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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)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2013

The board of directors (the “Board”) 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 June 2013 together with the comparative figures in 2012 as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2013

	Notes	2013 HK\$	2012 HK\$
Turnover	3	21,124,405	(148,462,292)
Other income		2,042,421	2,558,516
Administrative expenses		(12,003,307)	(17,703,094)
Net gain on disposal of available-for-sale investments		–	20,000,000
Loss on fair value changes of available-for-sale investments		(3,247,680)	–
Operating profit (loss)		7,915,839	(143,606,870)
Finance costs		(4,073,798)	(6,260,494)
Share of results of an associate		(11,663,552)	49,073,667
Loss before tax	5	(7,821,511)	(100,793,697)
Income tax	6	–	–
Loss for the year		<u>(7,821,511)</u>	<u>(100,793,697)</u>
Dividend	7	–	–
Losses per share	8		(Restated)
– basic		<u>(0.0787)</u>	<u>(1.2406)</u>
– diluted		<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
<b>Loss for the year attributable to equity holders of the Company</b>	<u>(7,821,511)</u>	<u>(100,793,697)</u>
<b>Other comprehensive loss</b>		
<b>Other comprehensive loss to be reclassified to profit or loss subsequently:</b>		
Loss on fair value changes of available-for-sale investments	(2,494,500)	(15,000,000)
Transfer from investment revaluation reserve on disposal of available-for-sale investments	<u>–</u>	<u>(20,000,000)</u>
Other comprehensive loss for the year, net of tax	<u>(2,494,500)</u>	<u>(35,000,000)</u>
<b>Total comprehensive loss for the year attributable to equity holders of the Company</b>	<u><u>(10,316,011)</u></u>	<u><u>(135,793,697)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>Notes</i>	<b>2013</b> <b>HK\$</b>	2012 HK\$
<b>Non-current assets</b>			
Plant and equipment		726,205	1,293,164
Interest in an associate		128,423,549	140,087,101
Available-for-sale investments		34,266,300	21,000,000
Amounts receivable on disposal of available-for-sale investments	9	44,500,000	25,000,000
		<b>207,916,054</b>	<b>187,380,265</b>
<b>Current assets</b>			
Available-for-sale investments		–	19,008,480
Financial assets at fair value through profit or loss		77,225,580	76,039,014
Loans receivable		10,896,948	12,000,000
Prepayments, deposits and other receivables		50,437,722	81,850,313
Amounts due from an associate		61,317,583	36,611,883
Bank balances		13,138,035	724,736
		<b>213,015,868</b>	<b>226,234,426</b>
<b>Current liabilities</b>			
Other payables and accruals		16,939,169	41,306,161
Convertible bonds	10	17,743,134	–
Amounts due to directors		–	2,305,960
Other unsecured loan		14,000,000	–
Obligations under finance leases – due within one year		73,090	209,260
		<b>48,755,393</b>	<b>43,821,381</b>
Net current assets		<b>164,260,475</b>	<b>182,413,045</b>
		<b>372,176,529</b>	<b>369,793,310</b>
<b>Capital and reserves</b>			
Share capital		100,929	92,528,683
Reserves		372,075,600	277,191,537
Total equity attributable to equity holders of the Company		<b>372,176,529</b>	<b>369,720,220</b>
<b>Non-current liability</b>			
Obligations under finance leases – due after one year		–	73,090
		<b>372,176,529</b>	<b>369,793,310</b>
Net asset value per share	11	<b>3.6875</b>	(Restated) 3.9957

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

## 1. BASIS OF PREPARATION

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.

## 2. ADOPTION OF NEW AND REVISED HKFRSs

In current year, the Group has applied the following new and revised HKFRSs issued by HKICPA.

HKAS 1 (Amendments)                      Presentation of Items of Other Comprehensive Income

HKAS 12 (Amendments)                  Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group’s consolidated financial statements.

HKAS 1 (Amendments) “Presentation of items of other comprehensive income”

The HKAS 1 (Amendments) require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss; and (ii) items that may be reclassified subsequently to profit or loss. The amendments have been applied retrospectively. The adoption of HKAS 1 (Amendments) has no significant impact on the Group’s results and financial position.

New and revised HKFRSs and Interpretations issued but not yet effective.

The Group has not early applied the following new and revised HKFRSs, interpretations and amendments that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate financial statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures <sup>1</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>2</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>2</sup>
Amendment HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>2</sup>

## 2. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>2</sup>
HKFRS 9	Financial instruments <sup>3</sup>
HKFRS 10	Consolidated financial statements <sup>1</sup>
HKFRS 11	Joint arrangements <sup>1</sup>
HKFRS 12	Disclosure of interests in other entities <sup>1</sup>
HKFRS 13	Fair value measurement <sup>1</sup>
HK(IFRIC) – Int 21	Levies <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015

The Directors anticipate that the application of these new and revised HKFRSs, Interpretations and Amendment will have no material financial impact on the consolidated financial statements of the Group.

## 3. TURNOVER

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

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Turnover		
Net profit (loss) on financial assets at FVTPL	<b>16,716,105</b>	(153,089,790)
Dividend income from investments in listed securities	<b>248</b>	74,270
Interest income on amounts due from investee companies	<b>930,584</b>	921,052
Interest income on amounts due from an associate	<b>3,476,392</b>	3,134,595
Interest income on other receivables	–	496,000
Interest income	<b>1,076</b>	1,581
	<b>21,124,405</b>	(148,462,292)

#### 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. 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 Investments	–	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 year ended 30 June 2013				
	Investment in financial assets at FVTPL	Investment in available- for-sale investments	Interests in an associate	Unallocated	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue	16,717,431	930,584	3,476,390	2,042,421	23,166,826
Administrative expenses	–	–	–	(12,003,307)	(12,003,307)
Segment result	16,717,431	930,584	3,476,390	(9,960,886)	11,163,519
Loss on fair value changes of available-for-sale investments	–	(3,247,680)	–	–	(3,247,680)
Finance costs	(2,270,209)	–	–	(1,803,589)	(4,073,798)
Share of results of an associate	–	–	(11,663,552)	–	(11,663,552)
Profit (loss) before tax	14,447,222	(2,317,096)	(8,187,162)	(11,764,475)	(7,821,511)
Income tax	–	–	–	–	–
Profit (loss) for the year	<u>14,447,222</u>	<u>(2,317,096)</u>	<u>(8,187,162)</u>	<u>(11,764,475)</u>	<u>(7,821,511)</u>
Segment assets	77,326,761	137,873,822	189,741,132	15,990,207	420,931,922
Segment liabilities	13,992,912	–	–	34,762,481	48,755,393
<b>Other segment information</b>					
Depreciation of plant and equipment	–	–	–	576,439	576,439
Purchase of plant and equipment	–	–	–	9,480	9,480

4. SEGMENT INFORMATION (Continued)

	For the year ended 30 June 2012				
	Investment in financial assets at FVTPL HK\$	Investment in available- for-sale investments HK\$	Interests in an associate HK\$	Unallocated HK\$	Total HK\$
Segment revenue	(153,013,939)	1,417,052	3,134,595	2,558,516	(145,903,776)
Administrative expenses	–	(2,250,000)	–	(15,453,094)	(17,703,094)
Segment result	(153,013,939)	(832,948)	3,134,595	(12,894,578)	(163,606,870)
Net gain on disposal of available-for-sale investments	–	20,000,000	–	–	20,000,000
Finance costs	(6,222,704)	–	–	(37,790)	(6,260,494)
Share of results of an associate	–	–	49,073,667	–	49,073,667
(Loss) profit before tax	(159,236,643)	19,167,052	52,208,262	(12,932,368)	(100,793,697)
Income tax	–	–	–	–	–
(Loss) profit for the year	<u>(159,236,643)</u>	<u>19,167,052</u>	<u>52,208,262</u>	<u>(12,932,368)</u>	<u>(100,793,697)</u>
Segment assets	76,172,686	155,578,781	176,698,984	5,164,240	413,614,691
Segment liabilities	<u>36,050,241</u>	<u>–</u>	<u>–</u>	<u>7,844,230</u>	<u>43,894,471</u>
<b>Other segment information</b>					
Depreciation of plant and equipment	–	–	–	561,351	561,351
Purchase of plant and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>437,713</u>	<u>437,713</u>

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 (crediting):

	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
Directors' emoluments	<b>1,687,635</b>	3,075,980
Staff costs		
– Salaries, allowances and other benefits	<b>1,331,089</b>	665,112
– MPF Scheme contributions	<b>39,441</b>	19,396
	<hr/>	<hr/>
Total staff costs	<b>3,058,165</b>	3,760,488
	<hr/>	<hr/>
Auditor's remuneration	<b>500,000</b>	480,000
Depreciation of plant and equipment		
– owned assets	<b>576,439</b>	483,975
– leased assets	–	77,376
Minimum lease payments under		
operating lease for rented premises	<b>3,578,857</b>	2,482,512
Loss on fair value changes of available-for-sale investments	<b>3,247,680</b>	–
Net gain on disposal of available-for-sale investments	–	(20,000,000)
Impairment loss on prepayments deposits and other receivable	–	2,250,000
Share of income tax expense of an associate	–	8,097,155
	<hr/> <hr/>	<hr/> <hr/>



## 6. INCOME TAX

For the years ended 30 June 2013 and 30 June 2012, no provision of Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits for the years ended 30 June 2013 and 2012.

The income tax for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Loss before tax	<b>(7,821,511)</b>	(100,793,697)
Tax at domestic income tax rate of 16.5% (2012: 16.5%)	<b>(1,290,550)</b>	(16,630,960)
Tax effect of share of results of an associate	<b>1,924,486</b>	(8,097,155)
Tax effect of income not taxable for tax purpose	<b>(152,934)</b>	(3,463,657)
Tax effect of expenses not deductible for tax purpose	<b>11,550</b>	44,107
Tax effect of tax losses not recognised	–	18,858,305
Tax effect of origination and reversal of temporary differences	<b>76,491</b>	41,440
Tax effect of loss not allowed	<b>2,561,412</b>	9,247,920
Tax effect of prior year's tax losses utilized in this year	<b>(3,130,455)</b>	–
Income tax	<b>–</b>	–

At 30 June 2013, the Group has unused tax losses of HK\$151,156,175 (2012: HK\$170,128,627) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

## 7. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2013 (2012: Nil).

## 8. LOSSES PER SHARE

The calculation of the basic losses per share is based on the Group's loss for the year attributable to the equity holders of the Company of HK\$7,821,511 (2012: HK\$100,793,697), based on the weighted average number of 99,432,793 (2012 restated: 81,244,349) ordinary shares in issue during the year, as adjusted to reflect the capital reorganization during the year. Basic and diluted loss per share for the year ended 30 June 2012 have been restated to take into effect the capital reorganisation.

There was no dilution effect on the basic losses per share for the years ended 30 June 2013 and 30 June 2012 as there were no dilutive shares outstanding during the two years ended 30 June 2013 and 30 June 2012.

	Losses per share	
	2013	2012
	HK\$	HK\$
		(Restated)
Losses per share – basic	(0.0787)	(1.2406)
– diluted	N/A	N/A

## 9. AMOUNTS RECEIVABLE ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS

The amounts receivables include the two disposed available-for-sale investments as follow:

- (a) Pursuant to the agreements signed with the purchaser, the deal to sell IIN Network Education (BVI) Limited was completed on 30 December 2011. The remaining balance is interest-bearing at 5% per annum at 30 June 2013, and will be settled by 4 installments in which HK\$12,000,000 will be settled on or before 30 June 2014.
- (b) Pursuant to the agreements signed with the purchaser, the deal to sell UCCTV Holdings Limited was completed on 25 December 2011. The remaining balance interest-bearing at 5% per annum at 30 June 2013, and will be settled by 4 installments in which HK\$11,000,000 will be settled on or before 30 June 2014.

## 10. CONVERTIBLE BONDS

On 27 March 2013, the Company issued convertible bonds with an aggregated principal amount of HK\$20,000,000 with a term of 1 year. The bonds are unsecured and carry 10% coupon interest rate. The bonds are convertible into ordinary shares of the Company at a conversion price of HK\$0.1 (before the Capital Reorganisation becoming effective) or HK\$1 (after Capital Reorganisation becoming effective) per conversion share during the conversion period.

At the initial recognition of 27 March 2013 which was the issue date of the convertible bonds, the fair value of the convertible bonds were determined by an independent professional valuer, LCH (Asia – Pacific) Surveyors Limited. The convertible bonds contain two components, equity and liability components. The equity component is presented in equity as convertible bonds reserve. The effective interest rate of the liability component on initial recognition is 34.61% per annum.

## 10. CONVERTIBLE BONDS (Continued)

	<b>The Group and Company</b>		
	<b>Equity</b>	<b>Liability</b>	<b>Total</b>
	<b>portion</b>	<b>portion</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 July 2012	–	–	–
Principal value of convertible bonds on the date of issue	3,660,000	16,340,000	20,000,000
Interest charged to the consolidated statement of comprehensive income	–	520,548	520,548
Imputed interest charged to consolidated statement of comprehensive income	–	882,586	882,586
	<hr/>	<hr/>	<hr/>
At 30 June 2013	<u>3,660,000</u>	<u>17,743,134</u>	<u>21,403,134</u>

## 11. 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 June 2013 of HK\$372,176,529 (2012: HK\$369,720,220) and on the number of 100,928,683 (2012 restated: 92,528,683) ordinary shares in issue as at 30 June 2013. Net asset value per share for the year ended 30 June 2012 have been restated to take into effect the capital reorganisation.

## 12. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 4 July 2013, the Company and an independent third party (the “third party”) jointly entered into a tenancy agreement with the landlord for the lease of office premises for a term of three years from 5 July 2013 to 4 July 2016 (the “Lease Period”). The total operating lease commitment amounts for the Lease Period is HK\$12,626,280.

Pursuant to a separate agreement dated 2 July 2013 between the Company, the third party and a guarantor, the Company is obligated to pay HK\$1 during the Lease Period and third party is obligated to pay the remaining lease payment. The third party agreed to pay a deposit of HK\$1,052,190 to the Company as the security deposit and to be responsible for payment of rental deposit of HK\$2,104,380 to the landlord. The third party also agreed to pay the Company a monthly arrangement fee of HK\$41,667 for the period from 1 July 2013 to 30 June 2016.

According to the agreement above, the guarantor agreed to provide a guarantee to the Company to cover any loss incurred due to default in rental payment to the landlord and/or any damage or other expenses claimed by the landlord and/or other parties in relation to the premises.

## 12. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD *(Continued)*

- (b) The rights issue was under-subscribed by a shortfall of 26,738,529 rights shares as disclosed in the announcement dated 29 July 2013. According to the terms of the Underwriting Agreement, the Underwriter had procured placees (the “Placees”) to subscribe for all the rights shares (the “Untaken Rights Shares”). To the best of the Directors’ knowledge, information and belief having made reasonable enquiries, each of the Placees and their respective ultimate beneficial owners (if any) are third parties independent of the Company and its connected persons. None of the Placees has become a substantial shareholder of the Company upon taking up the Untaken Rights Shares.

Given the under-subscription of the rights shares, the Directors consider that it is fair and reasonable to resolve to accept all valid excess applications for a total of 2,025,418 rights shares and to allot and issue such number of the rights shares to the relevant applicants in full. Shareholders applying for excess rights shares under the forms of application for use by the Qualifying Shareholders in respect of a total of 2,025,418 rights shares have been fully allotted with the excess rights shares they have applied for.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 30 June 2013, the Group reported a turnover of approximately HK\$21.1 million (2012: negative turnover of HK\$148.5 million) and net loss attributable to equity holders of the Company of approximately HK\$7.8 million (2012: HK\$100.8 million). The significant changes in the Group’s turnover and the net result are principally due to the performance of listed securities held by the Group. The Group recorded a net profit of listed securities of approximately HK\$16.7 million in the year ended 30 June 2013 while net loss of approximately HK\$153.0 million was recognised in the year ended 30 June 2012.

As at 30 June 2013, the net asset value (“NAV”) of the Group was approximately HK\$372.2 million (2012: HK\$369.7 million), a slight increase of approximately 0.7% over the fiscal year 2013. The NAV per share of the Group was HK\$3.6875 (2012 (adjusted): HK\$3.9957), which however decreased by approximately 7.7% during the current year. During the year, the Company has adopted a capital reorganisation, which was completed in June 2013. Every ten shares of the Company were consolidated into one new share of the Company with effect from the capital reorganisation. Accordingly, the NAV of the Company per share as at 30 June 2012 was adjusted from HK\$0.3996 to HK\$3.9957 for comparative purpose.

In order to obtain adequate financial resources for investment purpose and general working capital, the Company placed 84 million shares at HK\$0.113 each in August 2012 (equivalent to 8.4 million shares at HK\$1.13 each as if the capital reorganisation has taken place). Accordingly, the NAV per share decreased by approximately 7.7% while only slight loss was recognised during the current year. In addition, the Group issued convertible bonds in the aggregate principal amount of HK\$20 million in March 2013 and the Group received net amount of approximately HK\$19.3 million accordingly.

## **Liquidity and Financial Resources**

As at 30 June 2013, the Group held assets of approximately HK\$420.9 million (2012: HK\$413.6 million), including bank balances of HK\$13.1 million (2012: HK\$0.7 million). As the result from the placing exercise in August 2012, the Group maintained more cash and bank balances as general working capital. Even though the Group's current ratio (as defined by current assets/current liabilities) decreased to 4.4 as at 30 June 2013 from 5.2 as at 30 June 2012, which is considered healthy, the Board believes that the Group has sufficient resources to satisfy its working capital requirements.

## **Capital Structure**

Following a placement exercise, 84 million shares at HK\$0.113 each (equivalent to 8.4 million shares at HK\$1.13 as if the capital reorganisation has taken place) were allotted and issued in August 2012. In addition, the Company has adopted a capital reorganisation during the year, which was completed in June 2013. Every ten shares of the Company were consolidated into one new share of the Company with effect from the capital reorganisation. The number of total issued share capital changed from 1,009,286,831 to 100,928,683 accordingly. For further details of the capital reorganisation, please refer to the Company's announcements dated 3 January 2013, 7 January 2013 and 10 June 2013, and the Company's circular dated 16 January 2013.

## **Capital Commitment**

As at 30 June 2013, the Group had no material commitment.

## **Contingent Liabilities**

As at 30 June 2013, the Group had no material contingent liabilities.

## **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.

## **Human Resources**

As at 30 June 2013, the Group had 5 employees excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$1.3 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.

## **Material acquisitions and disposal of subsidiaries and affiliated companies**

The Group had no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2013.

## **Charge of Assets**

As at 30 June 2013, the Group had pledged financial assets at FVTPL of approximately HK\$77.2 million to secure the margin payables.

## **BUSINESS REVIEW AND PROSPECT**

As compared to the fiscal year 2012, in which a series of unfavourable events including European debt crisis and downgrade of US government credit rating happened, the performance of global investment market greatly improved in the current year. Along with the rise of Hang Seng Index from 19,441 at the end of June 2012 to 20,803 at the end of June 2013, the Group recorded a turnover for listed investments of approximately HK\$16.7 million during the current year, while a significant negative turnover of HK\$153.0 million was recorded in the corresponding sector during the last year.

In contrast to the environment of low interest rate in the fiscal year 2012, 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, US Dollars generally appreciated in the fiscal year 2013 and the gold price decreased from approximately US\$1,600 per ounce in June 2012 to approximately US\$1,250 per ounce in June 2013. The disappointing performance of gold price led to the slowdown in its trading activities. Together with more competitors appearing in the market, the current year's performance of the Group's associate – CNI Bullion Limited was not as satisfactory as in the last year. Loss of approximately HK\$11.7 million was shared to the Group, while profit of approximately HK\$49.1 million was shared in the last year.

In order to capture the chance of global investment market recovery, the Group has successfully placed 84 million shares at HK\$0.113 each (equivalent to 8.4 million shares at HK\$1.13 each as if the reorganisation has taken place) in August 2012. The placement of new shares has contributed the resources to the Group in generating positive income from the Group's listed investments during the current year.

Looking forward, we expect the investment environment in the US and other advanced economies will extend the uptick from the fiscal year of 2013. 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, major economic indicators began to accelerate, allowing a carefully more optimistic outlook for the next year. To enjoy the on-going mild development of the global investment atmosphere, the Group successfully adopted a rights issue exercise in July 2013 and received proceeds approximately HK\$30 million. The Directors will continue to adopt cautious measures to manage the Group's investment portfolio.

## **CODE OF CORPORATE GOVERNANCE PRACTICE**

During the year, 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 Code as described below:

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. During the year, the Company did not have Chairman since Dr. Liu Ta-pei resigned on 9 October 2012, and decisions were made collectively by the Executive Directors and executed by our Chief Executive Officer Mr. Yau Yan Ming Raymond. The Board believes that the Company can 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 good corporate governance structure in place to ensure effective oversight of management. The Board will continually review the effectiveness of the Group when necessary.

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 (including 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 Code provision.

## **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 has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the audited annual results for the year ended 30 June 2013.

## **DISCLOSURE OF INFORMATION ON WEBSITES**

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

By Order of the Board

**Tang Tsz Tung**

*Executive Director*

Hong Kong, 30 September 2013

*As at the date of this announcement, the board of directors of the Company comprises executive directors Mr. Kong Fanpeng, Mr. Chan Cheong Yee and Mr. Tang Tsz Tung; non-executive director Mr. Hung Cho Sing; and independent non-executive directors Mr. Lam Kwan, Mr. Ong Chi King and Mr. Lee Ming Gin.*