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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)

**CHANGE OF INVESTMENT MANAGER,
RESIGNATION OF EXECUTIVE DIRECTOR,
APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND
CHANGE OF AUTHORISED REPRESENTATIVE**

TERMINATION OF THE EXISTING IM AGREEMENT

The Company and Tripod, the existing investment manager of the Company, has mutually agreed to terminate the Existing IM Agreement with effect from 31 May 2012.

NEW IM AGREEMENT

The Company entered into the New IM agreement on 31 May 2012 to appoint CAFM as its new investment manager for an initial term of two years commencing from 1 June 2012 up to 31 May 2014.

RESIGNATION OF EXECUTIVE DIRECTOR, APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND CHANGE OF AUTHORISED REPRESENTATIVE

Mr. Yau has resigned as executive Director and member of the Investment Committee and been appointed as the CEO with effect from 31 May 2012. Dr. Liu Ta-pei has been appointed as an authorised representative of the Company in the stead of Mr. Yau.

TERMINATION OF THE EXISTING IM AGREEMENT

The Company and Tripod, the existing investment manager of the Company, has mutually agreed to terminate the Existing IM Agreement with effect from 31 May 2012. There is no penalty and/or compensation to any parties in relation to the early termination of the Existing IM Agreement.

NEW IM AGREEMENT

Parties

The Company and CAFM

Date

31 May 2012

Terms and Conditions of the New IM Agreement

CAFM was appointed as the investment manager of the Company for an initial term of two years commencing from 1 June 2012 up to 31 May 2014 and the appointment is to continue for successive periods of 2 years each unless terminated at any time by either the Company or CAFM serving not less than 3 months' prior notice in writing on the other. The appointment of CAFM as the new investment manager of the Company will be governed by the terms and conditions of the New IM Agreement.

The Company shall pay to CAFM in aggregate an investment management fee payable monthly in Hong Kong Dollars at HK\$40,000 with effect from 1 June 2012. The investment management fee was agreed after arms-length negotiations between the Company and CAFM.

Duties of CAFM

CAFM is responsible for making investment proposals in accordance with the New IM Agreement, the article of association of the Company and the investment policies of the Company. The Board may then at its sole discretion resolve and decide on whether to approve any of the proposals submitted by CAFM.

REASONS FOR ENTERING INTO THE NEW IM AGREEMENT

The Company is intended to intensify institutional angel fund investment in the PRC. Given CAFM's extensive network in the China market and wealth of experience in angel fund investment, the Directors believe that CAFM will contribute towards the Company's new business development and direction. The Directors also consider that the investment experience of CAFM goes in line with the investment strategies of the Company and are of the view that its expertise, together with a lower investment management fee, will be beneficial to the Company and its shareholders as a whole.

BACKGROUND OF CAFM

CAFM is a company incorporated in Hong Kong on 30 September 2010 with limited liability and is a licensed corporation registered under the SFO. It is principally engaged in the business of provision of asset management services to clients and is licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The particulars of the directors of CAFM are as follows:

Jiang Qi Hang, Howard, *Non-executive Chairman*

Mr. Jiang obtained a Bachelor's degree in Business Administration at the Zhong Shan University, the PRC. and a Master's degree in Business Administration at the Australian Graduate School of Management of University of New South Wales in Australia. Mr. Jiang has over 18 years of professional experience in securities and asset management industry. He had served at Credit Lyonnais Securities Asia Ltd., BNP Paribas Peregrine Securities Ltd. and BOCI Securities Ltd.

Cheung Lai Yan, Charles, *Executive Director*

Mr. Cheung holds a Bachelor's degree in science from the University of Hong Kong and Master's degree in Business Administration from the UWIST (Cardiff University), the United Kingdom. He has over 25 years of experience in the financial service industry, in particular with exceeding 20 years of experience in fund management. Since his graduation in 1985, Mr. Cheung had worked in Standard Chartered Securities Limited and Kim Eng Securities Ltd as analyst and manager respectively. During the period between 1990 and 1995, he was the director of the People's Leveraged Fund and was responsible for managing the Fund. Mr. Cheung joined the Guotai Junan Group in year 1996 and was the Managing Director and Head of Guotai Junan Assets (Asia) Ltd until March 2011. Mr. Cheung is currently a responsible officer in respect of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Sum Nai Bun, Stephen, *Executive Director*

Mr. Sum obtained a Bachelor's degree in Economics at the University of Leicester, England and a Master's degree in Investment Analysis (with distinction) at the University of Stirling, Scotland. Mr. Sum has over 18 years' of experience in the investment management industry. He had served at Nexus Investment Management Limited, Cheemimet Finance Limited and Qi Yuan Asset Management (HK) Limited as an investment management professional. Mr. Sum is currently a responsible officer in respect of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

EXEMPTED CONTINUING CONNECTED TRANSACTION

CAFM is a connected person of the Company pursuant to the definition of connected person under the Listing Rules and shall also be deemed as a connected person of the Company pursuant to Rule 21.13 of the Listing Rules upon the New IM Agreement becoming effective. The investment management fee payable to CAFM is expected to fall below the de-minimis threshold under Rule 14A.33(3) of the Listing Rules, and accordingly, the New IM Agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements.

GENERAL

The Company was incorporated on 13 November 2002 as an exempted company with limited liability in the Cayman Islands. The Company was an investment company whose shares are listed on the Stock Exchange pursuant to Chapter 21 of the Listing Rules. The Company is principally engaged in investments in a diversified portfolio of listed and unlisted companies mainly in Hong Kong and the PRC.

The Directors (including the independent non-executive Directors) consider the New IM Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Company. The management fee is reached after arm's length negotiation between the Company and CAFM and determined with reference to the prevailing market rates with reference to those charged by investment managers of other investment companies listed on the main board of the Stock Exchange. The Directors have no material interests in the New IM Agreement. The Directors believe that the terms of the New IM Agreement are fair and reasonable as far as the independent shareholders of the Company are concerned.

RESIGNATION OF EXECUTIVE DIRECTOR, APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND CHANGE OF AUTHORISED REPRESENTATIVE

The Board also announces that Mr. Yau Yan Ming Raymond ("Mr. Yau") has resigned as executive Director and member of the Investment Committee of the Company with effect from 31 May 2012. Meanwhile, Mr. Yau has accepted the appointment as the chief executive officer ("CEO") of the Company in order to devote more time to focus on the day-to-day management of the Company's operation instead of policy formulation and directing of the Group's affairs at the Board level. Dr. Liu Ta-pei has been appointed as an authorised representative of the Company under Rule 3.05 of the Listing Rules in the stead of Mr. Yau.

Mr. Yau confirmed that he has no disagreement with the Board and that there are no matters relating to his resignation from the directorship that need to be brought to the attention of the shareholders of the Company.

He will enter into a service agreement with the Company for a period of two years which will be automatically renewed for another term of two years upon each expiry. Either party may terminate the agreement by giving to the other not less than three months' prior notice. The emolument of Mr. Yau as the CEO is HK\$720,000 per annum (payable in 12 instalments of HK\$60,000 per month), which is determined after arm's length negotiation between both parties with reference to his qualifications and experience as well as his duties and responsibilities with the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

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| “AUM” | assets under management |
| “Board” | the board of directors of the Company |
| “Company” | Capital VC Limited, a company incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as CNI VC Limited, the shares of which are listed on the main board of the Stock Exchange |
| “CAFM” | China Angel Fund Management (HK) Company Limited, a company incorporated in Hong Kong on 30 September 2010 with limited liability and a licensed corporation registered under the SFO |
| “Directors” | the directors of the Company |
| “Existing IM Agreement” | the agreement governing the appointment of Tripod as the investment manager of the Company dated 17 May 2007 and entered into between the Company and Tripod |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “New IM Agreement” | the investment management agreement dated 31 May 2012 entered into between the Company and CAFM |
| “PRC” | the People’s Republic of China |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tripod” | Tripod Management Limited, a licensed corporation registered under the SFO |

By Order of the Board
Capital VC Limited
Dr. Liu Ta-pei
Chairman

Hong Kong, 31 May 2012

As at the date of this announcement, the Board comprises executive Directors Dr. Liu Ta-pei (Chairman), Mr. Chui Tak Keung, Duncan and Mr. Kong Fanpeng; non-executive Directors Mr. Hung Cho Sing and Mr. Cheung Kwok Yu; and independent non-executive Directors Mr. Lam Kwan and Mr. Ong Chi King.