
Authorised			
At 1 October 2016, 31 March 2017 and 1 October 2017	40,000,000,000	–	200,000,000
Share consolidation (<i>Note a</i>)	(40,000,000,000)	8,000,000	–
	<u>–</u>	<u>8,000,000</u>	<u>–</u>
At 31 March 2018	<u>–</u>	<u>8,000,000</u>	<u>200,000,000</u>
Issued and fully paid			
At 1 October 2016			
Ordinary Shares of HK\$0.025 each	3,130,603,123	–	15,653,016
Exercise of share options (<i>Note b</i>)	313,000,000	–	1,565,000
Share consolidation (<i>Note a</i>)	(3,443,603,123)	688,720,624	–
Rights issue (<i>Note c</i>)	–	2,066,161,872	51,654,046
	<u>–</u>	<u>2,754,882,496</u>	<u>68,872,062</u>
At 30 September 2017, 31 March 2017 and 31 March 2018	<u>–</u>	<u>2,754,882,496</u>	<u>68,872,062</u>

Notes:

- (a) With effect from 8 February 2017, every five (5) issued and unissued shares of the Company of HK\$0.005 each were consolidated into one (1) consolidated share of the Company of HK\$0.025 each.
- (b) During the six months ended 31 March 2017, 313,000,000 share options were exercised at a price of HK\$0.118 of the Company.

- (c) On 15 March 2017, the Company completed the rights issue (“Rights Issue”) on the basis of three rights shares for every one existing shares held on 17 February 2017. 2,066,161,872 rights shares were issued at price of HK\$0.20. Total consideration amounted to HK\$413,232,374 of which HK\$54,654,046 was credited to share capital and the remaining proceeds of HK\$361,578,328 after offsetting the share issuance costs of HK\$7,000,900 were credited to the share premium account.

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 31 March 2018 of HK\$857,847,088 (30 September 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 31 March 2018 (30 September 2017: 2,754,882,496 ordinary shares of HK\$0.025 each).

17. RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) During the Period, significant transactions with related parties and connected parties are as follows:

	<i>Notes</i>	Six months ended	
		31 March 2018 (unaudited) HK\$	31 March 2017 (unaudited) HK\$
Continuing operations			
Insight Capital Management (HK) Limited (“Insight HK”)			
Investment management fee paid	<i>(i)</i>	150,000	300,000
China Everbright Securities (HK) Limited (“CES”)			
Investment management fee paid	<i>(ii)</i>	150,000	–
Discontinued operation			
CNI Bullion Limited (“CNI Bullion”)			
Interest income from	<i>(iii)</i>	–	1,345,813

Notes:

- (i) Insight HK was an investment manager of the Company and considered as a connected person under 14A.08 of Chapter 21 of the Listing Rules. Pursuant to an investment management agreement (“Insight HK Agreement”) dated 17 October 2014 entered into between the Company and Insight HK, Insight HK agreed to provide the Company with investment management services (excluding general administrative services) commencing from 21 October 2014. Pursuant to its terms, Insight HK Agreement is renewable automatically for successive periods of two years each upon expiry unless terminated by either the Company or Insight HK serving not less than 3 months’ prior notice in writing on the other party. The monthly investment advisory fee was HK\$50,000. Pursuant to the extension agreement dated 11 October 2016, the agreement was extended for another two years to 16 October 2018 with the above same terms and fee. Insight HK and the Company mutually agreed to terminate Insight HK Agreement with effect from 1 January 2018.
- (ii) CES is an investment manager of the Company and considered as a connected person under 14A.08 of Chapter 21 of the Listing Rules. Pursuant to an investment management agreement (“**CES Agreement**”) dated 29 December 2017 entered into between the Company and CES, CES agreed to provide the Company with investment management services (excluding general administrative services) commencing on 1 January 2018. Pursuant to its terms, the monthly investment advisory fee is HK\$50,000.
- (iii) Equity interest in CNI Bullion decreased to 19.8% during the year ended 30 September 2017. The Group no longer has significant influence over CNI Bullion, upon completion on disposal of 34% equity of Kendervon which holds 30% equity interest in CNI Bullion (see note 19). The interest income received from CNI Bullion of HK\$1,345,813 represented that for the period from 1 October 2016 to the completion date of disposal of CNI Bullion.
- (b) Compensation of key management personnel. The remuneration of directors and other members of key management during the Period was as follows:

	Six months ended	
	31 March	31 March
	2018	2017
	(unaudited)	(unaudited)
	HK\$	HK\$
Short-term benefits	1,415,364	1,200,000

18. PLEDGE OF ASSETS

The Group has pledged its financial assets at fair value through profit or loss, which are HK\$333,603,178 (30 September 2017: HK\$475,990,851), to secure margin financing facilities obtained from regulated securities dealers.

19. 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. The advance to CNI Bullion Limited of HK\$66,935,736 was classified as advance to an available-for-sale investment, which was included in prepayments, deposits and other receivables of HK\$187,911,877 and HK\$163,790,117 (see note 14) as at 31 March 2018 and 30 September 2017, respectively.

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

	Six months ended	
	31 March	31 March
	2018	2017
	(unaudited)	(unaudited)
	HK\$	HK\$
Interest income on advance to CNI Bullion Limited (as associate), net of tax	–	1,123,813
Share of loss of CNI Bullion Limited as associate	–	(748,660)
Gain on disposal of Kendervon for the Period	–	15,337,796
	<u>–</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 and expenses, and only recognised share of loss of CNI Bullion Limited as associate of HK\$748,660 for the period from 1 October 2016 to 31 December 2016, which have been included in the Group’s condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 March 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 the date on which the Group lost control (i.e. 31 December 2016) were HK\$67,015,145, 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 and liability as at 31 December 2016.

**Six months
ended 31
March 2017
(unaudited)
HK\$**

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)	54,352,941
Less: Net assets disposed of	<u>(67,015,145)</u>
	<u>15,337,796</u>

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	(14,000,000)
Cash and cash equivalents disposed of	<u>–</u>
	<u>14,000,000</u>

20. PENDING LITIGATION

In HCA 1700/2011, since the legal representative of the Company filed the defence on behalf of the Company in December 2011, for more than 6 years, the Plaintiff has not taken any further steps at all in respect of the proceedings. The said law suit was taken out by Mr. Chan Ping Yee (the “Plaintiff”) and involves a dishonoured cheque issued by the Company for the amount of HK\$39,000,000 allegedly payable to the Plaintiff. The law suit came about because there was an intended transaction which eventually fell through. It has always been the view of the Company’s legal representative that the Plaintiff’s claim is totally without ground. The Company had taken legal advice and has already given instructions to their legal representative to make an application to strike out the claim with costs, for (1) lack of merits of the claim, and (2) want of prosecution. Such application will be made in due course, and the Company will keep the shareholders informed on the status of this matter.

Save as disclosed above, so far as the Board is aware, there are no litigation or arbitration proceedings made or threatened to be made against the Company, which would have a significant impact on the business or operations of the Company. No provision was made for the six months ended 31 March 2018.

21. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Please refer to the section of “CAPITAL STRUCTURE” on page 18 of this interim result announcement for the significant event after the reporting period – termination of placing.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 31 March 2018, the Group reported a negative turnover of approximately HK\$112.2 million (2017: HK\$69.5 million) and net loss attributable to equity holders of the Company of approximately HK\$124.9 million (2017: HK\$62.3 million). The continuing negative turnover and loss making are principally due to the unstable performance of listed securities held by the Group. The Group recorded a net loss on listed securities investment of approximately HK\$115.2 million in the six months ended 31 March 2018 (2017: HK\$71.1 million).

During the Period, the Group has disposed of its equity investment in Uni-Venture International Investment Limited at a consideration of HK\$40.0 million. Its cost of acquisition and fair value as at 30 September 2017 were HK\$34.5 million and approximately HK\$32.0 million respectively. Accordingly, gain on disposal of Uni-Venture International Investment Limited of HK\$5.5 million and other comprehensive income of HK\$2.5 million were recorded during the Period.

As at 31 March 2018, the net asset value (“NAV”) of the Group was approximately HK\$857.8 million (30 September 2017: HK\$980.2 million), representing a decrease of approximately 12.5% over the Period. The NAV per share of the Company was HK\$0.3114 (30 September 2017: HK\$0.3558), which decreased by approximately 12.5% during the Period. The decrease in NAV is attributable to the comprehensive loss for the Period attributable to equity holders of the Company of approximately HK\$122.4 million.

Business Review and Prospect

Consistent with previous year, the overall stock market in Hong Kong continued behaved unstable in the first half of fiscal year 2017/18. Hang Seng Index (“HSI”) experienced a sharp rise from 27,554 as at the end of September 2017 to over 30,000 in January 2018. Since then, there was a zigzag path of HSI and HSI was eventually marked at 30,093 as at 31 March 2018. As a result, HSI only increased mildly by less than 10% over the Period. In such unstable market environment, the Group’s listed securities performed not as good as previous years. The Group continued to make loss on listed investments and loss of approximately HK\$115.2 million was recorded during the Period.

In connection with unlisted investments, the Group has disposed of its equity stake in Uni-Venture International Investment Limited during the Period, and recorded a profit of HK\$5.5 million. The Group has invested HK\$30 million in each of two unlisted bonds during the Period. One of them is unsecured, with a 3-year term and coupon rate of 11% per annum. The another is unsecured, with a 2-year term and coupon rate of 12% per annum.

As mentioned in annual report of the Company in previous year, it was widely expected that, should economic performance in the US remain on track, the Federal Reserve would begin to remove excess liquidity gradually by tapering off Quantitative Easing sometime in near future. The Federal Reserve in December 2015 lifted rates for the first time in nearly a decade, and gradually by another 0.25% in each of December 2016, March, June and December 2017, and March 2018. Although there is no absolute viewpoint in the market on the extent of increase in Fed rate in long run, the interest rate normalization is widely expected to continue in the rest of this year.

Looking forward, we expect the investment environment in the US and other advanced economies will be relatively stable. Anticipated mild and slow interest rate normalization will not cause significant influence of global investment market. In the East, as the China economy is maturing and a more sustainable development is desired, slower future growth levels are to be expected. The Directors will continue to adopt cautious measures to manage the Group's investment portfolio.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group's liquidity position has improved over the Period, although the Group's bank balances as at 31 March 2018 amounted to approximately HK\$19.8 million (As at 30 September 2017: approximately HK\$52.2 million). The Group's current ratio (as defined by current assets/current liabilities) maintained a satisfactory level of 43.9 as at 31 March 2018 (30 September 2017: 35.8). The Board believes that the Group has sufficient resources to satisfy its working capital requirements.

During the Period, the Group maintained low level of gearing ratio (as defined by total liabilities/total assets) (31 March 2018: 3.08%; 30 September 2017: 3.33%), and the Group had no material commitment and contingent liabilities as at 31 March 2018.

SIGNIFICANT INVESTMENTS

Significant investments of the Group are the principal available-for-sale investment and principal financial assets at fair value through profit or loss as detailed in note 12 and note 13 to the condensed consolidated financial statements, respectively.

Save for those principal investments, the Group has not held any investment, the value of which was over 5% of the Group's net asset value as at 31 March 2018.

FOREIGN CURRENCY FLUCTUATION

The Group's exposures to foreign currencies mainly arises from its investments in companies located in the PRC, which are financed internally. In order to mitigate the potential impact of currency fluctuations, the Group closely monitors its foreign currency exposures and will use suitable hedging instruments against significant foreign currency exposures, where necessary. No foreign currency hedge contract was entered into by the Group during the Year. As at 31 March 2018, the Group had no outstanding foreign currency hedge contracts (30 September 2017: Nil).

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

During the Period the Company does not have any significant acquisition and disposal of subsidiaries and associates.

HUMAN RESOURCES

As at 31 March 2018, the Group had 7 employees, excluding the directors of the Company. Total staff costs excluding Directors' remuneration amounted to approximately HK\$1.6 million. They perform clerical, research, business development and administrative functions for the Group. The Group's remuneration policies are in line with the prevailing market practice and the staff remuneration is determined on the basis of the performance and experience of individual employees.

CAPITAL STRUCTURE

On 2 February 2018 (after trading hours), the Company and Infast Brokerage Limited (the "Placing Agent"), entered into the placing agreement pursuant to which the Placing Agent agreed to place, on a best endeavour basis, to not less than six independent places for up to 550,000,000 new shares of the Company at a price of HK\$0.050 per placing share (the "Placing"). Given that certain conditions precedent to the completion of the Placing are not satisfied on or before the long stop date of the Placing, the Company and the Placing Agent have mutually agreed to terminate the placing agreement on 27 April 2018.

Save as mentioned above, The Company did not run any capital exercise during the Period. During the six months ended 31 March 2018, the share capital of the Company remained unchanged and comprised of 2,754,882,496 issued share capital with par value of HK\$0.025 each.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2018, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, to the best knowledge of the Board and chief executives of the Company, the following persons (other than any directors or chief executive of the Company) were substantial shareholders of the Company and had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

	Number of Shares of the Company	Approximate percentage of shareholding
iReach Capital Fund	178,500,000	6.48%

Save as disclosed above, the Company had not been notified of any other person (other than directors or chief executive of the Company) who 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 by the Company pursuant to Section 336 of the SFO as at 31 March 2018.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by shareholders of the Company at the annual general meeting on 10 December 2013, the Company adopted a new share option scheme (the “Scheme”). Under the Scheme, the directors of the Company may, at their absolute discretion, invite any employee (full-time or part-time), director, consultant or advisor of any member of the Group, or any substantial shareholder of any member of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, or any company wholly owned by one or more persons belonging to any of the above classes to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue on date of the aforesaid annual general meeting.

On 2 February 2018 (after trading hours), the Company has granted 275,000,000 share options, subject acceptance of the grantees, under its share option scheme adopted on 10 December 2013. Subsequently, the Company, as approved by the Board and consented by each of the grantees, has cancelled the grant of the share options with effect from 15 February 2018. None of grantees has accepted those share options.

Save as mentioned above, no share option was granted by the Company during the Period, and there was no share option outstanding as at 1 October 2017 and 31 March 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries repurchased, redeemed or sold any of the Company’s listed securities during the six months ended 31 March 2018.

AUDIT COMMITTEE

As at 31 March 2018, the Audit Committee comprises three independent non-executive directors, namely, Mr. Cheung Wai Kin, Mr. Lee Ming Gin and Ms. Lai Fun Yin with written terms of reference in compliance. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed risk management, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 March 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 Period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE PRACTICE

During the Period, 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 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 reelection. Currently all non-executive directors, including independent non-executive directors, have no specific term of appointment but they are subject to retirement by rotation in accordance with the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

Pursuant to CG Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Certain independent non-executive Directors could not attend the annual general meeting held on 27 March 2018 due to other business commitments.

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

Hong Kong, 30 May 2018

As at the date of this announcement, the Board comprises Mr. Kong Fanpeng and Mr. Chan Cheong Yee as executive directors; and Mr. Lee Ming Gin, Ms. Lai Fun Yin and Mr. Cheung Wai Kin as independent non-executive directors.