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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 2019**

The board (the “Board”) of directors (the “Director(s)”) 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 2019 (the “Period”). The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2019

	<i>Notes</i>	Six months ended	
		31 March 2019 (unaudited) HK\$	31 March 2018 (unaudited) HK\$
Turnover	5	(47,686,670)	(112,237,197)
Administrative expenses		(16,452,249)	(17,275,730)
Share-based payments		(1,875,500)	–
Gain on disposal of plant and equipment	11	39,924	–
Gain on disposal of available-for-sale investment	12	–	5,500,000
		<hr/>	<hr/>
Operating loss		(65,974,495)	(124,012,927)
Finance costs		(464,505)	(886,076)
		<hr/>	<hr/>
Loss before tax	7	(66,439,000)	(124,899,003)
Income tax	8	–	–
		<hr/>	<hr/>
Loss for the Period attributable to equity holders of the Company		<u>(66,439,000)</u>	<u>(124,899,003)</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	12	–	2,500,000
		<hr/>	<hr/>
Total comprehensive loss for the Period attributable to equity holders of the Company		<u>(66,439,000)</u>	<u>(122,399,003)</u>
		<hr/>	<hr/>
Dividend	9	–	–
		<hr/>	<hr/>
Loss per share (HK cents)			
– Basic	10	2.41	4.53
– Diluted		2.41	4.53
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	<i>Notes</i>	31 March 2019 (unaudited) HK\$	30 September 2018 (audited) HK\$
NON-CURRENT ASSETS			
Plant and equipment	<i>11</i>	4,168,637	8,964,466
Available-for-sale investments	<i>12</i>	–	57,733,160
Financial assets at fair value through profit or loss	<i>13</i>	27,733,160	–
		31,901,797	66,697,626
CURRENT ASSETS			
Financial assets at fair value through profit or loss	<i>13</i>	493,227,221	465,607,032
Prepayments, deposits and other receivables	<i>14</i>	156,345,453	162,330,258
Bank balances and cash		13,958,969	56,862,337
		663,531,643	684,799,627
CURRENT LIABILITIES			
Other payables and accruals		24,442,902	15,943,215
NET CURRENT ASSETS			
		639,088,741	668,856,412
TOTAL ASSETS LESS CURRENT LIABILITIES			
		670,990,538	735,554,038
NET ASSETS			
		670,990,538	735,554,038
CAPITAL AND RESERVES			
Share capital	<i>15</i>	68,872,062	68,872,062
Reserves		602,118,476	666,681,976
		670,990,538	735,554,038
NET ASSET VALUE PER SHARE			
	<i>16</i>	0.2436	0.2670

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 March 2019

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 2017/18 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 2018.

3. ACCOUNTING POLICIES

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 2018. 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, except for HKFRS 9 as detailed below:

HKFRS 9 “Financial Instruments”

In the Period, the Group has adopted HKFRS 9 “Financial Instruments”, which becomes effective for accounting periods beginning on or after 1 October 2018. The Group applied the transition provisions set out in HKFRS 9 to adjust the retained profits or other reserves as at 1 October 2018, without restating comparative information retrospectively, for any adjustments to the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9. The principal effects resulting from the application of HKFRS 9 on the Group’s assets or liabilities are summarised below.

Classification and measurement of financial assets and financial liabilities

HKFRS 9 “Financial Instruments” introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and the new requirements on accounting for financial liabilities that are designated at fair value through profit or loss.

Impairment of financial assets

HKFRS 9 replaces the “incurred loss” impairment model in HKAS 39 with a forward-looking “expected credit loss” model. The Group applies simplified approach to recognise lifetime expected losses for all debtors and other receivables, and expected losses for investments in securities. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary.

The change in the classification of financial assets under HKFRS 9 at the date of initial application on 1 October 2018 is that available-for-sale investments of HK\$57,733,160 as at 30 September 2018 were classified as financial assets at fair value through profit or loss of HK\$57,733,160 as at 1 October 2018. Based on the Group’s financial instruments policies, the equity securities classified as available-for-sale investments qualified for designation as measured at financial assets at fair value through other comprehensive income under HKFRS 9, however, the Group did not elect the option for designating these securities to be measured at financial assets at fair value through other comprehensive income and measures these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

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 2018.

5. TURNOVER

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 2019 (unaudited) <i>HK\$</i>	31 March 2018 (unaudited) <i>HK\$</i>
Net realized loss on financial assets of FVTPL	(39,799,733)	(81,482,230)
Net unrealized loss on financial assets of FVTPL	(18,282,881)	(33,675,455)
Dividend income from investments in listed securities	73,981	35,363
Interest income on amounts due from investee companies	2,782,727	2,880,073
Bank and bond interest income	7,539,236	5,052
	<u>(47,686,670)</u>	<u>(112,237,197)</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

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

	For the six months ended 31 March 2019			
	Investment in financial assets at FVTPL HK\$	Investment in available- for-sale investments HK\$	Unallocated HK\$	Total HK\$
Segment revenue	(50,493,154)	2,782,727	(1,811,819)	(49,522,246)
Administrative expenses	–	–	(16,452,249)	(16,452,249)
Segment result	<u>(50,493,154)</u>	<u>2,782,727</u>	<u>(16,428,492)</u>	<u>(65,974,495)</u>

	For the six months ended 31 March 2018			
	Investment in financial assets at FVTPL HK\$	Investment in available- for-sale investments HK\$	Unallocated HK\$	Total HK\$
Segment revenue	(115,122,322)	8,380,073	5,052	(106,737,197)
Administrative expenses	–	–	(17,275,730)	(17,275,730)
Segment result	<u>(115,122,322)</u>	<u>8,380,073</u>	<u>(17,270,678)</u>	<u>(124,012,927)</u>

7. LOSS BEFORE TAX

	Six months ended	
	31 March 2019 (unaudited) HK\$	31 March 2018 (unaudited) HK\$
The Group's loss before tax has been arrived at after charging:		
Total staff costs (including directors' remuneration and share-based payments)	4,072,236	2,389,944
Depreciation on plant and equipment	4,575,753	5,176,619
Operating lease charges on rented premises	72,600	66,000
Interest expenses	464,505	886,076
Share-based payment expenses	<u>1,875,500</u>	<u>–</u>

8. INCOME TAX

As at 31 March 2019, the Group has unused tax losses of approximately HK\$862,724,000 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 2019 and 2018.

9. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 31 March 2019 (2018: Nil).

10. LOSS PER SHARE

The calculations of basic and diluted loss per share are based on the Group's loss for the Period attributable to the equity holders of the Company of HK\$66,439,000 (2018: HK\$124,899,003).

The above basic and diluted losses per share are based on the weighted average number of 2,754,882,496 (2018: 2,754,882,496) ordinary shares in issue for the Period.

11. PLANT AND EQUIPMENT

During the Period, the Group disposed of two motor vehicles at consideration of HK\$260,000 in aggregate. The carrying amounts of these two motor vehicles as at 31 March 2019 were HK\$220,076 in aggregate.

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2019 (unaudited) HK\$	30 September 2018 (audited) HK\$
Unlisted equity securities, at fair value	<u>–</u>	<u>57,733,160</u>

Upon application of HKFRS 9 on 1 October 2018, the Group has reclassified all available-for-sale financial assets to financial assets at fair value through profit or loss.

During the six months ended 31 March 2018, 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 six months ended 31 March 2018, respectively.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2019 (unaudited) HK\$	30 September 2018 (audited) HK\$
Fair value		
Unlisted bonds	175,226,539	120,300,000
Unlisted equity securities	27,733,160	–
Listed equity securities		
– listed in Hong Kong other than suspended stocks	315,946,827	343,253,177
– suspended stocks listed in Hong Kong	2,053,855	2,053,855
	<u>520,960,381</u>	<u>465,607,302</u>
Analysed as:		
Current assets	493,227,221	465,607,032
Non-current assets	27,733,160	–
	<u>520,960,381</u>	<u>465,607,032</u>

During the six months ended 31 March 2019, the Group had completed the disposal of its investment in Kendervon Profit Inc., which was included in available-for-sale investments as at 30 September 2018 and reclassified as financial assets at fair value through profit or loss. The fair value of this investment as at 30 September 2018 was HK\$30,000,000. The consideration for the disposal is HK\$30,000,000.

The principal financial assets at fair value through profit or loss as at 31 March 2019 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 2019 Fair value gain/(loss) HK\$'000
	<i>Notes</i>	Stock code				
Unlisted bonds Investment						
Gold Medal Hong Kong Limited	1	Unlisted	52,000	9.98%	7.75%	–
Sincere Smart International Limited	2	Unlisted	35,400	6.80%	5.28%	–

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) Sincere Smart International Limited (“Sincere Smart”) is a company incorporated in BVI with limited liability and principally engaged in the application software industry in Hong Kong and the PRC specialising in information management solutions offered as SaaS through ERP cloud platform addressing business requirements of the retail and services industries. There is no provision of terms in the agreement regarding early redemption rights. Bond coupons of HK\$3,600,000 were received from Sincere Smart for the six months ended 31 March 2019.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The prepayments, deposits and other receivables of HK\$156,345,453 as at 31 March 2019 (30 September 2018: HK\$162,330,258) included receivables for six (30 September 2018: five) disposed available-for-sale investments of HK\$85,200,015 (30 September 2018: HK\$61,029,609), amount due from an available-for-sale investment of the Group of HK\$51,440,734 (30 September 2018: HK\$69,658,187) and amounts held in securities account of the Group of HK\$19,341,418 as at 31 March 2019 (30 September 2018: HK\$21,350,795). Save as the amount due from an available-for-sale investment of HK\$51,440,734 bearing interest at 8% per annum, the balances are unsecured, interest-free and repayable within one year from 31 March 2019.

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.025 each	Nominal value HK\$
Authorised		
At 31 March 2019 and 30 September 2018	<u>8,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid		
At 31 March 2019 and 30 September 2018	<u>2,754,882,496</u>	<u>68,872,062</u>

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 2019 of HK\$670,990,538 (30 September 2018: HK\$735,554,038) and on the number of 2,754,882,496 ordinary shares of HK\$0.025 each in issue as at 31 March 2019 (30 September 2018: 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 2019 (unaudited) HK\$	31 March 2018 (unaudited) HK\$
Insight Capital Management (HK) Limited ("Insight HK")			
Investment management fee paid	(i)	–	150,000
China Everbright Securities (HK) Limited ("CES")			
Investment management fee paid	(ii)	300,000	150,000

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 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.

- (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
	2019	2018
	(unaudited)	(unaudited)
	HK\$	HK\$
Short-term benefits (including share-based payments)	1,943,136	1,415,364

18. PLEDGE OF ASSETS

The Group has pledged its financial assets at fair value through profit or loss, which are HK\$288,842,102 (30 September 2018: HK\$312,965,413), to secure margin financing facilities obtained from regulated securities dealers.

19. 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 7 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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 31 March 2019 (the “Period”), the Group reported a negative turnover of approximately HK\$47.7 million (2018: HK\$112.2 million) and net loss attributable to equity holders of the Company of approximately HK\$66.4 million (2018: HK\$124.9 million). The decrease in negative turnover and loss was principally due to the improving performance of listed securities held by the Group. The Group recorded a net loss on listed securities investment of approximately HK\$58.0 million in the six months ended 31 March 2019 (2018: HK\$115.2 million).

During the Period, the Group has disposed of its equity investment in Kendervon Profit Inc. at a consideration of HK\$30.0 million and its fair value as at 30 September 2018 was HK\$30.0 million respectively. Moreover, the Group acquired two bonds. One of them was issued by AMCO United Holding Limited (“AMCO”), a company listed on main board of The Stock Exchange of Hong Kong Limited, with bond size of HK\$30.0 million and coupons of 10%. Another was issued by VIP Credit Limited (“VIP Credit”). The bond size and coupon rate of VIP Credit are HK\$25.0 million and 8% respectively.

As at 31 March 2019, the net asset value (“NAV”) of the Group was approximately HK\$671.0 million (30 September 2018: HK\$735.6 million), representing a decrease of approximately 8.8% over the Period. The NAV per share of the Company was HK\$0.2436 (30 September 2018: HK\$0.2670), which decreased by approximately 8.8% during the Period. The decrease in NAV is principally attributable to the comprehensive loss for the Period attributable to equity holders of the Company of approximately HK\$66.4 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 2018/19. Hang Seng Index (“HSI”) experienced a sharp falling from 27,788 as at the end of September 2018 to below 24,600 in October 2018. Since then, HSI rebounded strongly was eventually marked at 29,051 as at 31 March 2019. As a result, HSI only increased mildly by less than 5% over the Period. In such unstable market environment, the Group’s listed securities performed not so satisfactorily. The Group continued to make loss on listed investments and corresponding loss of approximately HK\$58.0 million was recorded during the Period, although less loss was made as compared to that for the corresponding period of last year.

In connection with unlisted investments, the Group has disposed of its equity stake in Kendervon Profits Inc. (“KPI”) at a consideration of HK\$30 million during the Period. As the fair value of the Group’s investment in KPI as at 30 September 2018 was HK\$30 million, neither gain nor loss on disposal was recorded during the Period. In addition to the above disposal, the Group has acquired two bonds. One was issued by AMCO and another was by VIP Credit. The terms of these two bonds have been stated under the headline of “Financial Highlights” of this interim result announcement.

As mentioned in annual report of the Company in previous year, the interest rate normalization was widely expected to continue. However, changes in the tone of the statements made by FOMC were noted, the Fed rate will likely keep steady in the rest of year, or even there are rooms to decrease the Fed rate, which are considered by certain analysts.

Looking forward, along with the commencement of trade war between China and the US and good chance of Fed rate frozen or even cut, which is reflecting slow down of the US economy, we expect the investment environment in the US and other advance economies will be challenging in short to medium terms. In the East, the China economy affected by the trade war is normally expected. As such, 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 2019 decreased to approximately HK\$14.0 million (30 September 2018: approximately HK\$56.9 million). The Group's current ratio (as defined by current assets/current liabilities) maintained a healthy level of 27.1 as at 31 March 2019 (30 September 2018: 43.0). 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 2019: 3.5%; 30 September 2018: 2.1%), and the Group had no material commitment and contingent liabilities as at 31 March 2019.

Included in the Group's listed securities of HK\$318.0 million as at 31 March 2019 were amounts of approximately HK\$288.8 million secured for the margin payables of approximately HK\$18.3 million.

SIGNIFICANT INVESTMENTS

The Company considers that investments with fair value over 5% of the Group's net asset value are significant investments. Significant investments of the Group as at 31 March 2019 are certain bonds investment, as detailed in note 13 to the consolidated financial statements, set out below are further details on these investments:

Gold Medal Hong Kong Limited (“Gold Medal”)

Gold Medal 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, the guarantor of the bond, which is listed on GEM of the Stock Exchange (stock code: 8021). Based on WLS' interim report for the Year 2018/19, its net asset value was approximately HK\$668.4 million, and its total liabilities were only approximately HK\$228.1 million as at 31 October 2018. Accordingly, the Company considers that there is no signal of default of bonds issued by Gold Medal.

Sincere Smart International Limited (“Sincere Smart”)

Sincere Smart is a company incorporated in BVI with limited liability and principally engaged in the application software industry in Hong Kong and the PRC specialising in information management solutions offered as SaaS through ERP cloud platform addressing business requirements of the retail and services industries. There is no provision of terms in the agreement regarding early redemption rights. Based on Sincere Smart’s unaudited management accounts for the year ended 30 September 2018, its net asset value as at 30 September 2018 and net profit for the year then ended were approximately HK\$11.1 million and HK\$0.9 million respectively. Sincere Smart’s principal liabilities at 30 September 2018 were its bonds issued to the Company. Accordingly, the Company considers that there is no signal of default of bonds issued by Sincere Smart.

Save for the above 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 2019.

SEGMENTAL INFORMATION

There is no material change in the Group’s investment segment, principally investment in financial asset at fair value through profit or loss, during the Period.

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 Period. As at 31 March 2019, the Group had no outstanding foreign currency hedge contracts (30 September 2018: 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 2019, the Group had 11 employees, excluding the directors of the Company. Total staff costs excluding Directors’ remuneration amounted to approximately HK\$1.5 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

The Company did not run any capital exercise during the Period. During the six months ended 31 March 2019, 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. Included in other payables as at 31 March 2019 were margin payables of approximately HK\$18.3 million bearing interest rates ranged from 8% to 11% (2018: 8% to 11%) per annum. The margin payables are in Hong Kong Dollars, and secured by listed investments of the Group, repayable on demand and are guaranteed by the Company on behalf of a subsidiary. In view of such immaterial amount of the margin payables in Hong Kong Dollars as compared to the Group's listed stocks of approximately HK\$318.0 million, the Company considers the currency and interest rate risks exposure of its debt and obligation are manageable.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED OF FUNDING IN COMING YEAR

As at 31 March 2019 and up to the date of this interim result announcement approved, the Company does not have any concrete plan for material investments or capital assets.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2019, save as the share options granted to Mr. Chan Cheong Yee and Mr. Kong Fanpeng as detailed in the section "SHARE OPTIONS SCHEME" below, 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 2019, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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 13 February 2019 (after trading hours), the Company offered to grant an aggregate of 165,000,000 share options (the “Share Options”) to certain directors and employees of the Company (the “Grantees”), subject to acceptance of the Grantees, under the Scheme. The Share Options will enable the Grantees to subscribe for an aggregate of 165,000,000 new shares, representing approximately 0.6% of the issued share capital of the Company as at the date of grant. The validity period of the Share Options was one year from the date of grant and the exercise price of the Share Options is HK\$0.037 per share. The fair value of the Share Options granted was HK\$1,875,500. Since then, the Group has not granted any new options under the Share Option Scheme up to the date of this interim result announcement. Therefore, 110,448,249 share options remained ungranted which represent approximately 4.01% of the issued share capital of the Company up to the date of this interim result announcement. None of the share options of the Company was exercised during the six months ended 31 March 2019.

Details of the options granted to the Grantees under the Scheme and movements in such holdings during the Period were as follows:

Category	Date of Grant	Exercise Price	Option Period	Number of options held as at 1 October 2018	Number of options granted during the Period	Number of options exercised during the Period	Number of options cancelled/lapsed during the Period	Number of options held as at 31 March 2019
Director								
Mr. Kong Fanpeng	13 February 2019	HK\$0.037	One year from date of grant	–	27,500,000	–	–	27,500,000
Mr. Chan Cheong Yee	13 February 2019	HK\$0.037	One year from date of grant	–	27,500,000	–	–	27,500,000
Employee	13 February 2019	HK\$0.037	One year from date of grant	–	110,000,000	–	–	110,000,000
Total				–	165,000,000	–	–	165,000,000

The fair value of the Share Options granted of HK\$1,875,500, which was calculated by Binomial Option Pricing Model with the following assumptions:

Share price at the grant date:	HK\$0.037
Nature of the Share Options:	Call
Risk-free rate:	1.379%
Expected life of the options:	1 year
Expected dividend yield:	0%
Expected volatility:	81.64%

The expected volatility was based on the historical volatility of the Company's share prices. Expected dividends were based on historical dividends. Change in subjective input assumptions could materially affect the fair value estimate.

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 2018 and 31 March 2019.

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 2019.

AUDIT COMMITTEE

As at 31 March 2019, 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 2019.

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.

On behalf of the Board
Chan Cheong Yee
Executive Director

Hong Kong, 23 May 2019

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.