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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 DECEMBER 2014**

INTERIM FINANCIAL STATEMENTS

The board of directors (the “Board”) of Capital VC Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2014 (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 December 2014

	<i>Notes</i>	Six months ended	
		31 December	
		2014	2013
		(unaudited)	(unaudited)
		<i>HK\$</i>	<i>HK\$</i>
Turnover	5	167,302,305	156,976,260
Other income		2,071	256,073
Administrative expenses		(4,415,920)	(5,094,956)
Loss on fair change of available-for-sale investment		(8,000,000)	–
Operating profit		<u>154,888,456</u>	152,137,377
Finance costs		(1,233,910)	(5,759,919)
Share of result of an associate		<u>2,478,000</u>	(60,573,119)
Profit before tax	7	156,132,546	85,804,339
Income tax	8	(25,500,000)	–
Profit for the Period and total comprehensive income for the Period attributable to equity holders of the Company		<u><u>130,632,546</u></u>	<u><u>85,804,339</u></u>
Dividend	9	–	–
			<i>Restated</i>
Earnings per share (<i>HK cents</i>)	10		
– basic		13.55	44.79
– diluted		N/A	N/A

There was no other comprehensive income during the six months ended 31 December 2014 and 2013.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

		31 December 2014 (unaudited) <i>HK\$</i>	30 June 2014 (audited) <i>HK\$</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment	11	53,459	209,168
Interest in an associate	12	73,973,366	71,495,366
Available-for-sale investments	13	146,090,000	86,940,000
Amounts receivable on disposal of available-for-sale investments	14	–	37,500,000
Deferred tax assets		3,138,722	12,204,732
		<u>223,255,547</u>	<u>208,349,266</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	15	363,036,790	209,992,210
Prepayments, deposits and other receivables	14	94,108,743	106,732,628
Amount due from an associate	12	91,838,420	79,453,359
Bank balances and cash		148,032,008	147,384,719
		<u>697,015,961</u>	<u>543,562,916</u>

		31 December	30 June
		2014	2014
		(unaudited)	(audited)
	<i>Notes</i>	HK\$	HK\$
CURRENT LIABILITIES			
Other payables and accruals		81,559,044	65,700,698
Tax payables		16,434,350	–
		<u>97,993,394</u>	<u>65,700,698</u>
NET CURRENT ASSETS		<u>599,022,567</u>	<u>477,862,218</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>822,278,114</u>	<u>686,211,484</u>
CAPITAL AND RESERVES			
Share capital	16	978,132	956,396
Reserves		821,299,982	685,255,088
		<u>822,278,114</u>	<u>686,211,484</u>
NET ASSET VALUE PER SHARE	17	<u>0.8407</u>	<u>0.7175</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2014

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 2013/14 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 June 2014.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2014, as described in those annual financial statements.

Adoption of new and revised Hong Kong Financial Reporting Standard (HKFRSs)

In the Period, the Group has applied the following new and revised HKFRs and interpretations issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

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 June 2014.

5. TURNOVER

Turnover represents the amounts received and receivable on investments and net gains on financial assets at fair value through profit or loss ("FVTPL") during the Period as follows:

	Six months ended	
	31 December	
	2014	2013
	(unaudited)	(unaudited)
	HK\$	HK\$
Turnover		
Net profit on financial assets at FVTPL	163,416,375	160,470,719
Dividend income from investment in listed securities	–	32,138
Interest income on amounts due from investee companies	3,883,182	4,232,511
Bank and other interest income	2,748	1,692
Loss on disposal of a subsidiary, net (<i>Note</i>)	–	(7,760,800)
	<u>167,302,305</u>	<u>156,976,260</u>

Note:

During the six months ended 31 December 2013, the Group disposed of 100% equity interest in Long Surplus Investment Limited, which held approximately 3.98% of equity interest in 247 Capital Limited, at a consideration of HK\$8,000,000. Immediately before the Group's disposal, 247 Capital Limited was principally engaged in investment holding which owns 100% equity interest in Go Markets Pty Limited and Go Markets Pty Limited carries on the business of online trading in Australia. The sales proceeds of HK\$8,000,000 have been fully collected in January 2014.

6. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular reports reviewed by the chief operating decision maker for decisions about resources allocated to the Group's business components and for their review of the performance of those components.

The principal activity of the Group is investing in listed and unlisted companies. The Group has identified the operating and reportable segments as follows.

Financial assets at FVTPL	–	Investments in securities listed on Hong Kong Stock Exchange
Available-for-sale investment	–	Investments in unlisted securities
Associate	–	Investments in an entity which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

	For the six months ended 31 December 2014				
	Investment in financial assets at FVTPL HK\$	Investment in available- for-sale investments HK\$	Investment in an associate HK\$	Unallocated HK\$	Total HK\$
Segment revenue	163,416,375	(6,901,070)	2,784,252	4,819	159,304,376
Administrative expenses	–	–	–	(4,415,920)	(4,415,920)
Segment result	<u>163,416,375</u>	<u>(6,901,070)</u>	<u>2,784,252</u>	<u>(4,411,101)</u>	<u>154,888,456</u>
Share of result of an associate	<u>–</u>	<u>–</u>	<u>2,478,000</u>	<u>–</u>	<u>2,478,000</u>
	For the six months ended 31 December 2013				
	Investment in financial assets at FVTPL HK\$	Investment in available- for-sale investments HK\$	Investment in an associate HK\$	Unallocated HK\$	Total HK\$
Segment revenue	160,502,857	(6,289,889)	2,761,600	257,765	157,232,333
Administrative expenses	–	–	–	(5,094,956)	(5,094,956)
Segment result	<u>160,502,857</u>	<u>(6,289,889)</u>	<u>2,761,600</u>	<u>(4,837,191)</u>	<u>152,137,377</u>
Share of result of an associate	<u>–</u>	<u>–</u>	<u>(60,573,119)</u>	<u>–</u>	<u>(60,573,119)</u>

7. PROFIT BEFORE TAX

Six months ended	
31 December	
2014	2013
(unaudited)	(unaudited)
HK\$	HK\$

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

Total staff costs (including directors' remuneration)	1,348,700	1,632,750
Depreciation on plant and equipment	155,709	289,281
Operating lease charges on rented premises	576,002	998,097
Interest on borrowings	1,233,910	5,759,919
	<u>1,233,910</u>	<u>5,759,919</u>

8. INCOME TAX

The amount of taxation credited to the consolidated statement of profit or loss represents:

Six months ended	
31 December	
2014	2013
(unaudited)	(unaudited)
HK\$	HK\$

Income tax	25,500,000	–
	<u>25,500,000</u>	<u>–</u>

As at 30 June 2014, the Group has unused tax losses of HK\$43,717,284 available to offset against future profits. These unused tax losses are expected to be fully utilised for the profit generated in the Period.

9. DIVIDEND

The directors did not recommend the payment of an interim dividend (2013: Nil).

10. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the Group's profit attributable to the equity holders of the Company for the Period of HK\$130,632,546 (2013: HK\$85,804,339).

The basic earnings per share is based on the weighted average number of 964,118,917 (2013 restated: 191,564,720) ordinary shares in issue for the Period.

There was no dilution effect on the basic earnings per share for the six months ended 31 December 2014 and 2013 as there were no dilutive shares outstanding during the six months ended 31 December 2014 and 2013.

11. PLANT AND EQUIPMENT

During the Period, the Group did not acquire or dispose of any plant and equipment.

12. INTEREST IN AN ASSOCIATE

	31 December 2014 (unaudited) HK\$	30 June 2014 (audited) HK\$
Cost of investment in an unlisted associate	4,500,000	4,500,000
Share of post-acquisition profit	69,473,366	66,995,366
	73,973,366	71,495,366
Amount due from an associate	91,838,420	79,453,359

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

As at 31 December 2014, the Group has interests in the following associate:

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

13. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2014 (unaudited) HK\$	30 June 2014 (audited) HK\$
Unlisted equity securities representing investments in private entities, at fair value	146,090,000	86,940,000

During the Period, the Group acquired three unlisted investments namely, (i) Sincere Smart International Limited (“SSIL”), the group of which is engaged in software application industry, (ii) Merit Advisory Limited (“MAL”), an investor relationship service company, and (iii) Latest Venture Limited (“LVL”), with its group business of provision of building construction works, electrical and mechanical engineering works and fitting-out works. The Group invested amounts of HK\$42,700,000, HK\$12,000,000 and HK\$12,450,000 in SSIL, MAL and LVL respectively.

Subsequently in January 2015, the listing project of LVL has completed and the Group has converted its shares in LVL into 34,650,000 shares of Deson Construction International Holdings Ltd (“DCIH”, HKSE code: 8268). Based on DCIH’s listing price of HK\$0.385 per share, the value of 34,650,000 shares of DCIH held by the Group is HK\$13,340,250.

The value of the Group investment in Pure Power Holdings Limited, the group of which is principally engaged in the exploration and exploitation of natural resources in the United States of America, decreased by HK\$8,000,000 during the Period.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The prepayments, deposits and other receivables of HK\$94,108,743 as at 31 December 2014 (2013: HK\$144,232,628) included amounts receivables for three disposed available-for-sale investments of HK\$58,484,610 (2013: HK\$94,685,606) and margin receivables generated from investment in financial assets at FVTPL of HK\$27,300,717 as at 31 December 2014 (2013: HK\$48,004,016). All prepayments, deposits and other receivables of HK\$94,108,743 as at 31 December 2014 are shown under current assets. In addition to the receivables for disposed available-for-sale investments of HK\$37,500,000, which was to be settled over one year from 30 June 2014 and classified under non-current assets, the remaining balance of HK\$106,732,628 was classified under current assets as at 30 June 2014.

Details of the amounts receivables for disposal of available-for-sale investments as follow:

- (a) Pursuant to the agreement signed with the purchaser, the sales of IIN Network Education (BVI) Limited was completed on 30 December 2011. The balance is interest-bearing at 5% per annum at 31 December 2014, and will be settled by 2 installments within one year from 31 December 2014.
- (b) Pursuant to the agreement signed with the purchaser, the sales of UCCTV Holdings Limited was completed on 25 December 2011. The balance is interest-bearing at 5% per annum at 31 December 2014, and will be settled by 2 installments within one year from 31 December 2014.
- (c) Pursuant to the agreement signed with the purchaser, the sales of Richbird Holdings Limited was completed on 30 June 2014. The remaining balance of HK\$13,000,000 will be settled within one year from 31 December 2014.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2014 (unaudited) HK\$	30 June 2014 (audited) HK\$
Fair value		
Listed equity securities held for trading, – listed in Hong Kong	<u>363,036,790</u>	<u>209,992,210</u>

The fair value of the Group's equity investments at fair value through profit or loss was determined based on the quoted market bid prices available on the relevant exchanges.

16. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised		
At 1 July 2013, 31 December 2013, 1 July 2014 and 31 December 2014		
Ordinary shares of HK\$0.001 each	<u>200,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid		
At 1 July 2014		
Ordinary shares of HK\$0.001 each	956,395,739	956,396
Exercise of warrants (<i>Note a</i>)	<u>21,736,337</u>	<u>21,736</u>
At 31 December 2014	<u>978,132,076</u>	<u>978,132</u>
At 1 July 2013		
Ordinary shares of HK\$0.001 each	100,928,683	100,929
Issue of shares by rights issue (<i>Note b</i>)	<u>50,464,341</u>	<u>50,464</u>
At 31 December 2013	<u>151,393,024</u>	<u>151,393</u>

Notes:

- (a) During the six months ended 31 December 2014, 21,736,337 warrants were exercised at a price of HK\$0.25 into 21,736,337 ordinary shares ("Shares") of the Company.
- (b) Pursuant to the prospectus dated 4 July 2013, the Company issued rights shares on the basis of one right share for every two existing shares (the "Rights Issue"). Prior to the Rights Issue, the number of Shares in issue was 100,928,683. The number of Shares in issue immediately upon the Rights Issue is 151,393,024.

17. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Group as at 31 December 2014 of HK\$822,278,114 (30 June 2014: HK\$686,211,484) and on the number of 978,132,076 (30 June 2014: 956,395,739) ordinary shares in issue as at 31 December 2014.

18. RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) During the Period, significant transactions with related parties and connected parties are as follows:

		31 December	
		2014	2013
		(unaudited)	(unaudited)
	Notes	HK\$	HK\$
Quidam Assets Limited (“Quidam”)			
Interest income	(i)	–	364,157
China Angel Fund Management (HK) Company Limited (“CAF”)			
Investment management fee paid	(ii)	96,000	240,000
Insight Capital Management (HK) Limited (“Insight HK”)	(iii)	117,742	–
Investment management fee paid			
CNI Bullion Limited			
Interest income from	(iv)	2,784,252	2,761,600

- (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 December	
	2014	2013
	(unaudited)	(unaudited)
	HK\$	HK\$
Short-term benefits	780,000	1,140,000
Post-employment benefits	–	–
	<u>780,000</u>	<u>1,140,000</u>

Notes:

- (i) The Group had disposed of 18.25% equity interest in Quidam during the second half of last financial year. The term loan was unsecured, bore interest at 8% per annum and has been fully collected before 30 June 2014.

- (ii) Pursuant to an investment management agreement (“CAFM Agreement”) dated 31 May 2012 entered into between the Company and CAFM, CAFM agreed to provide the Company with investment management services (excluding general administrative services) commencing on 1 June 2012. Pursuant to its terms, the monthly investment advisory fee is HK\$40,000.

The Company and CAFM mutually agreed to terminate the CAFM Agreement with no penalty and/or compensation with effect from 13 September 2014.

- (iii) Pursuant to an investment agreement (‘Insight HK Agreement’) dated 17 October 2014 entered into between the Company and Insight HK, Insight HK agreed to provide the Company with investment management services (excluding general administrative services) commencing on 21 October 2014. Pursuant to its terms, Insight HK Agreement is renewable automatically for successive periods of two years each upon expiry unless terminated by either the Company or Insight HK serving not less than 3 months’ prior notice in writing on the other party. Currently the monthly investment advisory fee is HK\$50,000.
- (iv) The Group had 30% equity interest in CNI Bullion Limited at 31 December 2014. The term loan is unsecured, bears interest at 8% per annum and repayable on demand.

19. PLEDGE OF ASSETS

The Group has pledged its financial assets at fair value through profit or loss, which are approximately HK\$352,766,190 (30 June 2014: HK\$194,767,210) to secure margin financing facilities obtained from regulated securities dealers.

20. PENDING LITIGATION

In HCA 1700/2011, since the legal representative of the Company filed the Defence on behalf of the Company in December 2011, for almost 3 years, the Plaintiff has not taken any further steps at all in respect of the proceedings. The said law suit involves a dishonoured cheque for the amount of HK\$39,000,000 allegedly payable to the Plaintiff. It has always been the view of the Company’s legal representative that the Plaintiff’s claim is totally without ground. The Company has taken legal advice and has already given instructions to their legal representative to make an application to strike out the claim with costs, for (1) lack of merits of the claim, and (2) want of prosecution.

Save as disclosed above, so far as the Board is aware, there are no litigation or arbitration proceedings made or threatened to be made against the Company, which would have a significant impact on the business or operations of the Company. No provision was made for the six months ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 31 December 2014, the Group reported a turnover of approximately HK\$167.3 million (2013: HK\$157.0 million) and net profit attributable to equity holders of the Company of approximately HK\$130.6 million (2013: HK\$85.8 million). The significant changes in the Group's turnover and the net profit are principally due to the sustaining outstanding performance of listed securities held by the Group and the improving performance of CNI Bullion Limited, the Group's associate. The Group recorded a net profit of listed securities of approximately HK\$163.4 million in the six months ended 31 December 2014 (2013: HK\$160.5 million). The result of CNI Bullion Limited shared to the Group changed from loss of approximately HK\$60.6 million in the six months ended 31 December 2013 to profit of approximately HK\$2.5 million in the Period.

As at 31 December 2014, the net asset value ("NAV") of the Group was approximately HK\$822.3 million (30 June 2014: HK\$686.2 million), a significant increase of approximately 19.8% over the Period. The NAV per share of the Group was HK\$0.8407 (30 June 2014: HK\$0.7175), which increased by approximately 17.2% during the Period. In addition to the net profit attributable to equity holders of the Company of approximately HK\$130.6 million, which increased the Group's NAV, 21,736,337 warrants were exercised at a price of HK\$0.25 to convert into 21,736,337 Shares during the Period. The proceeds for the exercise of warrants above of approximately HK\$5.4 million also contributed to the increase in the Group's capital base. Approximately 50.2 million warrants remain outstanding as at 31 December 2014.

Business Review and Prospect

The second half of Year 2014 continues the amazing time to investors holding securities listed in Hong Kong. Hang Seng Index maintained at a high level from 23,190 at the end of June 2014 to 23,501 at 31 December 2014. The Group's portfolio of listed securities outperformed the Blue Chips. The prices of certain listed stocks held by the Group rose by more than 50% during the Period. Accordingly, consistent with the outstanding performance on financial asset investment in the six months ended 31 December 2013, the Group recognised the net profit on financial assets at FVTPL of approximately HK\$163.4 million in the Period.

In contrast to the environment of low interest rate in years before, it is widely expected that, should economic performance in the US remain on track, the Federal Reserve will begin to remove excess liquidity gradually by tapering off Quantitative Easing sometime in the near future. Accordingly, it is generally believed that US Dollars will continue to appreciate in the Year 2015 and coming years. Although the gold price maintained low level between approximately US\$1,150 per ounce and US\$1,350 per ounce during the Period, many analysts expected that further decrease of the gold price unlikely happen in short to medium terms. This stimulated the bullion trading activities. As such, the performance of the Group's associate – CNI Bullion Limited improved from loss of approximately HK\$60.6 million during the first half of fiscal year of 2013/14 to profit of approximately HK\$2.5 million for the Period shared to the Group.

To diversify the portfolio risk, the Group has acquired three new unlisted investments, details of which are stated in note 13 to the Interim Financial Statements. About the unlisted investments brought forward, as the crude oil WTI (NYMEX) price dropped from approximately US\$100 per barrel in June 2014 to approximately US\$50 per barrel in December 2014, our investment in Pure Power Group, which is principally engaged in the exploration and exploitation of natural resources in the United States of America, decreased by HK\$8 million during the Period.

Looking forward, we expect the investment environment in the US and other advanced economies will extend the uptick from the fiscal year of 2013/14. Anticipated mild and slow removal of excess liquidity will not cause significant influence of global investment market. In the East, as the China economy is maturing and a more sustainable development is desired, slower future growth levels are to be expected. During the last quarter of the fiscal year 2013/14, major economic indicators in the US continued to accelerate, allowing a carefully more optimistic outlook for the current year. 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 improved significantly as compared to the situation as at 30 June 2014 and its bank balances as at 31 December 2014 amounted to approximately HK\$148.0 million (As at 30 June 2014: approximately HK\$147.4 million). The Group's current ratio (as defined by current assets/current liabilities) maintained a satisfactory level of 7.1 as at 31 December 2014 (30 June 2014: 8.3). 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 December 2014: 10.6%; 30 June 2014: 8.7%), and the Group had no material commitment and contingent liabilities as at 31 December 2014.

FOREIGN CURRENCY FLUCTUATION

The Group has a number of investment projects in the PRC and may be subject to a certain degree of investment return risk. In spite of this, the Board believes that foreign exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Period the Company does not have any significant acquisition and disposal of subsidiaries.

HUMAN RESOURCES

As at 31 December 2014, the Group had 5 employees, excluding the directors of the Company. Total staff costs excluding Directors' remuneration amounted to approximately HK\$0.7 million. They perform clerical, research, business development and administrative functions for the Group. The Group's remuneration policies are in line with the prevailing market practice and the staff remuneration is determined on the basis of the performance and experience of individual employees.

CAPITAL STRUCTURE

During the six months ended 31 December 2014, the Company issued 21,736,337 Shares at HK\$0.25 each per share due to the exercise of warrants. The number of the Company's issued shares increased from 956,395,739 to 978,132,076 during the Period.

Approximately 50.2 million warrants with exercise price of HK\$0.25 remain outstanding as at 31 December 2014.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2014, 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 December 2014, the parties (other than the directors and chief executive of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

Name	Number of ordinary shares held	Shareholding percentage
I-cloud Investments Limited	63,000,000	6.44%
Ye Ruiqiang	63,000,000	6.44%

Note:

I-cloud Investments Limited, a private limited company incorporated in the British Virgin Islands, and wholly and beneficially owned by Ye Ruiqiang.

Save as disclosed above, the directors were not aware of any other person who had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under 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 as at 31 December 2014.

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.

During the Period, there was no share options were granted, cancelled, exercised or lapsed pursuant to the Scheme.

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 December 2014.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Lam Kwan, Mr. Ong Chi King and Mr. Lee Ming Gin with written terms of reference in compliance. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 December 2014.

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.

CODE OF CORPORATE GOVERNANCE PRACTICE

During the Period, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the “CGP Code”) contained in Appendix 14 to the Listing Rules, except the deviations from the CGP Code as described below:

CGP 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.

CGP 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.

Pursuant to CGP Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. An Independent Non-executive Director could not attend the annual general meeting held on 18 November 2014 due to other business commitments.

On behalf of the Board

Chan Cheong Yee

Executive Director

Hong Kong, 26 February 2015

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