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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 2021**

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 2021 (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 2021

	<i>Notes</i>	Six months ended	
		31 March 2021 (unaudited) <i>HK\$</i>	31 March 2020 (unaudited) <i>HK\$</i>
Turnover	5	53,181,523	(49,358,393)
Other income		350,525	446,879
Administrative expenses		(5,554,433)	(8,879,799)
Share-based payments		(2,802,996)	(2,106,500)
Reversal of expected credit loss on deposits and other receivables		2,770,153	–
Operating profit/(loss)		47,944,772	(59,897,813)
Finance costs		(904,487)	(1,042,245)
Profit/(Loss) before tax	7	47,040,285	(60,940,058)
Income tax	8	–	–
Profit/(Loss) for the Period attributable to equity holders of the Company		<u>47,040,285</u>	<u>(60,940,058)</u>
Other comprehensive income for the Period, net of tax		–	–
Total comprehensive income/(loss) for the Period attributable to equity holders of the Company		<u>47,040,285</u>	<u>(60,940,058)</u>
Dividend	9	–	–
Earnings/(loss) per share (<i>HK cents</i>)			Restated
– Basic	10	13.87	(22.12)
– Diluted		13.53	(22.12)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	31 March 2021 (unaudited) HK\$	30 September 2020 (audited) HK\$
NON-CURRENT ASSETS			
Plant and equipment	<i>11</i>	–	–
Financial assets at fair value through profit or loss	<i>12</i>	6,026,320	6,026,320
Investments in financial assets at amortised cost	<i>13</i>	148,674,993	93,661,595
		<u>154,701,313</u>	<u>99,687,915</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	<i>12</i>	239,954,058	182,467,741
Investments in financial assets at amortised cost	<i>13</i>	45,685,068	26,225,183
Prepayments, deposits and other receivables	<i>14</i>	79,395,195	164,559,584
Bank balances and cash		16,317,324	16,843,374
		<u>381,351,645</u>	<u>390,095,882</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>25,522,276</u>	<u>28,209,089</u>
NET CURRENT ASSETS			
		<u>355,829,369</u>	<u>361,886,793</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>510,530,682</u>	<u>461,574,708</u>
NON-CURRENT LIABILITIES			
Convertible bonds		–	12,782,343
Deterred tax liability		–	121,646
		<u>–</u>	<u>12,903,989</u>
NET ASSETS			
		<u>510,530,682</u>	<u>448,670,719</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	85,809,562	68,872,062
Reserves		424,721,120	379,798,657
		<u>510,530,682</u>	<u>448,670,719</u>
NET ASSET VALUE PER SHARE			
	<i>16</i>	<u>1.49</u>	<u>1.63</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 March 2021

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 2020.

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 2020. 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 2020.

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 2021 (unaudited) <i>HK\$</i>	31 March 2020 (unaudited) <i>HK\$</i>
Net realized gain/(loss) on financial assets of FVTPL	6,690,040	(57,769,788)
Net unrealized gain/(loss) on financial assets of FVTPL	33,547,469	(2,318,736)
Dividend income from investments in listed securities	–	70,369
Interest income on other receivables	3,391,912	1,987,732
Bank and bond interest income	9,552,102	8,672,030
	53,181,523	(49,358,393)

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 2021				
	Investment in unlisted bonds <i>HK\$</i>	Investment in listed equity securities <i>HK\$</i>	Investment in unlisted equity securities <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	9,552,102	40,237,509	3,391,912	350,525	53,532,048
Administrative expenses	–	–	–	(5,554,433)	(5,554,433)
Segment result	9,552,102	40,237,509	3,391,912	(5,203,908)	47,977,615

	For the six months ended 31 March 2020				
	Investment in unlisted bonds <i>HK\$</i>	Investment in listed equity securities <i>HK\$</i>	Investment in unlisted equity securities <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
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>

7. PROFIT/(LOSS) BEFORE TAX

	Six months ended	
	31 March 2021 (unaudited) <i>HK\$</i>	31 March 2020 (unaudited) <i>HK\$</i>
The Group's profit/(loss) before tax has been arrived at after charging:		
Total staff costs (including directors' remuneration and share-based payments)	5,013,746	4,437,867
Depreciation on plant and equipment	–	26,100
Operating lease charges on rented premises	72,600	72,600
Interest expenses	<u>904,487</u>	<u>1,042,245</u>

8. INCOME TAX

As at 30 September 2020, the Group has unused tax losses of approximately HK\$926,908,093 available for offset against future profits. The unrecognised tax losses may be carried forward indefinitely. As the aforesaid tax losses of HK\$926,908,093 can fully offset the taxable profit of the Group for the six months ended 31 March 2021, no provision for Hong Kong Profits Tax has been made for the six months ended 31 March 2021. As loss of HK\$60,904,058 was recorded in the six months ended 31 March 2020, no provision for Hong Kong Profits Tax has been made for that period.

9. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 31 March 2021 (2020: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share are based on the Group's profit/(loss) for the Period attributable to the equity holders of the Company of HK\$47,040,285 (2020: (HK\$60,940,058)).

The above basic earnings/(loss) per share are based on the weighted average number of 339,157,205 (2020: 275,488,249 (restated)) ordinary shares in issue for the Period.

The share options granted by the Company have potential dilutive effect on the earning per share ("EPS") of the Company for the Period. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (forming the denominator for computing the diluted EPS).

	Unaudited Six months ended 31 March 2021 HK\$
Profit attributable to the equity holders of the Company	<u><u>47,040,285</u></u>
Weighted average number of ordinary shares shares in issue	<u>339,157,205</u>
Adjustments for share options	<u>8,498,903</u>
Weighted average number of ordinary shares for the calculation of diluted EPS	<u><u>347,656,108</u></u>
Diluted EPS (<i>HK cents</i>)	<u><u>13.53</u></u>

The Company had no potentially dilutive ordinary shares in the six months ended 31 March 2020. The share options during the six months ended 31 March 2020 were anti-dilutive. The diluted loss per share for the six months ended 31 March 2020 are based on weighted average number of 275,488,249 (restated) ordinary shares in issue for that period.

11. PLANT AND EQUIPMENT

During the six months ended 31 March 2021, the Group disposed of a motor vehicle at consideration of HK\$190,000. This motor vehicle and other plant and equipment have been fully depreciated in prior years.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 March 2021 (unaudited) HK\$	30 September 2020 (audited) HK\$
	<i>Notes</i>		
Fair value			
Convertible bonds derivative		–	4,398,568
Unlisted equity securities		6,026,320	6,026,320
Listed equity securities			
– listed in Hong Kong other than suspended stocks	<i>(a)</i>	239,954,058	178,069,173
– suspended stocks listed in Hong Kong	<i>(b)</i>	–	–
		245,980,378	188,494,061
Analysed as:			
Current assets		239,954,058	182,467,741
Non-current assets		6,026,320	6,026,320
		245,980,378	188,494,061

Notes:

- (a) Included in the listed securities held for trading is investment in 27,312,000 shares of Hong Kong Education (Int'l) Investments Limited (stock code: 1082), which are listed in Hong Kong, at market value of HK\$38,783,040 as at 31 March 2021.
- (b) The amount of suspended stocks represented the shares are uncertain to resume trading in foreseeable future.

13. INVESTMENTS IN FINANCIAL ASSETS AT AMORTISED COST

	31 March 2021 (unaudited) HK\$	30 September 2020 (audited) HK\$
Investments in financial assets at amortised cost	194,360,061	119,886,778
Less: Non-current assets	(148,674,993)	(93,661,595)
	45,685,068	26,225,183

Particulars of the major bonds held as at 31 March 2021, 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	42,500,000	1,947,917	(6,106,817)	38,341,099	From 1 November 2020 to 31 October 2025	11%
Gold Medal Hong Kong Limited ("Gold Medal")	(ii)	Hong Kong	42,000,000	1,400,000	–	43,400,000	From 31 October 2020 to 30 October 2025	8%

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 Stock Exchange (stock code: 8019). There is no provision of terms in the agreement regarding early redemption rights. No coupon was received from the bonds issued by Hao Wen for the six months ended 31 March 2021.
- (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 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 bonds at 100% of the outstanding principal amount and 50% of the outstanding coupon.

Gold Medal can early redeem the bonds 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 these bonds issued by Gold Medal for the six months ended 31 March 2021.

As the fair values of the early redemption rights of both Gold Medal and the Group as at 31 March 2021 were insignificant and the Group intended to hold the bonds issued by Gold Medal to maturity, the Group's investment in these bonds was recorded as financial assets at amortised cost.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 March 2021 (unaudited) HK\$	30 September 2020 (audited) HK\$
Prepayments and deposits		2,732,002	66,029,192
Margin receivables	<i>(a)</i>	2,666,689	6,935,304
Amounts receivable on disposal of unlisted investments	<i>(b)</i>	73,996,504	91,595,088
		79,395,195	164,559,584

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 2020: 0.001% to 0.05%) per annum.
- (b) The balance is represented by receivables from the purchasers of:

	31 March 2021 (unaudited) HK\$	30 September 2020 (audited) HK\$
Starfame Investments Limited	7,675,762	7,367,012
Uni-Venture International Investment Limited	8,474,792	16,212,292
34% equity interest of Kenservon Profits Inc.	–	1,496,978
66% equity interest of Kendervon Profits Inc.	57,845,950	62,463,608
Others	–	4,055,608
	73,996,504	91,595,088

15. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares of HK\$0.025 each	Number of ordinary shares of HK\$0.25 each	Share Capital <i>HK\$</i>
Authorised:				
At 1 October 2019		8,000,000,000	–	200,000,000
Share consolidation	<i>(a)</i>	<u>(8,000,000,000)</u>	<u>800,000,000</u>	<u>–</u>
At 30 September 2020, 1 October 2020 and 31 March 2021		<u>–</u>	<u>800,000,000</u>	<u>200,000,000</u>
Issued and fully paid:				
At 1 October 2019		2,754,882,496	–	68,872,062
Share consolidation	<i>(a)</i>	<u>(2,754,882,496)</u>	<u>275,488,249</u>	<u>–</u>
At 30 September 2020 and 1 October 2020		–	275,488,249	68,872,062
Conversion of convertible bonds	<i>(b)</i>	–	54,000,000	13,500,000
Exercise of share options		<u>–</u>	<u>13,750,000</u>	<u>3,437,500</u>
At 31 March 2021		<u>–</u>	<u>343,238,249</u>	<u>85,809,562</u>

Notes

- (a) The share consolidation on the basis that every ten (10) issued and unissued shares of HK\$0.025 each were consolidated into one consolidated share of HK\$0.25 each on 14 July 2020. For further details, please refer to the Company's circular dated 23 June 2020.
- (b) 54,000,000 shares of HK\$0.25 each were issued and allotted upon conversion of the convertible bonds placed by the Company on 18 September 2020. Please refer to the Company's announcements dated 1 September 2020 and 18 September 2020 for further details.

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 2021 of HK\$510,530,682 (30 September 2020: HK\$448,670,719) and on the number of 343,238,249 ordinary shares of HK\$0.25 each in issue as at 31 March 2021 (30 September 2020: 275,488,249 ordinary shares of HK\$0.25 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 2021 (unaudited) HK\$	31 March 2020 (unaudited) HK\$
	Notes		
China Everbright Securities (HK) Limited (“CES”)			
Investment management fee paid	(a)	100,000	300,000
Evergrande Securities (Hong Kong) Limited (“ESL”)			
Investment management fee paid	(b)	<u>188,710</u>	<u>–</u>

Notes:

- (a) 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. The CES Agreement was terminated with effect from 1 December 2020.
- (b) ESL 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 (“ESL Agreement”) dated 30 November 2020 entered into between the Company and ESL, ESL agreed to provide the Company with investment management services for an initial term of three years commencing on 8 December 2020. Pursuant to the terms of ESL 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 2021 (unaudited) HK\$	31 March 2020 (unaudited) HK\$
Short-term benefits (including share-based payments)	<u>2,090,581</u>	<u>2,103,317</u>

18. PLEDGE OF ASSETS

The Group has pledged its financial assets at fair value through profit or loss, which are HK\$144,442,440 (30 September 2020: HK\$101,821,570), 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 2021 (the “Period”), the Group reported a turnover of approximately HK\$53.2 million (2020: negative amount of HK\$49.4 million) and net profit attributable to equity holders of the Company of approximately HK\$47.0 million (2020: loss of HK\$49.4 million). The performance of the Group’s listed investments significantly improved during the Period. As compared to net loss on listed investment of approximately HK\$60.0 million recognised during the six months ended 31 March 2020, the performance of the Group’s listed investments has turned around and net profit of approximately HK\$40.2 million was recorded. The improvement in the Group’s listed investment led to the turnaround from the net loss of approximately HK\$60.9 million for the the six months ended 31 March 2020 to net profit of approximately HK\$46.8 million for the Period.

During the Period, the Group did not acquire or dispose of its unlisted equity investments. In relation to bonds investments, the Group acquired bonds from two companies, namely Gold Medal Hong Kong Limited, a wholly owned subsidiary of WLS Holdings Limited (“WLS”), and China e-Wallet Payment Group Limited (“China e-Wallet”) at principal of HK\$84.5 million in aggregate, and extended the bonds issued by Hao Wen Holdings Limited (“Hao Wen”). The principal of the extended bonds issued by Hao Wen is HK\$42.5 million. These three bonds are in terms of five years and coupon rate of which are in the range of 8% to 11%. All WLS, China e-Wallet and Hao Wen are listed on Main Board or GEM of the Stock Exchange.

During the Period, the Group has reversed expected credit loss on other receivables of approximately HK\$2.7 million, which is due to the full collection of the corresponding receivables during the same period. In view of satisfactory repayment of bonds and other receivables, the Company considers adequate expected credit loss provision has been made as at 31 March 2021, and no further provision was made accordingly.

As at 31 March 2021, the net asset value (“NAV”) of the Group was approximately HK\$510.5 million (30 September 2020: HK\$448.7 million), representing an increase of approximately 13.8% over the Period. The increase in NAV is principally attributable to the comprehensive income for the Period attributable to equity holders of the Company of approximately HK\$47.0 million, and 67.8 million of ordinary shares of the Company of HK\$0.25 each were issued and allotted during the Period, which were resulted from conversion of convertible bonds and exercise of share options.

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.

The situation has changed with the the launch of Covid-19 vaccines in early Year 2021. Market expects the end of Covid-19 pandemic will come soon. Hang Seng Index rose from 23,459 points on 30 September 2020 to 28,378 points on 31 March 2021.

In such optimistic market atmosphere, the Group's listed securities performed satisfactorily. The performance of the Group's investments turnaround from loss of approximately HK\$60.0 million in the six months ended 31 March 2020 to gain of approximately 40.2 million in the Period.

In connection with unlisted investments, the Group acquired two bonds and extended on existing bonds in the Period, the terms of these three bonds have been stated under the headline of "Financial Highlights" on page 13 of this announcement. Bond coupons of approximately HK\$9.6 million were recorded in the Period.

Looking forward, along with the launch of Covid-19 vaccines and the change of US President to Mr. Joe Biden, who is expected to have more mild policies on China, we expect global investment will be optimistic in the rest of this year. Even so, we 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 maintained steady over the Period. The Group's bank balances as at 31 March 2020 decreased to approximately HK\$16.3 million (30 September 2020: approximately HK\$16.8 million) and its current ratio (as defined by current assets/current liabilities) maintained a healthy level of 14.9 as at 31 March 2021 (30 September 2020: 13.8). The Board believes that the Group has sufficient resources to satisfy its working capital requirements.

During the Period, the Group maintained low level of gearing ratio (as defined by total liabilities/total assets) (31 March 2021: 4.8%; 30 September 2020: 8.4%), and the Group had no material commitment and contingent liabilities as at 31 March 2021.

Included in the Group's listed securities of HK\$240.0 million as at 31 March 2021 were amounts of approximately HK\$144.4 million secured for the margin payables of approximately HK\$21.5 million.

SIGNIFICANT INVESTMENTS

The Group's investments with fair value over 5% of value of its total assets are considered as significant investments 27,312,000 shares of Hong Kong Education (Int'l) Investments Limited ("HKEI", stock code: 1082) held by the Group at market value of HK\$38,783,040 as at 31 March 2021, Significant investments of the Group as at 31 March 2021 are certain equity investment and bonds investment, as detailed in notes 12 and 13 to the consolidated financial statements.

SEGMENTAL INFORMATION

There is no material change in the Group's investment segment, which are principally investments in listed and unlisted equity securities, and unlisted bonds 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 2021, the Group had no outstanding foreign currency hedge contracts (30 September 2020: 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 2021, the Group had 10 employees, excluding the directors of the Company. Total staff costs excluding Directors' remuneration amounted to approximately HK\$3.5 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 2021, the share capital of the Company increased from 275,488,249 shares as at 30 September 2020 to 343,238,249 shares as at 31 March 2021, which due to 54,000,000 shares and 13,750,000 shares issued and allotted by conversion of convertible bonds and exercise of share options, respectively. Included in other payables as at 31 March 2021 were margin payables of approximately HK\$21.5 million bearing interest rates ranged from 8% to 8.25% (2020: 8% to 15.25%) 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\$240.0 million, the Company considers the currency and interest rate risks exposure of its debt and obligation are manageable.

In connection with the placing of convertible bonds, which were completed on 18 September 2020, the net proceeds of approximately HK\$13.1 million have been fully used as intended and detailed as follows:

	Investment in listed securities in Hong Kong HK\$'million	General working capital HK\$'million	Total HK\$'million
Used as of 30 September 2020	0.8	0.3	1.1
Used during the Period	12.0	–	12.0
	<u>12.8</u>	<u>0.3</u>	<u>13.1</u>

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

As at 31 March 2021 and up to the date of this 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 2021, save as the share options granted to Mr. Chan Cheong Yee and Mr. Kong Fanpeng as detailed in the section "SHARE OPTION 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 2021, 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 16 February 2021 (after trading hours), the Company offered to grant an aggregate of 27,440,000 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 27,440,000 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\$0.25 per share. The fair value of the Share Options granted was HK\$2,802,996. Since then, the Group has not granted any new options under the Share Option Scheme up to the date of this announcement. The scheme mandate limit was refreshed at the Company's annual general meeting hold on 30 March 2021. 34,323,824 share options are ungranted which represent approximately 10.0% of the issued share capital of the Company up to the date of this announcement. 13,750,000 share options of the Company were exercised during the six months ended 31 March 2021.

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 2020	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 2021
Directors								
Mr. Kong Fanpeng	13 February 2020	HK\$0.25*	Two years from date of grant	2,750,000*	–	–	–	2,750,000
	16 February 2021	HK\$0.25	Three years from date of grant	–	3,430,000	–	–	3,430,000
Mr. Chan Cheong Yee	13 February 2020	HK\$0.25*	Two years from date of grant	2,750,000*	–	–	–	2,750,000
	16 February 2021	HK\$0.25	Three years from date of grant	–	3,430,000	–	–	3,430,000
Employees								
	13 February 2020	HK\$0.25*	Two years from date of grant	16,500,000*	–	(13,750,000)	–	2,750,000
	16 February 2021	HK\$0.25	Three years from date of grant	–	20,580,000	–	–	20,580,000
Total				<u>22,000,000*</u>	<u>27,440,000</u>	<u>(13,750,000)</u>	<u>–</u>	<u>35,690,000</u>

The share options granted on 13 February 2020 were adjusted to reflect the share consolidation effective on 14 July 2020. Please refer to the Company's circular dated 23 June 2020 for further details.

The fair value of the Share Options granted of HK\$2,802,996, which was calculated by Binomial Option Pricing Model with the following assumptions:

Share price at the grant date:	HK\$0.25
Nature of the Share Options:	Call
Risk-free rate:	0.189%
Expected life of the options:	3 years
Expected dividend yield:	0%
Expected volatility:	87.667%

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 2020 and 31 March 2021.

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 2021.

AUDIT COMMITTEE

As at 31 March 2021, 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 2021.

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, 27 May 2021

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.