

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

The board (the “Board”) of directors (the “Directors”) of Capital VC Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 30 September 2017 together with the comparative figures in the year ended 30 September 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2017

	<i>Notes</i>	2017 HK\$	2016 HK\$ (Restated)
Continuing operations			
Turnover	3	(516,171,722)	(240,626,519)
Other income		5,000,000	7,280,000
Administrative expenses		(28,383,914)	(26,449,396)
Impairment losses on available-for-sale investments		(41,864,660)	–
Share-based payments		(3,881,200)	–
Operating loss		(585,301,496)	(259,795,915)
Finance cost		(8,585,269)	(3,248,695)
Loss before tax	5	(593,886,765)	(263,044,610)
Income tax (expense)/credit	6	(9,843,716)	59,121,766
Loss for the year from continuing operations		(603,730,481)	(203,922,844)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	7	15,712,949	(3,082,785)
Loss for the year attributable to equity holders of the Company		(588,017,532)	(207,005,629)
Dividend	8	–	–
(Loss)/earnings per share – basic and diluted			
– Continuing and discontinued operations	9	(0.3137)	(0.3002)
– Continuing operations	9	(0.3221)	(0.2957)
– Discontinued operation	9	0.0084	(0.0045)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2017

	2017 HK\$	2016 <i>HK\$</i> (Restated)
Loss for the year attributable to equity holders of the Company	(588,017,532)	(207,005,629)
Other comprehensive loss for the year, net of tax		
Item that may be reclassified subsequently to profit or loss:		
Net movement in investment revaluation reserve	<u>(75,021)</u>	<u>(5,662,920)</u>
Total comprehensive loss for the year attributable to equity holders of the Company	<u>(588,092,553)</u>	<u>(212,668,549)</u>
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company		
– from continuing operations	(603,805,502)	(209,585,764)
– from discontinued operation	15,712,949	(3,082,785)
	<u>(588,092,553)</u>	<u>(212,668,549)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	<i>Notes</i>	2017 HK\$	2016 HK\$
Non-current assets			
Plant and equipment	<i>10</i>	18,822,966	29,730,553
Interest in an associate	<i>11</i>	–	44,724,111
Available-for-sale investments	<i>12</i>	143,634,340	126,721,080
Deferred tax assets		–	9,843,716
		162,457,306	211,019,460
Current assets			
Prepayments, deposits and other receivables	<i>13</i>	163,790,117	41,774,352
Financial assets at fair value through profit or loss	<i>14</i>	627,113,409	862,451,966
Amount due from an associate	<i>11</i>	–	73,466,465
Tax recoverable		8,508,838	5,085,503
Cash and cash equivalents		52,151,520	13,420,371
		851,563,884	996,198,657
Asset classified as held for sale		–	23,039,693
		851,563,884	1,019,238,350
Current liabilities			
Other payable and accruals	<i>15</i>	23,775,099	108,965,838
Net current assets			
		827,788,785	910,272,512
Total assets less current liabilities			
		990,246,091	1,121,291,972
Non-current liabilities			
Interest-bearing borrowings	<i>16</i>	10,000,000	–
Net assets			
		980,246,091	1,121,291,972
Capital and reserves			
Share capital		68,872,062	15,653,016
Reserves		911,374,029	1,105,638,956
Total equity attributable to equity holders of the Company			
		980,246,091	1,121,291,972
Net asset value per share			
	<i>17</i>	0.3558	0.3582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

1. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Companies Ordinance.

The principal activity of the Group is investing in listed and unlisted companies mainly in Hong Kong and the People’s Republic of China (the “PRC”).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the year ended 30 September 2017 (the “Year”), the Group has applied the following new and amendments to HKFRSs that are first effective for the current accounting period of the Group.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 1	Disclosure Initiative
Amendments to HKFRS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts

The application of the above new and amendments to HKFRSs in the current year has had no material financial impact on the consolidated financial statements of the Group.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective, which may be relevant to the Group:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealized Losses ⁴
Amendments to HKAS 40	Transfer of Investment Property ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle ⁵
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments ¹
HKFRS 16	Leases ²
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The Group is in the process of making an assessment of what the impact of these new and amendments to HKFRSs and interpretations is expected to be in the period of initial application. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

3. TURNOVER

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i> (Restated)
Continuing operations		
Net realized loss on financial assets at FVTPL	(356,303,360)	(180,159,108)
Net unrealized loss on financial assets at FVTPL	(169,172,424)	(60,467,776)
Dividend income from investments in listed securities	159,889	–
Interest income on amounts due from investee companies	4,893,385	–
Bank and other interest income	4,250,788	365
	<u>(516,171,722)</u>	<u>(240,626,519)</u>
Discontinued operation		
Interest income on amount due from an associate	<u>1,345,813</u>	<u>3,432,191</u>

Among the net unrealized loss on financial assets at FVTPL, a loss of HK\$4,300,000 (2016: gain of HK\$300,000) was related to the bond investments which were designated as financial assets at FVTPL.

4. 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 the review of the performance of those components.

The principal activity of the Group is investing in listed and unlisted companies. Interest in an associate was regarded as discontinued operation. The Group has identified the operating and reportable segments as follows:

Investment in financial assets at FVTPL – Investments in listed securities and unlisted bonds

Investment in available-for-sale investments – Investments in unlisted securities

	For the year ended 30 September 2017					
	Investment in financial assets at FVTPL HK\$	Investment in available-for-sale investments HK\$	Unallocated HK\$	Continuing operations HK\$	Discontinued operation HK\$	Total HK\$
Segment revenue	(521,075,895)	4,893,385	10,788	(516,171,722)	1,345,813	(514,825,909)
Administrative expenses	-	-	(28,383,914)	(28,383,914)	-	(28,383,914)
Impairment losses on available-for-sale investments	-	(41,864,660)	-	(41,864,660)	-	(41,864,660)
Segment result	(521,075,895)	(36,971,275)	(28,373,126)	(586,420,296)	1,345,813	(585,074,483)
Other income	-	5,000,000	-	5,000,000	15,337,796	20,337,796
Share-based payment	-	-	(3,881,200)	(3,881,200)	-	(3,881,200)
Finance costs	(8,585,269)	-	-	(8,585,269)	-	(8,585,269)
Share of results of an associate	-	-	-	-	(748,660)	(748,660)
(Loss)/profit before tax	(529,661,164)	(31,971,275)	(32,254,326)	(593,886,765)	15,934,949	(577,951,816)
Income tax expense	(9,843,716)	-	-	(9,843,716)	(222,000)	(10,065,716)
(Loss)/profit for the year	<u>(539,504,880)</u>	<u>(31,971,275)</u>	<u>(32,254,326)</u>	<u>(603,730,481)</u>	<u>15,712,949</u>	<u>(588,017,532)</u>
Segment assets	644,918,409	289,219,612	79,883,169	1,014,021,190	-	1,014,021,190
Segment liabilities	13,499,647	-	20,275,452	33,775,099	-	33,775,099
Other segment information						
Depreciation of plant and equipment	-	-	10,907,587	10,907,587	-	10,907,587

4. SEGMENT INFORMATION (Continued)

	For the year ended 30 September 2016					
	Investment in financial assets at FVTPL HK\$ (Restated)	Investment in available-for-sale investments HK\$ (Restated)	Unallocated HK\$	Continuing operations HK\$ (Restated)	Discontinued operation HK\$ (Restated)	Total HK\$ (Restated)
Segment revenue	(240,626,884)	–	365	(240,626,519)	3,432,191	(237,194,328)
Administrative expenses	–	–	(26,449,396)	(26,449,396)	–	(26,449,396)
Segment result	(240,626,884)	–	(26,449,031)	(267,075,915)	3,432,191	(263,643,724)
Other income	–	1,225,000	6,055,000	7,280,000	–	7,280,000
Finance costs	(3,248,695)	–	–	(3,248,695)	–	(3,248,695)
Share of results of an associate	–	–	–	–	(5,948,664)	(5,948,664)
(Loss)/profit before tax	(243,875,579)	1,225,000	(20,394,031)	(263,044,610)	(2,516,473)	(265,561,083)
Income tax credit/(expense)	59,121,766	–	–	59,121,766	(566,312)	58,555,454
(Loss)/profit for the year	<u>(184,753,813)</u>	<u>1,225,000</u>	<u>(20,394,031)</u>	<u>(203,922,844)</u>	<u>(3,082,785)</u>	<u>(207,005,629)</u>
Segment assets	876,965,662	159,250,675	52,811,204	1,089,027,541	118,190,576	1,207,218,117
Assets classified as held for sale	–	–	–	–	23,039,693	23,039,693
Segment liabilities	<u>102,252,055</u>	<u>–</u>	<u>6,713,783</u>	<u>108,965,838</u>	<u>–</u>	<u>108,965,838</u>
Other segment information						
Depreciation of plant and equipment	–	–	10,404,408	10,404,408	–	10,404,408
Purchase of plant and equipment	–	–	4,429,153	4,429,153	–	4,429,153

The Group's operations and specified non-current assets are located in Hong Kong.

Given the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

5. LOSS BEFORE TAX

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

	2017 HK\$	2016 HK\$
Continuing operations		
Directors' emoluments	1,293,333	1,309,255
Staff costs		
– Salaries, allowances and other benefits	2,528,048	1,749,000
– MPF Scheme contributions	68,085	56,500
Total staff costs	<u>3,889,466</u>	<u>3,114,755</u>
Auditor's remuneration	550,000	550,000
Depreciation of plant and equipment	10,907,587	10,404,408
Interests on margin payables	8,585,269	3,248,695
Minimum lease payments under operating lease for rented premises	<u>22,000</u>	<u>510,845</u>

6. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax charged/(credited) to the consolidated statement of profit or loss represents:

	2017 HK\$	2016 <i>HK\$</i> (Restated)
Continuing operations		
Current tax credit	–	(560,579)
Deferred tax expense/(credit)	<u>9,843,716</u>	<u>(58,561,187)</u>
	<u>9,843,716</u>	<u>(59,121,766)</u>
Discontinued operation		
Current tax expense	<u>222,000</u>	<u>566,312</u>

Hong Kong Profits Tax is arrived at 16.5% on the estimated assessable profits for the year ended 30 September 2017 and 2016.

7. DISCONTINUED OPERATION

On 21 December 2016, the Company and an independent third party (the “Counterparty”) entered into a formal sale and purchase agreement, pursuant to which the Company sold 34 shares or 34% of the share capital of Kendervon Profits Inc. (“Kendervon”) to the Counterparty. Upon completion of the aforesaid transaction on 31 December 2016, the Company’s shareholding in Kendervon decreased to 66% and the Counterparty held 34% equity interest in Kendervon, the Company’s equity interest in CNI Bullion Limited decreased from 30% to 19.8%, and the Company had resigned as the sole director of Kendervon on 31 December 2016. The amount due from CNI Bullion Limited was classified as amount due from an associate as at 30 September 2016. Upon completion of the disposal, the balance was reclassified as amount due from an available-for-sale investment. As at 30 September 2017, the balance was HK\$84,055,663, which was included in prepayments, deposits and other receivables of HK\$163,790,117 (see note 13).

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

	2017 HK\$	2016 <i>HK\$</i> (Restated)
Interest income on amount due from CNI Bullion Limited (as an associate)	1,345,813	3,432,191
Share of loss of CNI Bullion Limited (as an associate)	(748,660)	(5,948,664)
Gain on disposal of Kendervon	15,337,796	–
Current tax expense	<u>(222,000)</u>	<u>(566,312)</u>
	<u>15,712,949</u>	<u>(3,082,785)</u>

7. DISCONTINUED OPERATION (Continued)

During the year ended 30 September 2016 and the period from 1 October 2016 to 31 December 2016 (the completion date of disposal of Kendervon), Kendervon has not recognised any revenue and expenses, and only recognised share of loss of CNI Bullion Limited as associate of HK\$748,660 for the period from 1 October 2016 to 31 December 2016 (year ended 30 September 2016: HK\$5,948,664), which have been included in the Group's consolidated statement of profit or loss for the Year.

During the year ended 30 September 2016 and the period from 1 October 2016 to 31 December 2016, Kendervon Group did not generate any cash flows.

The net assets of Kendervon Group as the date on which the Group lost control (i.e. 31 December 2016) were HK\$67,015,144, which represented Kendervon's interests in CNI Bullion Limited as associate. Save for the interest in CNI Bullion Limited, Kendervon Group did not have any other asset or liability as at 31 December 2016.

	2017 HK\$
Gain on disposal of the Kendervon Group:	
Consideration	28,000,000
Recognition of an available-for-sale investment (i.e. 66% equity interest in Kendervon)	54,352,940
Net assets disposed of	<u>(67,015,144)</u>
	<u><u>15,337,796</u></u>

8. DIVIDEND

The Board does not recommend the payment of a dividend for the Year (2016: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share – continuing and discontinued operation are based on the Group's loss for the Year attributable to the equity holders of the Company of HK\$588,017,532 (2016: HK\$207,005,629).

The calculation of basic and diluted loss per share – continuing operations are based on the Group's loss for the Year from continuing operations of HK\$603,730,481 (2016 restated: HK\$203,922,844).

The calculation of basic and diluted earnings/loss per share – discontinued operation are based on the Group's profit for the Year from discontinued operation of HK\$15,712,949 (2016 restated: Loss of HK\$3,082,785).

The above basic and diluted earnings/loss per share based on the weighted average number of 1,874,308,478 (2016 restated: 689,619,069) ordinary shares in issue during the Year.

10. PLANT AND EQUIPMENT

During the Year, the Group did not acquire any plants and equipment (2016: acquired the motor vehicles and parts for vessel at costs of HK\$4,429,153 in aggregate for business purpose).

11. INTEREST IN AN ASSOCIATE

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

As at 30 September 2016, the Group had interest in the following associate:

Name of associate	Form of business structure	Class of shares held	Place of incorporation and operations	Issued share capital	Percentage of equity attributable to the Group	Principal activities
CNI Bullion Limited ("CNI Bullion")	Incorporated	Ordinary share	Hong Kong	HK\$15,000,000	30% <i>(Note (a))</i>	Provision of services on trading of gold in gold market

Notes:

- (a) On 26 September 2016, the Company and the Counterparty entered into a letter of intent, pursuant to which Kendervon, the then wholly-owned subsidiary of the Company holding 30% equity interest in CNI Bullion Limited, intended to issue and allot new shares to the Company and the Counterparty. Upon completion of the aforesaid share allotment, the Company's shareholding in Kendervon would decrease to 66% and the Counterparty would hold 34% equity interest in Kendervon, the Company's equity interest in CNI Bullion Limited would decrease from 30% to 19.8%, and the Company would resign as the sole director of Kendervon. Since the asset was available for immediate sale in its present condition and its sale is highly probable, 34% of the Group's interest in CNI Bullion Limited was classified as asset held for sale as at 30 September 2016. As detailed in note 7, notwithstanding the aforesaid letter of intent, the Company and the Counterparty entered into a formal sale and purchase agreement, pursuant to which the Company sold 34 shares or 34% of the share capital of Kendervon to the Counterparty. The disposal transaction was completed on 31 December 2016.
- (b) As at 30 September 2016, the amount due from an associate was unsecured, bears interest at 8% per annum and repayable on demand.

11. INTEREST IN AN ASSOCIATE (Continued)

The summarised financial information in respect of the Group's associate is set out below:

	As at 30 September 2016 <i>HK\$</i>
Non-current assets	199,443
Bank balances	139,196
Trade and other receivables	<u>427,177,820</u>
Total assets	<u><u>427,516,459</u></u>
Amount due to the Group	73,466,465
Trade and other payables	<u>128,170,648</u>
Total liabilities	<u><u>201,637,113</u></u>
Net assets	<u><u>225,879,346</u></u>
	For the year ended 30 September 2016 <i>HK\$</i>
Group's share of net assets of an associate	<u><u>67,763,804</u></u>
Turnover	<u><u>7,713,265</u></u>
Loss for the year	<u><u>(19,828,881)</u></u>
Group's share of results of an associate for the year	<u><u>(5,948,664)</u></u>

12. AVAILABLE-FOR-SALE INVESTMENTS

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Unlisted investments, at fair value	<u><u>143,634,340</u></u>	<u><u>126,721,080</u></u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	2017 HK\$	2016 <i>HK\$</i>
Prepayments, deposits and other receivables		399,845	4,574,777
Margin receivables	<i>(a)</i>	17,805,000	4,669,980
Amount due from an available-for-sale investment	<i>(b)</i>	84,055,663	–
Amount receivable on disposal of Kendervon		14,000,000	–
Amounts receivable on disposal of available-for-sale investments	<i>(c)</i>	47,529,609	32,529,595
		163,790,117	41,774,352

The carrying amounts of prepayments, deposits and other receivables at the end of the reporting period approximated their fair values. At 30 September 2017, no impairment loss was determined (2016: Nil).

Notes:

- (a) Margin receivables are generated from investment in financial assets at FVTPL, with interest rate ranged from 0.001% to 0.003% (2016: 0.001% to 0.003%) per annum for the Year.
- (b) The amount due from CNI Bullion Limited was classified as amount due from an associate as at 30 September 2016. Upon completion of the disposal, the balance was reclassified as amount due from an available-for-sale investment. The amount was unsecured, bears interest at 8% per annum (2016: 8% per annum) and repayable on demand.
- (c) The balance is represented by:

	2017 HK\$	2016 <i>HK\$</i>
Receivable due from the purchaser of Starfame Investments Limited	30,000,000	–
Receivable due from the purchaser of IIN Network Education (BVI) Limited	8,864,732	16,864,718
Receivable due from the purchaser of UCCTV Holdings Limited	8,664,877	15,664,877
	47,529,609	32,529,595

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL as at 30 September 2017 comprise:

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Fair value:		
Unlisted bonds issued in Hong Kong	102,000,000	106,300,000
Listed securities held for trading		
– listed in Hong Kong	518,616,701	739,368,803
– listed outside Hong Kong	6,496,708	16,783,163
	<u>627,113,409</u>	<u>862,451,966</u>

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

The fair values of the Group's unlisted bonds issued in Hong Kong were measured using valuation techniques in which any significant input is not based on observable market data.

15. OTHER PAYABLES AND ACCRUALS

	<i>Note</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Margin payables	<i>(a)</i>	13,499,647	102,252,055
Accruals		10,275,452	6,713,783
		<u>23,775,099</u>	<u>108,965,838</u>

Note:

- (a) Margin payables bear interest rate ranged from 8% to 10% per annum for the Year (2016: 8% to 10%). The margin payables are secured by financial assets at FVTPL, repayable on demand and were guaranteed by the Company on behalf of a subsidiary.

16. INTEREST-BEARING BORROWINGS

Interest-bearing borrowings represent the 8.5% coupon bonds at a nominal value of HK\$10,000,000 issued by the Company. The bonds will be matured in 2 years and the whole principal amount is repayable at the date of its maturity while coupons are repayable annually. The Company may request early redemption of the bond after one year of the issuance date of the bond. The redemption right is not yet effective as at 30 September 2017.

17. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Group as at 30 September 2017 of HK\$980,246,091 (2016: HK\$1,121,291,972) and on the number of 2,754,882,496 ordinary shares of HK\$0.025 each in issue as at 30 September 2017 (2016: 3,130,603,123 ordinary shares of HK\$0.005 each).

18. EVENTS AFTER THE REPORTING PERIOD

Change of Investment Manager

The Company and Insight Capital Management (HK) Limited, the existing investment manager of the Company, have mutually agreed to terminate the investment management agreement with effect from 1 January 2018. There is no penalty and/or compensation to any parties in relation to the termination of the investment management agreement.

On 29 December 2017, the Company entered into a new investment management agreement to appoint China Everbright Securities (HK) Limited as its new investment manager for an initial term of three years commencing from 1 January 2018 up to 31 December 2020.

19. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 30 September 2017 (the “Year”), the Group reported a negative turnover of approximately HK\$516.2 million (Year ended 30 September 2016 (“Year 2016”): HK\$240.6 million (restated)) and net loss attributable to equity holders of the Company of approximately HK\$588.0 million (Year 2016: HK\$207.0 million). During the Fiscal Year 2016/17, the Group’s results of financial asset investments declined and recognised an increase in loss of approximately HK\$284.9 million from HK\$240.6 million in Year 2016 to HK\$525.5 million in the Year.

In line with performance of the financial asset investments, the performance of the Group’s investment in bullion trading business was unsatisfactory this Year. Accordingly, during the Year, the Group disposed of 34% equity interest in a wholly-owned subsidiary – Kendervon Profit Inc. (“Kendervon”) and resigned as the sole director of Kendervon. The 30% equity investment in CNI Bullion Limited, a gold trading services company and treated as an associate of the Group before the completion of the disposal transaction, is the major asset of Kendervon. Gain on disposal of Kendervon of approximately HK\$15.3 million was recorded during the Year. Upon completion of the disposal of 34% equity interest in Kendervon in December 2016, Kendervon and CNI Bullion Limited were no longer a subsidiary and an associate of the Company respectively. During the Year, the loss of CNI Bullion Limited, shared to the Group as an associate, was approximately HK\$0.7 million (Year 2016: HK\$5.9 million). For further details, please refer to note 7 to the consolidated financial statements included in this announcement.

In connection with the unlisted investments, the Group recorded a loss of approximately HK\$41.9 million during the Year (Year 2016: Nil). Please refer to the section “Business Review, Important Events Occurred after the end of Financial Year and Prospect” below for further details.

As a result of the retrogressive performance of financial asset investments and unlisted investments, net of the gain on disposal of Kendervon, the Group’s net loss increased from HK\$207.0 million for the Year 2016 to HK\$588.0 million for the Year.

Liquidity and Financial Resources

As at 30 September 2017, the Group held assets of approximately HK\$1,014.0 million (2016: HK\$1,230.3 million), including bank balances of HK\$52.2 million (2016: HK\$13.4 million). More cash and bank balances held by the Group this Year is principally attributable to the rights issue completed in March 2017, which were detailed below under the heading of “Capital Structure” and the 8.5% coupon bonds at a nominal value of HK\$10,000,000 issued by the Company during the Year. The Group’s current ratio (as defined by current assets/current liabilities) increased from 9.4 as at 30 September 2016 to 35.8 as at 30 September 2017, which was maintained at a healthy level. The Board believes that the Group has sufficient resources to satisfy its working capital requirement.

Capital Structure

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

The net proceeds from the rights issue was approximately HK\$405.6 million, included in which approximately HK\$337.0 million was used in investment in listed securities in various industries in Hong Kong within six months from the date of receiving the proceeds from the rights issue, approximately HK\$60.0 million was used in investment in unlisted securities in various industries mainly in Hong Kong and the PRC within one year from the date of receiving the proceeds from the rights issue and approximately HK\$8.6 million was used in general working capital needs of the Group within 8 months from the date of receiving the proceeds from the rights issue. Save as HK\$25.5 million, which was planned to be invested in unlisted securities, yet to be used, the remaining proceeds of the rights issue of approximately HK\$380.1 million were used as intended as of 30 September 2017.

Capital Commitment

As at 30 September 2017, the Group had no material commitment.

Contingent Liabilities

As at 30 September 2017, the Group had no material contingent liabilities.

Charge of Assets

As at 30 September 2017, the Group had pledged financial assets at FVTPL of approximately HK\$476.0 million to secure the margin payables.

BUSINESS REVIEW, IMPORTANT EVENTS OCCURRED AFTER THE END OF FINANCIAL YEAR AND PROSPECT

Consistent with previous year, the overall stock market in Hong Kong continued behaved unstable in the fiscal year 2016/17. Hang Seng Index ("HSI") experienced a sharp fall in December 2016, dropped from 23,297 as at the end of September 2016 to 21,574 in December 2016. Since then, HSI rebounded sharply and eventually marked at 27,554 as at the end of September 2017. Although the HSI rose more than 4,000 points over the year ended 30 September 2017, the rising stocks in Hong Kong mainly focused on certain blue-chipped stocks. Many small-mid cap stocks were not performing well. In such diverging market environment, the Group's listed securities, mainly small-mid cap stocks, performed not as good as in previous years. The Group continued to make loss on listed investments and loss of approximately HK\$525.5 million was recorded during the Year.

The business of gold trading has become very keen in the Hong Kong market. Loss of approximately HK\$0.7 million was shared to the Group from the Company's associate – CNI Bullion Limited (“CNI”) during the Year. In the Year 2016, loss of approximately HK\$5.9 million was shared. Although the Group still considers that CNI has a positive outlook in the long run, the Group has disposed of 34% of its equity stake in Kendervon, which is the sole shareholding company of CNI, and resigned as the sole director of Kendervon. As such, the 66% equity investment in Kendervon has changed to be recorded as an available-for-sale investment of the Group, and CNI was then no longer an associate of the Group. Gain on disposal of 34% equity stake in Kendervon of approximately HK\$15.3 million was recorded during the Year.

In connection with the unlisted investments, the Group acquired 29 shares or 29% of the share capital of Uni-Venture International Investment Limited (“Uni-Venture”) at a consideration of HK\$34,500,000 during the Year. Uni-Venture group is engaged in the business of provision of workforce solutions on manpower sourcing, training and recruitment services. Subsequently in October 2017, the Group has entered into a letter of intent about disposal of its 29% equity in Uni-Venture to an independent third party. As of the date of this announcement, the formal sale and purchase agreement for selling 29% of the share capital of Uni-Venture is yet to be entered into. In addition, the Group has disposed of its equity stake in Starfame Investments Limited during the Year, and recorded a gain of HK\$5.0 million.

As mentioned in the section “Financial Review” above, the Group recorded impairment loss on unlisted investments of approximately HK\$41.9 million, which was principally the impairment losses on the Group's investments in Easy Ideas Limited (“Easy Ideas”) of approximately HK\$9.1 million and Sincere Smart International Limited (“SSIL”) of approximately HK\$26.0 million. Easy Ideas group is principally engaged in the provision of professional IT service for the development and support of internet and mobile applications, and the implementation of business information network and infrastructure. SSIL group is principally engaged in software application industry. Included in the above impairment losses of HK\$9.1 million and HK\$26.0 million, were fair value losses of approximately HK\$0.1 million and HK\$13.7 million charged in consolidated statement of other comprehensive income in prior years. The IT and software industries in the PRC have been very keen in the PRC gradually. The pace of development of small to medium sized IT companies is generally far below than those of giant enterprises. Accordingly, significantly impairment losses on the Group's investments in Easy Ideas and SSIL were made during the Year.

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

The important events affecting the Group which have occurred since the end of the year ended 30 September 2017 are detailed in note 18 to the consolidated financial statements in this announcement.

Looking forward, we expect the investment environment in the US and other advanced economies will be better than those in prior years. We consider the mild interest rate normalization may only affect global investment atmosphere slightly. Even so, the Directors consider that the change of global investment environment is much faster than that in the couple of years before. Accordingly, we will continue to adopt cautious measures to manage the Group's investment portfolio.

CORPORATE GOVERNANCE CODE

During the Year, 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 for 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 re-election. Currently all non-executive Directors (i.e. independent non-executive Directors) have no specific term of appointment but they are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this CG Code provision.

Pursuant to provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. An independent non-executive Director could not attend the extraordinary general meeting held on 7 February 2017 due to his other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

AUDIT COMMITTEE

The audit committee (“Audit Committee”) of the Board comprises all three independent non-executive Directors and is currently chaired by Mr. Cheung Wai Kin, who possesses extensive financial and accounting experience in commercial sectors. It is responsible for appointment of external auditors, review of the Group’s financial information and oversight of the Group’s financial reporting system and risk management and internal control systems. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. The results for the Year has been reviewed by the Audit Committee. It meets regularly to review financial reporting, risk management and internal control matters and to this end has unrestricted access to personnel, records and external auditors and senior management.

SCOPE OF WORKS OF MESSRS. CHENG & CHENG LIMITED

The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 30 September 2017 as set out in this announcement have been agreed by the Group’s auditors, Messrs. CHENG & CHENG LIMITED to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. CHENG & CHENG LIMITED in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. CHENG & CHENG LIMITED in this announcement.

DISCLOSURE OF INFORMATION ON WEBSITES

All the information required by the Listing Rules will be published on the websites of the Stock Exchange of Hong Kong Limited and of the Company in due course.

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

Hong Kong, 29 December 2017

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. Kong Fanpeng
Mr. Chan Cheong Yee

Independent non-executive Directors:
Mr. Lee Ming Gin
Ms. Lai Fun Yin
Mr. Cheung Wai Kin

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.