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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 2017**

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 2017 (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 2017

		Six months ended	
		31 March	31 March
		2017	2016
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$	HK\$
			(Restated)
Continuing operations			
Revenue	5	(69,529,369)	(200,292,853)
Other income		–	5,000,000
Administrative expenses		(16,033,059)	(11,593,916)
Share-based payments		(3,881,200)	–
Gain on disposal of available-for-sale investment	13	5,000,000	–
		<hr/>	<hr/>
Operating loss		(84,443,628)	(206,886,769)
Finance costs		(4,766,238)	(823,517)
		<hr/>	<hr/>
Loss before tax	7	(89,209,866)	(207,710,286)
Income tax	8	11,222,000	34,090,000
		<hr/>	<hr/>
Loss for the Period from continuing operations		<u>(77,987,866)</u>	<u>(173,620,286)</u>
Discontinued operation			
Profit/(Loss) for the Period from discontinued operation	20	15,712,949	(3,176,071)
		<hr/>	<hr/>
Loss for the Period attributable to equity holders of the Company		<u>(62,274,917)</u>	<u>(176,796,357)</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		(187,080)	–
		<hr/>	<hr/>
Total comprehensive loss for the Period attributable to equity holders of the Company		<u>(62,461,997)</u>	<u>(176,796,357)</u>
Dividend	9	–	–
		<hr/>	<hr/>
Loss per share (HK cents) – Continuing and discontinued operations			
– Basic and diluted	10	(4.81)	(25.64)
Loss per share (HK cents) – Continuing operations			
– Basic and diluted	10	(6.02)	(25.18)
Profit/(Loss) per share (HK cents)			
– Discontinued operation			
– Basic and diluted	10	1.21	(0.46)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

		31 March 2017 (unaudited) HK\$	30 September 2016 (audited) HK\$
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment	<i>11</i>	24,276,761	29,730,553
Interest in an associate	<i>12</i>	–	44,724,111
Available-for-sale investments	<i>13</i>	150,886,941	126,721,080
Deferred tax assets		<u>20,843,716</u>	<u>9,843,716</u>
		196,007,418	211,019,460
CURRENT ASSETS			
Financial assets at fair value through profit or loss	<i>14</i>	1,173,938,768	862,451,966
Prepayments, deposits and other receivables	<i>15</i>	162,887,144	41,774,352
Amount due from an associate	<i>12</i>	–	73,466,465
Tax recoverable		8,508,838	5,085,503
Bank balances and cash		<u>95,623,329</u>	<u>13,420,371</u>
		1,440,958,079	996,198,657
Asset classified as held for sale		–	<u>23,039,693</u>
		1,440,958,079	1,019,238,350
CURRENT LIABILITIES			
Other payables and accruals		<u>131,088,848</u>	<u>108,965,838</u>
NET CURRENT ASSETS		1,309,869,231	910,272,512
TOTAL ASSETS LESS CURRENT LIABILITIES		1,505,876,649	1,121,291,972
CAPITAL AND RESERVES			
Share capital	<i>16</i>	68,872,062	15,653,016
Reserves		<u>1,437,004,587</u>	<u>1,105,638,956</u>
		1,505,876,649	1,121,291,972
NET ASSET VALUE PER SHARE	<i>17</i>	0.5466	0.3582

NOTES:

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 2015/16 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 2016.

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 2016. 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 2016.

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	31 March
	2017	2016
	(unaudited)	(unaudited)
	HK\$	HK\$
		(Restated)
Continuing Operations		
Net realized loss on financial assets of FVTPL	(23,578,128)	(28,140,674)
Net unrealized loss on financial assets of FVTPL	(47,580,616)	(173,384,467)
Dividend income from investments in listed securities	12,071	–
Interest income on amounts due from investee companies	1,606,911	1,225,000
Bank and other interest income	10,393	7,288
	<u>(69,529,369)</u>	<u>(200,292,853)</u>
Discontinued Operation		
Interest income on amounts due from an associate	<u>1,345,813</u>	<u>551,797</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 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	<u>(71,146,673)</u>	<u>6,606,911</u>	<u>(16,022,666)</u>	<u>(80,562,428)</u>	<u>16,683,609</u>	<u>(63,878,819)</u>
Share of result of an associate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(748,660)</u>	<u>(748,660)</u>

For the six months ended 31 March 2016

	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> (Restated)	Discontinued operation <i>HK\$</i> (Restated)	Total <i>HK\$</i>
Segment revenue	(201,525,141)	1,225,000	5,007,288	(195,292,853)	551,797	(194,741,056)
Administrative expenses	-	-	(11,593,916)	(11,593,916)	-	(11,593,916)
Segment result	<u>(201,525,141)</u>	<u>1,225,000</u>	<u>(6,586,628)</u>	<u>(206,886,769)</u>	<u>551,797</u>	<u>(206,334,972)</u>
Share of result of an associate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,637,868)</u>	<u>(3,637,868)</u>

7. LOSS BEFORE TAX

Six months ended	
31 March 2017 (unaudited) <i>HK\$</i>	31 March 2016 (unaudited) <i>HK\$</i>

Continuing Operations

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

Total staff costs (including directors' remuneration)	1,764,300	1,859,988
Depreciation on plant and equipment	5,453,792	4,950,615
Operating lease charges on rented premises	-	514,295
Interests on margin payables	<u>4,766,238</u>	<u>823,517</u>

8. INCOME TAX

	Six months ended	
	31 March 2017 (unaudited) HK\$	31 March 2016 (unaudited) HK\$ (Restated)
Continuing Operations		
Deferred tax credit for the Period	11,222,000	34,090,000
Discontinued Operation		
Deferred tax charges for the Period	<u>(222,000)</u>	<u>(90,000)</u>

As at 31 March 2017, the Group has unused tax losses of HK\$250,624,673 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 2017.

9. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 31 March 2017 (2016: Nil).

10. PROFIT/(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\$62,274,917 (2016: HK\$176,796,357).

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\$77,987,866 (2016 restated: HK\$173,620,286).

The calculation of basic and diluted profit/(loss) per share – Discontinued operation are based on the Group's profit/(loss) for the Period from continuing operations of HK\$15,712,949 (2016 restated: HK\$(3,176,071)).

The above basic and diluted profit/(losses) per share are based on the weighted average number of 1,296,017,936 (2016 restated: 689,598,060) 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. INTEREST IN AN ASSOCIATE

	31 March 2017 (unaudited) HK\$	30 September 2016 (audited) HK\$
Cost of investment in an unlisted associate	–	4,500,000
Share of post-acquisition profit	–	63,263,804
Transfer to asset classified as held for sale	–	(23,039,693)
	<u>–</u>	<u>44,724,111</u>
Amount due from an associate (<i>Note</i>)	<u>–</u>	<u>73,466,465</u>

As at 30 September 2016, the Group has interests in the following associate:

Name of associate	Form of business structure	Class of shares held	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Group	Principal activities
CNI Bullion Limited	Incorporated	Ordinary share	Hong Kong	HK\$15,000,000	30%	Provision of services on trading of gold in Hong Kong gold market

Note:

The amount due from an associate was unsecured, bearing interest at 8% per annum and repayable on demand.

On 26 September 2016, the Company and an independent third party (the “Counterparty”) entered into a letter of intent, pursuant to which Kendervon Profits Inc. (“Kendervon”), the then wholly-owned subsidiary of the Company holding 30% equity interest in CNI Bullion Limited, intended to issue and allot new shares to the Company and the Counterparty. Upon completion of the aforesaid share allotment on 31 December 2016, the Company’s shareholding in Kendervon decreased to 66% and the Counterparty hold 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 amount due from CNI Bullion Limited of HK\$81,419,188 was classified as amount due from an available-for-sale investment, which was included in prepayments, deposits and other receivables of HK\$162,887,144 (see note 15) as at 31 March 2017 and amount due from an associate as at 30 September 2016.

13. AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2017 (unaudited) HK\$	30 September 2016 (audited) HK\$
Unlisted equity securities representing investments in private entities, at fair value	<u>150,886,941</u>	<u>126,721,080</u>

The Group had completed the disposal of its investment in Starfame Investments Limited, the acquisition cost and fair value as at 30 September 2016 of which were HK\$30,000,000 and HK\$30,187,080 respectively. Gain on disposal of HK\$5,000,000 was recorded in the Period.

As detailed in note 20, the Group's investment in Kendervon of HK\$54,352,941 has changed to be recorded under available-for-sale investments as at 31 March 2017.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2017 (unaudited) HK\$	30 September 2016 (audited) HK\$
Fair value		
Unlisted bonds issued in Hong Kong	106,300,000	106,300,000
Listed equity securities held for trading,		
– listed in Hong Kong	1,060,546,528	739,368,803
– listed outside Hong Kong	<u>7,092,240</u>	<u>16,783,163</u>
	<u>1,173,938,768</u>	<u>862,451,966</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 listed equity securities held for trading as at 31 March 2017 were as follows:

	<i>Notes</i>	Stock code	As at 31 March 2017			For the
			Fair/ Market value <i>HK\$000</i>	Approximate percentage of the Group's investment portfolio	Approximate percentage of the Group's net assets	six months as at 31 March 2017 Fair value gain/(loss) <i>HK\$000</i>
WLS Holdings Limited	1	8021	121,573	9.18%	8.07%	(41,897)
Major Holdings Limited	2	1389	116,451	8.79%	7.73%	6,212
GreaterChina Professional Services Limited	3	8193	83,900	6.33%	5.57%	(5,211)
China e-Wallet Payment Group Limited	4	802	76,963	5.81%	5.11%	1,301
Sunrise (China) Technology Group Limited	5	8226	76,468	5.77%	5.08%	(643)
Master Glory Group Limited	6	275	75,475	5.70%	5.01%	(2,393)

Notes:

- (1) WLS Holdings Limited (stock code: 8021) (“WLS”) and its subsidiaries are principally engaged in provision of scaffolding and fitting out services, management contracting services, and other services for construction and buildings work, money lending business and securities investment business. Net loss attributable to equity holders of approximately HK\$18.2 million was recognized for the year ended 30 April 2016. According to the latest published financial statements of WLS as at 31 October 2016, its net asset value attributable to equity holders was approximately HK\$839.5 million.
- (2) Major Holdings Ltd (stock code: 1389) (“MHL”) and its subsidiaries are principally engaged in Sale and distribution of premium wine and spirits products and wine accessory products in Hong Kong. Net profit attributable to equity holders of approximately HK\$7.4 million was recognized for the year ended 31 March 2016. According to the latest published financial statements of MHL as at 30 September 2016, its net asset value attributable to equity holders was approximately HK\$102.7 million.
- (3) GreaterChina Professional Services Limited (stock code: 8193) (“GreaterChina”) and its subsidiaries are principally engaged in asset advisory services and asset appraisal, corporate services and consultancy, media advertising and financial services. Net loss attributable to equity holders of approximately HK\$3.5 million was recognized for the year ended 31 March 2016. According to the latest published financial statements of GreaterChina as at 30 September 2016, its net asset value attributable to equity holders was approximately HK\$521.5 million.

- (4) China e-Wallet Payment Group (stock code: 802) (“China e-Wallet”) and its subsidiaries are principally engaged in provision of biometric and RFID products and solution services. Net profit attributable to equity holders of approximately HK\$176.8 million was recognized for the year ended 31 December 2016. According to the latest published financial statements of China e-Wallet as at 31 December 2016, its net asset value attributable to equity holders was approximately HK\$877.2 million.
- (5) Sunrise (China) Technology Group Limited (stock code: 8226) (“Sunrise”) and its subsidiaries are principally engaged in manufacturing and sales of straw briquettes, trading of commodities, trading of garment accessories, manufacturing and trading of LED digital display products, and investment in securities. Net loss attributable to equity holders of approximately HK\$71.9 million was recognized for the year ended 31 December 2016, and Sunrise’s net asset value attributable to equity holders was approximately HK\$108.0 million as at 31 December 2016.
- (6) Master Glory Group Limited (stock code: 275) (“Hanny”) and its subsidiaries are principally engaged in trading of securities, industrial water supply business, property development and trading and other strategic investments. Net loss attributable to equity holders of approximately HK\$135.8 million was recognized for the year ended 31 March 2016. According to the latest published financial statements of Hanny as at 30 September 2016, its net asset value attributable to equity holders was approximately HK\$5,282.9 million.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The prepayments, deposits and other receivables of HK\$162,887,144 as at 31 March 2017 (30 September 2016: HK\$41,774,352) included receivables for four (30 September 2016: two) disposed available-for-sale investments of HK\$61,529,610 (30 September 2016: HK\$32,529,595), advance to CNI Bullion Limited, a wholly-owned subsidiary of Kendervon which is an available-for-sale investment of the Group, of HK\$81,419,188 (30 September 2016: nil) (see note 20) and margin receivables generated from investment in financial assets at FVTPL of HK\$19,427,226 as at 31 March 2017 (30 September 2016: HK\$4,669,980). The balances are unsecured, and repayable within one year from 31 March 2017. Except for the advance to CNI Bullion Limited of HK\$81,419,188 which is interest-bearing at 8% per annum, all the other balances as at 31 March 2017 are interest-free.

16. 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 2015, 31 March 2016 and 1 October 2016	40,000,000,000	–	200,000,000
Share consolidation (<i>Note a</i>)	(40,000,000,000)	8,000,000,000	–
	<u>–</u>	<u>8,000,000,000</u>	<u>200,000,000</u>
At 31 March 2017	<u>–</u>	<u>8,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid			
At 1 October 2016			
Ordinary Shares of HK\$0.005 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 31 March 2017	<u>–</u>	<u>2,754,882,496</u>	<u>68,872,062</u>
At 1 October 2015			
Ordinary Shares of HK\$0.005 each	1,565,081,441	–	7,825,408
Bonus issue (<i>Note d</i>)	1,565,221,684	–	7,826,108
Exercise of warrants (<i>Note e</i>)	298,779	–	1,494
	<u>3,130,601,904</u>	<u>–</u>	<u>15,653,010</u>
At 31 March 2016	<u>3,130,601,904</u>	<u>–</u>	<u>15,653,010</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 of the Company were exercised at a price of HK\$0.118 each.
- (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. Gross rights proceeds of HK\$413,232,374 of which HK\$51,654,046 was credited against share capital. The remaining proceeds of HK\$361,578,328 after offsetting the share issuance costs of HK\$7,000,900 were credited against the share premium account.
- (d) At the extraordinary general meeting held on 11 December 2015, an ordinary resolution was passed for issuance of bonus shares. 1,565,221,684 ordinary shares of HK\$0.005 each were issued to shareholders on the basis of one bonus share for every then existing share as at the record date of 22 December 2015.
- (e) As a result of the bonus issue detailed in note (d) above, the exercise price of warrants was adjusted from HK\$0.41 to HK\$0.205, with effect from 23 December 2015. During the six months ended 31 March 2016, 158,536 warrants were exercised at a price of HK\$0.205 and 140,243 warrants were exercised at a price of HK\$0.41 into 298,779 ordinary shares of the Company, in aggregate.

17. 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 2017 of HK\$1,505,876,649 (30 September 2016: HK\$1,121,291,972) and on the number of 2,754,882,496 ordinary shares of HK\$0.025 each in issue as at 31 March 2017 (30 September 2016: 3,130,601,904 ordinary shares of HK\$0.005 each).

18. 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 2017 (unaudited) HK\$	31 March 2016 (unaudited) HK\$
Insight Capital Management (HK) Limited ("Insight HK") Investment management fee paid	(i)	300,000	300,000
CNI Bullion Limited (as associate) Interest income from	(ii)	1,345,813	551,797

Notes:

- (i) Pursuant to an investment agreement dated 17 October 2014 and an extension letter dated 11 October 2016 (collectively the "Insight HK Agreements") 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 to 16 October 2018. Pursuant to terms of Insight HK Agreements, either the Company or Insight HK can terminate Insight HK Agreements by serving not less than 3 months' prior notice in writing on the other party. Currently the monthly investment advisory fee is HK\$50,000.
- (ii) The amount represented the interest income from the advance to CNI Bullion Limited for the period from 1 October 2016 to 31 December 2016, which is the completion date of disposal of 10.2% equity interest of CNI Bullion Limited. Future details of the disposal were stated in note 20. The advance was unsecured, bears interest at 8% per annum and repayable on demand.
- (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 2017 (unaudited) HK\$	31 March 2016 (unaudited) HK\$
Short-term benefits	1,200,000	1,130,000

19. PLEDGE OF ASSETS

The Group has pledged its financial assets at fair value through profit or loss, which are HK\$787,591,332 (30 September 2016: HK\$634,740,694), to secure margin financing facilities obtained from regulated securities dealers.

20. DISCONTINUED OPERATION

On 26 September 2016, the Company and the Counterparty entered into a letter of intent, pursuant to which Kendervon, the then wholly-owned subsidiary of the Company holding 30% equity interest in CNI Bullion Limited, intended to issue and allot new shares to the Company and the Counterparty. Upon completion of the aforesaid share allotment on 31 December 2016, the Company's shareholding in Kendervon decreased to 66% and the Counterparty hold 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 amount due from CNI Bullion Limited of HK\$81,419,188 was classified as amount due from an available-for-sale investment, which was included in prepayments, deposits and other receivables of HK\$162,887,144 (see note 15) as at 31 March 2017 and amount due from an associate as at 30 September 2016.

The profit/(loss) for the Period from discontinued operation was analysed as follows:

	Six months ended	
	31 March 2017 (unaudited) HK\$	31 March 2016 (unaudited) HK\$ (Restated)
Interest income on amount due from CNI Bullion Limited (as associate), net of tax	1,123,813	461,797
Share of loss of CNI Bullion Limited as associate	(748,660)	(3,637,868)
Gain on disposal of Kendervon for the Period	15,337,796	–
	<u>15,712,949</u>	<u>(3,176,071)</u>

During the six months ended 31 March 2016 and 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 (six months ended 31 March 2016: HK\$3,637,868), which have been included in the Group's condensed consolidated statement of profit or loss and other comprehensive income for the Period.

During the six months ended 31 March 2016 and 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 (note 13), 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	(67,015,145)
	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 31 March 2017	(14,000,000)
Cash and cash equivalents disposed of	–
	14,000,000

The major classes of assets and liabilities as held for sale of Kendervon Group as at 30 September 2016 which have been presented separately in the condensed consolidated statement of financial position represent 34% of the Group's interest in CNI Bullion Limited.

21. 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 5 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 a possible share 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.

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 2017.

22. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 31 March 2017, the Group reported a negative turnover of approximately HK\$69.5 million (2016: HK\$200.3 million) and net loss attributable to equity holders of the Company of approximately HK\$62.3 million (2016: HK\$176.8 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\$71.1 million in the six months ended 31 March 2017 (2016: HK\$201.5 million). The loss of CNI Bullion Limited shared to the Group decreased from approximately HK\$3.6 million in the six months ended 31 March 2016 to approximately HK\$0.8 million in the Period.

During the Period, the Group has disposed of its equity investment in Starfame Investments Limited at a consideration of HK\$35 million. Its cost of acquisition and fair value as at 30 September 2016 were HK\$30 million and approximately HK\$30.2 million respectively. Accordingly, gain on disposal of Starfame Investments Limited of HK\$5.0 million was recorded during the Period.

During the Period, the Group disposed of 34% equity interest in a wholly-owned subsidiary – Kendervon Profit Inc. (“Kendervon”) and resigned as the sole director Kendervon. The 30% equity investment in CNI Bullion Limited, a gold trading services company and treated as an associate of the Group, is the major asset of Kendervon. Gain on disposal of Kendervon of approximately HK\$15.3 million was recorded during the Period. For further details, please refer to note 20 to the condensed consolidated financial statements of the Company for the Period.

As at 31 March 2017, the net asset value (“NAV”) of the Group was approximately HK\$1,505.9 million (30 September 2016: HK\$1,121.3 million), representing an increase of approximately 34.3% over the Period. The NAV per share of the Company was HK\$0.5466 (30 September 2016: HK\$0.3582), which increased by approximately 52.6% during the Period. The increase in NAV is mainly attributable to the net effect of the loss for the Period attributable to equity holders of the Company of approximately HK\$62.3 million, the net proceeds of approximately HK\$406.2 million from the rights issue completed on 15 March 2017 and the proceeds from exercise of share options of HK\$36.9 million. These also led to the increase in the NAV per share of the Company, which is contributed by the share consolidation of every five (5) issued and unissued shares of the Company of HK\$0.005 each into one (1) consolidated share of HK\$0.025 each as well. The share consolidation has become effective on 8 February 2017.

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 2016/17. Hang Seng Index (“HSI”) experienced a sharp fall in December 2016, dropped from 23,297 as at the end of September 2016 to 21,574 in December 2016. Since then, HSI rebounded sharply and eventually marked at 24,112 as at 31 March 2017. As a result, HSI only increased mildly by 815 points 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\$71.2 million was recorded during the Period.

The business of gold trading has become very keen in the Hong Kong market. Loss of approximately HK\$0.8 million was shared to the Group from the Company's associate – CNI Bullion Limited (“CNI”) during the Year. In the corresponding period of last year, loss of approximately HK\$3.6 million was shared. Although the Group still considers that CNI has a positive outlook in the long run, the Group has disposed of 34% of its equity stake in Kendervon, which is the sole shareholding company of CNI, and resigned as the sole director of Kendervon. As such, the 66% equity investment in Kendervon has changed to be recorded as an available-for-sale investment of the Group, and CNI was then no longer an associate of the Group. Gain on disposal of 34% equity stake in Kendervon of approximately HK\$15.3 million was recorded during the Period.

In connection with unlisted investments, the Group has disposed of its equity stake in Starfame Investments Limited during the Period, and recorded a profit of HK\$5.0 million.

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 and March 2017. There is no absolute viewpoint in the market on the extent of increase in Fed rate in 2017. The pace of interest rate normalization is questioned.

Looking forward, we expect the investment environment in the US and other advance 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

There Group's liquidity position has improved significantly over the Period and the Group's bank balances as at 31 March 2017 amounted to approximately HK\$95.6 million (As at 30 September 2016: approximately HK\$13.4 million). The Group's current ratio (as defined by current assets/current liabilities) maintained a satisfactory level of 11.0 as at 31 March 2017 (30 September 2016: 9.4). 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 2017: 8.0%; 30 September 2016: 8.9%), and the Group had no material commitment and contingent liabilities as at 31 March 2017.

SIGNIFICANT INVESTMENTS

Significant investments of the Group are the principal listed investments included in the financial assets at fair value through profit or loss as detailed in note 14 to the financial information included in this announcement.

Save for those principal listed 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 2017.

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 2017, the Group had no outstanding foreign currency hedge contracts (30 September 2016: Nil).

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

Save for disposal of Kendervon as detailed in note 20 to the condensed Consolidated financial statements, during the Period the Company does not have any significant acquisition and disposal of subsidiaries and associates.

HUMAN RESOURCES

As at 31 March 2017, the Group had 6 employees, excluding the directors of the Company. Total staff costs excluding Directors' remuneration amounted to approximately HK\$1.0 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

During the Period, 313,000,000 share options were exercised at a price of HK\$0.118 each, which resulted in the issue and allotment of 313,000,000 ordinary shares of the Company of HK\$0.005 each. In addition, the Company adopted (i) share consolidation on the basis of every five (5) issued and unissued shares of the Company of HK\$0.005 each consolidated into one (1) consolidated share of HK\$0.025 each, and (ii) 2,066,161,872 rights shares were exercised at a price of HK\$0.20 each. The number of the Company's issued share capital changed from 3,130,603,123 ordinary shares of HK\$0.005 each as at 30 September 2016 to 2,754,882,496 ordinary shares of HK\$0.025 each as at 31 March 2017.

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 2017.

AUDIT COMMITTEE

As at 31 March 2017, the Audit Committee comprises two independent non-executive directors, namely, Mr. Lam Kwan and Mr. Lee Ming Gin 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 2017.

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.

On behalf of the Board
Chan Cheong Yee
Executive Director

Hong Kong, 24 May 2017

As at the date of this announcement, the Board comprises Mr. Kong Fanpeng and Mr. Chan Cheong Yee as executive directors; and Mr. Lam Kwan and Mr. Lee Ming Gin as independent non-executive directors.