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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 2020**

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 2020 (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 2020

	Notes	Six months ended	
		31 March 2020 (unaudited) HK\$	31 March 2019 (unaudited) HK\$
Turnover	5	(49,358,393)	(47,686,670)
Other income		446,879	–
Administrative expenses		(8,879,799)	(16,452,249)
Share-based payments		(2,106,500)	(1,875,500)
Gain on disposal of plant and equipment	11	–	39,924
Operating loss		(59,897,813)	(65,974,495)
Finance costs		(1,042,245)	(464,505)
Loss before tax	7	(60,940,058)	(66,439,000)
Income tax	8	–	–
Loss for the Period attributable to equity holders of the Company		(60,940,058)	(66,439,000)
Other comprehensive income for the Period, net of tax		–	–
Total comprehensive loss for the Period attributable to equity holders of the Company		(60,940,058)	(66,439,000)
Dividend	9	–	–
Loss per share (HK cents)			
– Basic	10	2.21	2.41
– Diluted		2.21	2.41

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	<i>Notes</i>	31 March 2020 (unaudited) HK\$	30 September 2019 (audited) HK\$
NON-CURRENT ASSETS			
Plant and equipment	<i>11</i>	–	26,100
Financial assets at fair value through profit or loss	<i>12</i>	14,768,320	14,768,320
Investments in financial assets at amortised cost	<i>13</i>	107,487,492	84,446,250
		<u>122,255,812</u>	<u>99,240,670</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	<i>12</i>	177,921,262	227,028,786
Investments in financial assets at amortised cost	<i>13</i>	82,404,620	83,228,231
Prepayments, deposits and other receivables	<i>14</i>	121,295,799	140,464,753
Bank balances and cash		12,251,842	26,045,002
		<u>393,873,523</u>	<u>476,766,772</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>27,836,537</u>	<u>28,881,086</u>
NET CURRENT ASSETS			
		<u>366,036,986</u>	<u>447,885,686</u>
NET ASSETS			
		<u>488,292,798</u>	<u>547,126,356</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	68,872,062	68,872,062
Reserves		419,420,736	478,254,294
		<u>488,292,798</u>	<u>547,126,356</u>
NET ASSET VALUE PER SHARE			
	<i>16</i>	<u>0.1772</u>	<u>0.1986</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 March 2020

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 2018/19 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 2019.

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 2019. 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.

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 2019.

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 2020 (unaudited) HK\$	31 March 2019 (unaudited) HK\$
Net realized loss on financial assets of FVTPL	(57,769,788)	(39,799,733)
Net unrealized loss on financial assets of FVTPL	(2,318,736)	(18,282,881)
Dividend income from investments in listed securities	70,369	73,981
Interest income on other receivables	1,987,732	2,782,727
Bank and bond interest income	8,672,030	7,539,236
	<u>(49,358,393)</u>	<u>(47,686,670)</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 2020				
	Investment in unlisted bonds HK\$	Investment in listed securities HK\$	Investment in unlisted securities HK\$	Unallocated HK\$	Total HK\$
Segment revenue	9,117,630	(60,018,155)	1,987,732	1,279	(48,911,514)
Administrative expenses	–	–	–	(8,879,799)	(8,879,799)
Segment result	<u>9,117,630</u>	<u>(60,018,155)</u>	<u>1,987,732</u>	<u>(8,878,520)</u>	<u>(57,791,313)</u>

	For the six months ended 31 March 2019				
	Investment in unlisted bonds <i>HK\$</i>	Investment in listed securities <i>HK\$</i>	Investment in unlisted securities <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	6,826,539	(57,319,693)	2,782,727	(1,811,819)	(49,522,246)
Administrative expenses	–	–	–	(16,452,249)	(16,452,249)
Segment result	<u>6,826,539</u>	<u>(57,319,693)</u>	<u>2,782,727</u>	<u>(18,264,068)</u>	<u>(65,974,495)</u>

7. LOSS BEFORE TAX

Six months ended	
31 March 2020 (unaudited) <i>HK\$</i>	31 March 2019 (unaudited) <i>HK\$</i>

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

Total staff costs (including directors' remuneration and share-based payments)	4,437,867	4,072,236
Depreciation on plant and equipment	26,100	4,575,753
Operating lease charges on rented premises	72,600	72,600
Interest expenses	1,042,245	464,505

8. INCOME TAX

As at 31 March 2020, the Group has unused tax losses of approximately HK\$929,542,000 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 2020 and 2019.

9. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 31 March 2020 (2019: 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\$60,940,058 (2019: HK\$66,439,000).

The above basic and diluted losses per share are based on the weighted average number of 2,754,882,496 (2019: 2,754,882,496) ordinary shares in issue for the Period.

11. PLANT AND EQUIPMENT

During the six months ended 31 March 2019, 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.

All plant and equipments have been fully depreciated during the Period.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2020 (unaudited) HK\$	30 September 2019 (audited) HK\$
Fair value		
Unlisted equity securities	14,768,320	14,768,320
Listed equity securities		
– listed in Hong Kong other than suspended stocks	177,921,262	227,028,786
– suspended stocks listed in Hong Kong	–	–
	<u>192,689,582</u>	<u>241,797,106</u>
Analysed as:		
Current assets	177,921,262	227,028,786
Non-current assets	14,768,320	14,768,320
	<u>192,689,582</u>	<u>241,797,106</u>

13. INVESTMENTS IN FINANCIAL ASSETS AT AMORTISED COST

	31 March 2020 (unaudited) HK\$	30 September 2019 (audited) HK\$
Investments in financial assets at amortised cost	189,892,112	167,674,481
Less: Non-current assets	(107,487,492)	(84,446,250)
	<u>82,404,620</u>	<u>83,228,231</u>

Particulars of the major bonds held as at 31 March 2020, are as follows:

Name	Note	Place of incorporation	Acquisition cost HK\$	Imputed interest HK\$	Expected credit loss HK\$	Fair value/ Carrying amount HK\$	Terms	Coupon rate p.a.
Hao Wen Holdings Limited ("Hao Wen")	(i)	Cayman Islands	30,000,000	682,000	(2,291,231)	28,390,769	From 12 January 2018 to 11 January 2021	11%
Gold Medal Hong Kong Limited ("Gold Medal")	(ii)	Hong Kong	54,000,000	2,376,000	(2,362,149)	54,013,851	From 12 September 2018 to 11 September 2020	8%
Gold Medal	(ii)	Hong Kong	20,000,000	708,333	(847,870)	19,860,463	From 28 October 2019 to 27 October 2022	8.5%
AMCO United Holding Limited ("AMCO")	(iii)	Bermuda	30,000,000	1,405,479	(5,000,000)	26,405,479	From 12 October 2018 to 11 October 2021	10%

Notes:

(i) Hao Wen is a company incorporated in Cayman Islands with limited liability and principally engaged in money lending and processing and trading of electronic parts. It is listed on the GEM of the Hong Kong Stock Exchange (stock code: 8019). There is no provision of terms in the agreement regarding early redemption rights. HK\$3,300,000 coupon was received from the bonds issued by Hao Wen for the six months ended 31 March 2020.

(ii) 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 which is listed on the GEM of 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 have the early redemption rights as follows:

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

Gold Medal 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. An additional 1% will be given to the Group, together with the outstanding principal and coupon. No coupon was received from the bonds issued by Gold Medal for the six months ended 31 March 2020.

(iii) AMCO is a company incorporated in Bermuda with limited liability and principally engaged in manufacturing and selling of medical devices and plastic moulding products, providing construction services, money lending and securities investment. It is listed on the Main board of the Hong Kong Stock Exchange (stock code: 630). There is no provision of terms in the agreement regarding early redemption rights. HK\$3,000,000 coupon was received from the bonds issued by AMCO for the six months ended 31 March 2020.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 March 2020 (unaudited) HK\$	30 September 2019 (audited) HK\$
Prepayments and deposits		736,238	218,370
Margin receivables	<i>(a)</i>	12,057,667	8,032,207
Amounts receivable on disposal of unlisted investments	<i>(b)</i>	108,501,894	132,214,176
		121,295,799	140,464,753

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

Notes:

- (a) Margin receivables are generated from investment in financial assets at FVTPL, with interest rates ranged from 0.000% to 0.010% (30 September 2019: 0.001% to 0.125%) per annum.
- (b) The balance is represented by receivables from the purchasers of:

	31 March 2020 (unaudited) HK\$	30 September 2019 (audited) HK\$
Starfame Investments Limited	8,718,334	8,502,084
Uni-Venture International Investment Limited	18,978,449	29,978,449
34% equity interest of Kenservon Profits Inc.	2,300,225	5,160,225
66% equity interest of Kendervon Profits Inc.	73,670,757	79,039,275
Others	4,834,129	9,534,143
	108,501,894	132,214,176

15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.025 each	Nominal value HK\$
Authorised		
At 31 March 2020 and 30 September 2019	8,000,000,000	200,000,000
Issued and fully paid		
At 31 March 2020 and 30 September 2019	2,754,882,496	68,872,062

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 2020 of HK\$488,292,798 (30 September 2019: HK\$547,126,356) and on the number of 2,754,882,496 ordinary shares of HK\$0.025 each in issue as at 31 March 2020 (30 September 2019: 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:

		Six months ended	
		31 March	31 March
		2020	2019
		(unaudited)	(unaudited)
		HK\$	HK\$
China Everbright Securities (HK) Limited (“CES”)			
Investment management fee paid	(Note)	300,000	300,000

Note:

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 the terms of CES Agreement, 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
		2020	2019
		(unaudited)	(unaudited)
		HK\$	HK\$
Short-term benefits (including share-based payments)		<u>2,103,317</u>	<u>1,943,136</u>

18. PLEDGE OF ASSETS

The Group has pledged its financial assets at fair value through profit or loss, which are HK\$161,582,950 (30 September 2019: HK\$208,629,447), to secure margin financing facilities obtained from regulated securities dealers.

19. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 31 March 2020 (the “Period”), the Group reported a negative turnover of approximately HK\$49.4 million (2019: HK\$47.7 million) and net loss attributable to equity holders of the Company of approximately HK\$60.9 million (2019: HK\$66.4 million). There is no significant change in the turnover of the Group and the decrease in loss of the Group was principally due to the strengthened cost control measures implemented during the Period. The Group recorded a net loss on listed securities investment of approximately HK\$60.0 million in the six months ended 31 March 2020 (2019: HK\$58.0 million).

During the Period, the Group did not acquire or dispose of its unlisted equity investments. In relation to debt investments, the Group acquired bonds from two listed companies and one unlisted company at principal of HK\$51.7 million in aggregate. The bonds issued by two listed companies are in terms of three years and coupon rate of which are 8.5% and 9.0%, and those by the unlisted company are in terms of three years and the corresponding coupon rate is 12%.

As at 31 March 2020, the net asset value (“NAV”) of the Group was approximately HK\$488.3 million (30 September 2019: HK\$547.1 million), representing a decrease of approximately 10.7% over the Period. The NAV per share of the Company was HK\$0.1772 (30 September 2019: HK\$0.1986), which decreased by approximately 10.8% 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\$60.9 million.

Business Review and Prospect

In Year 2020, the global investment market has experienced the largest crisis since the bankruptcy of Lehman Brothers in Year 2008, which is due to the outbreak of COVID-19. Hang Seng Index dropped sharply from the peak of 29,056 points in January 2020 to the bottom of 21,696 within two months in March 2020. Many nations, including China and United States, have adopted lockdown and quarantine policies and the business activities are influenced significantly. In such pessimistic market atmosphere, the Group’s listed securities performed not so satisfactorily. The Group continued to make loss on listed investments and corresponding loss of approximately HK\$60.0 million was recorded during the Period. Increase in loss was made as compared to that of approximately HK\$57.3 million for the corresponding period of last year.

In connection with unlisted investments, the Group acquired three bonds in the Period, the terms of these three bonds have been stated under the headline of “Financial Highlights” above. Bond coupons of approximately HK\$8.7 million were recorded in the Period.

Looking forward, along with the uncertainties brought from COVID-19 and the potential restart of trade war between China and the US, the global investment will be challenging in the rest of this year. However, the “QE Infinity” launched by the Federal Reserve in March 2020 may give investors good chances to make their investments. 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 regressed slightly over the Period. The Group's bank balances as at 31 March 2020 decreased to approximately HK\$12.3 million (30 September 2019: approximately HK\$26.0 million) and its current ratio (as defined by current assets/current liabilities) maintained a healthy level of 14.1 as at 31 March 2020 (30 September 2019: 16.5). Even so, 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 2020: 5.4%; 30 September 2019: 5.0%), and the Group had no material commitment and contingent liabilities as at 31 March 2020.

Included in the Group's listed securities of HK\$177.9 million as at 31 March 2020 were amounts of approximately HK\$161.6 million secured for the margin payables of approximately HK\$23.2 million.

SIGNIFICANT INVESTMENTS

The Group's investments with fair value over 5% of value of its total assets are considered as significant investments. Significant investments of the Group as at 31 March 2020 are certain bonds investment, as detailed in note 13 to the consolidated financial statements. Set out below are further details on these investments:

Hao Wen Holdings Limited (“Hao Wen”)

Hao Wen is a company incorporated in Cayman Islands with limited liability. Hao Wen and its subsidiaries are principally engaged in money lending, and processing and trading of electronic parts. It is listed on GEM of the Stock Exchange (stock code: 8019). Based on Hao Wen's annual report for the year ended 31 December 2019, its net asset value was approximately RMB348.7 million, its current assets were approximately RMB289.2 million and total liabilities were approximately RMB57.8 million. In view of Hao Wen's strong liquid assets and limited liabilities, the Company considers that Hao Wen has sufficient financial resources to meet its ongoing operation, there is no signal of default of bonds issued by Hao Wen to the Group.

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 2019/20, its net asset value was approximately HK\$621.8 million, and its total liabilities were only approximately HK\$181.2 million as at 31 October 2019. Accordingly, the Company considers that there is no signal of default of bonds issued by Gold Medal.

AMCO United Holding Limited (“AMCO”)

AMCO is a company incorporated in Bermuda with limited liability and principally engaged in (i) manufacture and sale of medical devices products; (ii) manufacture and sale of plastic moulding products; (iii) provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works; (iv) provision of money lending; and (v) investment in securities. It is listed on main board of the Stock Exchange (stock code: 630). Based on AMCO’s annual report for the year ended 31 December 2019, its net asset value was approximately HK\$106.3 million, its current assets were approximately HK\$187.2 million and total liabilities were approximately HK\$86.5 million. Included in current assets of approximately HK\$187.2 million were substantially assets liquid in nature, which were cash and cash equivalents of approximately HK\$12.3 million, listed stocks investments of approximately HK\$14.3 million, trade receivables of approximately HK\$7.5 million and loan receivables of approximately HK\$132.7 million, totalling HK\$166.8 million. These liquid assets can fully cover AMCO’s total liabilities of approximately HK\$86.5 million. Accordingly, the Company considers that AMCO has sufficient working capital to meet the ongoing business, there is no signal of default of bonds issued by AMCO.

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 2020, the Group had no outstanding foreign currency hedge contracts (30 September 2019: 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 2020, the Group had 13 employees, excluding the directors of the Company. Total staff costs excluding Directors’ remuneration amounted to approximately HK\$3.2 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 2020, 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 2020 were margin payables of approximately HK\$23.2 million bearing interest rates ranged from 8% to 15.25% (2019: 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\$177.9 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 2020 and up to the date of this interim results announcement, 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 2020, 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 2020, 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 2020 (after trading hours), the Company offered to grant an aggregate of 220,000,000 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 220,000,000 new shares, representing approximately 8.0% of the issued share capital of the Company as at the date of grant. The validity period of the Share Options was two years from the date of grant and the exercise price of the Share Options is HK\$0.025 per share. The fair value of the Share Options granted was HK\$2,106,500. Since then, the Group has not granted any new options under the Share Option Scheme up to the date of this announcement. Therefore, 55,488,249 share options remained ungranted which represent approximately 2.0% of the issued share capital of the Company up to the date of this announcement. None of the share options of the Company was exercised during the six months ended 31 March 2020.

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 2019	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 2020
Director								
Mr. Kong Fanpeng	13 February 2019	HK\$0.037	One year from date of grant	27,500,000	–	–	(27,500,000)	–
	13 February 2020	HK\$0.025	Two years 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)	–
	13 February 2020	HK\$0.025	Two years 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)	–
	13 February 2020	HK\$0.025	Two years from date of grant	–	165,000,000	–	–	165,000,000
Total				<u>165,000,000</u>	<u>220,000,000</u>	<u>–</u>	<u>(165,000,000)</u>	<u>220,000,000</u>

The fair value of the Share Options granted of HK\$2,106,500, which was calculated by Binomial Option Pricing Model with the following assumptions:

Share price at the grant date:	HK\$0.025
Nature of the Share Options:	Call
Risk-free rate:	1.457%
Expected life of the options:	2 years
Expected dividend yield:	0%
Expected volatility:	77.125%

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 2019 and 31 March 2020.

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 2020.

AUDIT COMMITTEE

As at 31 March 2020, 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 2020.

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, 20 May 2020

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.