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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)*

**PROPOSED OPEN OFFER OF NOT LESS THAN 605,572,096
OFFER SHARES AND NOT MORE THAN 685,572,096 OFFER
SHARES AT HK\$0.25 PER OFFER SHARE ON THE BASIS OF
4 OFFER SHARES FOR EVERY 1 EXISTING SHARE HELD ON THE
RECORD DATE WITH THE BONUS ISSUE ON THE BASIS OF
1 BONUS WARRANT FOR EVERY 4 OFFER SHARES TAKEN UP
UNDER THE OPEN OFFER**

Financial Adviser to the Company

AMASSE CAPITAL
寶 積 資 本

Underwriter

TANRICH

Proposed Open Offer with the Bonus Issue

The Company proposes to raise not less than approximately HK\$151 million and not more than approximately HK\$171 million before expenses by issuing not less than 605,572,096 Offer Shares and not more than 685,572,096 Offer Shares at the subscription price of HK\$0.25 per Offer Share on the basis of four Offer Shares for every one existing Share held on the Record Date with the Bonus Issue on the basis of one Bonus Warrant for every four Offer Shares taken up under the Open Offer.

Based on 151,393,024 Shares in issue as at the date of this announcement and assuming that there is no change to the issued share capital of the Company from the date of this announcement up to the Record Date, 605,572,096 Offer Shares and 151,393,024 Bonus Warrants will be issued. Assuming that the Convertible Bonds are converted in full on or before the Record Date and there is no other change to the issued share capital of the Company from the date of this announcement up to the Record Date, upon completion of the Open Offer, 685,572,096 Offer Shares and 171,393,024 Bonus Warrants will be issued.

Assuming that there is no change to the issued share capital of the Company from the date of this announcement up to the Record Date, 605,572,096 Offer Shares proposed to be allotted pursuant to the Open Offer represent: (i) 400% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 80% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares; and (iii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares and the Warrant Shares.

Assuming that the Convertible Bonds are converted in full on or before the Record Date and there is no other change to the issued share capital of the Company from the date of this announcement up to the Record Date, 685,572,096 Offer Shares proposed to be allotted pursuant to the Open Offer represent: (i) approximately 452.8% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 80% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares; and (iii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares and the Warrant Shares.

On the basis of not less than 605,572,096 Offer Shares and not more than 685,572,096 Offer Shares, there will be not less than 151,393,024 Bonus Warrants (entitling the holders thereof to subscribe for 151,393,024 Warrant Shares at the Exercise Price of HK\$0.25 (subject to adjustments) for each Warrant Share) and not more than 171,393,024 Bonus Warrants (entitling the holders thereof to subscribe for 171,393,024 Warrant Shares at the Exercise Price of HK\$0.25 (subject to adjustments) for each Warrant Share) to be issued.

The subscription rights attaching to the Bonus Warrants may be exercised at any time between the issue date of the Bonus Warrants and the second anniversary of the issue date of the Bonus Warrants.

The Warrant Shares to be issued upon full exercise of the subscription rights attaching to the Bonus Warrants represent: (i) approximately 100% of the issued share capital of the Company as at the Record Date; (ii) approximately 20% of issued share capital of the Company as enlarged by the issue and allotment of the Offer Shares; and (iii) approximately 16.67% issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares and the Warrant Shares.

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Open Offer will be fully underwritten by the Underwriter on the terms and subject to the conditions in the Underwriting Agreement.

General

As the Open Offer will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Open Offer. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, there is no controlling Shareholders as at the date of this announcement. Therefore, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions relating to the Open Offer at the EGM. An independent board committee of the Company comprising all the independent non-executive Directors will be established to make recommendation to the Independent Shareholders in respect of the Open Offer. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the proposed Open Offer with the Bonus Issue; (ii) a letter of recommendation from the independent board committee of the Company; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders; and (iv) notice of the EGM, will be despatched to the Shareholders on or before Tuesday, 18 February 2014.

Shareholders and potential investors should note that the Open Offer with the Bonus Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer with the Bonus Issue may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Monday, 10 March 2014 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer with the Bonus Issue are subject are fulfilled (which is expected to be at 4:00 p.m. on Wednesday, 2 April 2014), will accordingly bear the risk that the Open Offer with the Bonus Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

PROPOSED OPEN OFFER WITH THE BONUS ISSUE

Issue Statistics

Basis of the Open Offer	:	Four (4) Offer Shares for every one (1) existing Share held on the Record Date, together with one (1) Bonus Warrant for every four (4) Offer Shares taken up.
Subscription Price	:	HK\$0.25 per Offer Share
Exercise Price of the Bonus Warrant	:	HK\$0.25 per Warrant Share
Number of Shares in issue as at the date of this announcement	:	151,393,024 Shares
Number of Offer Shares	:	Not less than 605,572,096 Offer Shares and not more than 685,572,096 Offer Shares. The aggregate nominal value of the total Offer Shares will be not less than HK\$605,572.096 and not more than HK\$685,572.096.
Number of Bonus Warrants	:	Not less than 151,393,024 Bonus Warrants and not more than 171,393,024 Bonus Warrants to be issued to the first registered holders of the Offer Shares on the basis of one Bonus Warrant for every four Offer Shares taken up under the Open Offer. The aggregate nominal value of the total Warrant Shares will be not less than HK\$151,393.024 and not more than HK\$171,393.024.
Number of Shares (before the exercise of the subscription rights attaching to any Bonus Warrants) in issue upon completion of the Open Offer	:	Not less than 756,965,120 Shares and not more than 856,965,120 Shares.
Number of Shares (after full exercise of the subscription rights attaching to the Bonus Warrants) in issue upon completion of the Open Offer	:	Not less than 908,358,144 Shares and not more than 1,028,358,144 Shares.

Amount raised before expenses : Not less than approximately HK\$151 million and not more than approximately HK\$171 million.

Upon full exercise of the subscription rights attaching to the Bonus Warrants, an addition of not less than approximately HK\$38 million and not more than approximately HK\$43 million will be raised.

As at the date of this announcement, the Convertible Bonds in the aggregate principal amount of HK\$20 million are outstanding, which could be convertible into up to 20,000,000 Shares. Save for the Convertible Bonds, there are no other outstanding options, warrants or securities convertible or exchangeable into the Shares.

Based on 151,393,024 Shares in issue as at the date of this announcement and assuming that there is no change to the issued share capital of the Company from the date of this announcement up to the Record Date, upon completion of the Open Offer, 605,572,096 Offer Shares and 151,393,024 Bonus Warrants will be issued. Assuming the Convertible Bonds were converted in full on or before the Record Date and there is no other change to the issued share capital of the Company from the date of this announcement up to the Record Date, upon completion of the Open Offer, 685,572,096 Offer Shares and 171,393,024 Bonus Warrants will be issued.

Assuming that there is no change to the issued share capital of the Company from the date of this announcement up to the Record Date, 605,572,096 Offer Shares proposed to be allotted pursuant to the Open Offer represent: (i) 400% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 80% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares; and (iii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares and the Warrant Shares.

Assuming that the Convertible Bonds are converted in full on or before the Record Date and there is no other change to the issued share capital of the Company from the date of this announcement up to the Record Date, 685,572,096 Offer Shares proposed to be allotted pursuant to the Open Offer represent: (i) 452.8% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 80% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares; and (iii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares and the Warrant Shares.

Bonus Warrants

Subject to fulfillment of the conditions of the Open Offer, the Bonus Warrants will be issued to the first registered holders of the Offer Shares on the basis of one Bonus Warrant for every four Offer Shares taken up under the Open Offer.

On the basis of not less than 605,572,096 Offer Shares and not more than 685,572,096 Offer Shares, there will be not less than 151,393,024 Bonus Warrants (entitling the holders thereof to subscribe for 151,393,024 Warrant Shares at the Exercise Price of HK\$0.25 (subject to adjustments) for each Warrant Share) and not more than 171,393,024 Bonus Warrants (entitling the holders thereof to subscribe for 171,393,024 Warrant Shares at the Exercise Price of HK\$0.25 (subject to adjustments) for each Warrant Share) to be issued.

The subscription rights attaching to the Bonus Warrants may be exercised at any time between the issue date of the Bonus Warrants and the second anniversary of the issue date of the Bonus Warrants.

The Warrant Shares to be issued upon full exercise of the subscription rights attaching to the Bonus Warrants represent: (i) approximately 100% of the issued share capital of the Company as at the Record Date; (ii) approximately 20% of issued share capital of the Company as enlarged by the issue and allotment of the Offer Shares; and (iii) approximately 16.67% issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares and the Warrant Shares.

Subscription Price and initial Exercise Price

Both the Subscription Price and the initial Exercise Price are HK\$0.25, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Open Offer or exercises the subscription rights attaching to the Bonus Warrants (as the case may be).

The Subscription Price and the initial Exercise Price represents:

- (a) a discount of approximately 59.02% to the closing price of HK\$0.61 per Share as quoted on the Stock Exchange on 27 January 2014, being the Last Trading Day;
- (b) a discount of approximately 22.36% to the theoretical ex-entitlements price of approximately HK\$0.322 per Share based on the closing price of HK\$0.61 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 62.01% to the average closing price of approximately HK\$0.658 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 62.91% to the average closing price of approximately HK\$0.674 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The Subscription Price and the initial Exercise Price were arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price and trading liquidity of the Shares prior to the Last Trading Day and the financial positions of the Group. After taking into consideration of the theoretical ex-entitlements price per Share, in order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors consider that the discount offered by the Subscription Price and initial Exercise Price would encourage Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the potential growth of the Group. The Directors consider the Subscription Price and initial Exercise Price are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The Exercise Price and the number of Warrant Shares to be issued upon exercise of the subscription rights attaching to the Bonus Warrants are subject to adjustment upon occurrence of certain events, including share consolidation, share subdivision, capitalization issue, capital distribution, rights issue, open offer and issue of other securities by the Company.

Assuming the subscription rights attaching to the Bonus Warrants are fully exercised, the estimated net proceeds of not less than approximately HK\$38 million and not more than HK\$43 million will be raised. The net price per Warrant Share is approximately HK\$0.25. It is intended that such net proceeds, if any, will be applied towards the general working capital of the Group.

Status of the Offer Shares and Warrant Shares

Each of the Offer Shares (when allotted, issued and fully paid) and the Warrant Shares (when issued upon exercise of the subscription rights attaching to the Bonus Warrants) will rank *pari passu* in all respects with the then existing Shares in issue on the date of their respective allotment and issue. Holders of the Offer Shares and Warrant Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of their respective allotment and issue.

Application for listing of the Offer Shares and the Warrant Shares on the Stock Exchange

No application will be made for the listing of, or permission to deal in, the Bonus Warrants on the Stock Exchange or other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and Warrant Shares.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares and Warrant Shares on the Stock Exchange, the Offer Shares and the Warrant Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares and the Warrant Shares on the Stock Exchange or such other dates as determined by

HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Qualifying Shareholder

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, the Qualifying Shareholders must be registered as members of the Company on the Record Date and not be Excluded Shareholders. In order to be registered as a member of the Company on the Record Date, all transfer of Shares must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Tuesday, 11 March 2014.

Closure of register of members

The register of members of the Company in Hong Kong will be closed from Wednesday, 12 March 2014 to Friday, 14 March 2014, both days inclusive, to determine the eligibility of Shareholders to subscribe for Offer Shares under the Open Offer. No transfer of Shares will be registered during this period.

Certificates of the Offer Shares and the Bonus Warrants

Subject to the fulfillment of the conditions of the Open Offer with the Bonus Issue, share certificates for the Offer Shares and the Bonus Warrants are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares on or about Tuesday, 8 April 2014 by ordinary post at their own risk.

Excluded Shareholders

The Prospectus Documents to be issued in connection with the Open Offer with the Bonus Issue will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Board will make enquiries as to whether the issuance of Offer Shares and Bonus Warrants to the Excluded Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange and details and results of such enquiries will be included in the Prospectus. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares and the Bonus Warrants to such Excluded Shareholders, the Open Offer with the Bonus Issue will not be extended to such Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information only, but will not send the Application Forms to the Excluded Shareholders.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Excluded Shareholders would otherwise have been entitled under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

UNDERWRITING AGREEMENT

Date:	27 January 2014
Parties:	(1) the Company; and (2) Tanrich Securities Company Limited
Number of Underwritten Shares:	Not less than 605,572,096 Offer Shares and not more than 685,572,096 Offer Shares
Commission:	2.5% of the aggregate Subscription Price of the maximum number of the Underwritten Shares (i.e. 685,572,096 Offer Shares)

Pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations under the Underwriting Agreement; and (ii) none of the subscribers procured by the Underwriter will be a substantial Shareholder holding 10% or more shareholding in the Company.

Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) or appoint any person to be sub-agent(s) on its behalf for the purpose of arranging for the placing of the Underwritten Shares with selected placees with such authority and rights as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

The Directors (excluding the independent non-executive Directors who will form their views after seeking the advice from the independent financial adviser) are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the Company and the Underwriter.

To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Conditions Precedent to the Open Offer

The Open Offer is conditional upon the following being fulfilled on or before the Latest Time for Termination:

- (1) the approval of the Independent Shareholders at the EGM in relation to the Open Offer;
- (2) the Company shall procure that the Offer Shares are provisionally allotted by a resolution of the Board on the terms set out in the Prospectus Documents to the Shareholders on or before the Prospectus Posting Date;
- (3) the Company shall, following the issue of a certificate of authorisation of registration under section 342C of the Companies Ordinance, procure a copy of the Prospectus Documents (duly signed by or on behalf of each Director in accordance with section 342C of the Companies Ordinance) to be delivered to the Registrar of Companies in Hong Kong for registration together with any other documents required by applicable law or regulation to be annexed thereto on or before the Prospectus Posting Date;
- (4) (if necessary) the Company shall procure a copy of the Prospectus Documents to be delivered to the Registrar of Companies in the Cayman Islands for filing on or before the Prospectus Posting Date;
- (5) the delivery to the Underwriter certified copies of the minutes of the EGM and the board resolution as mentioned in condition (2) on or before the Prospectus Posting Date;
- (6) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus stamped "For Information Only" to the Excluded Shareholders, if any, for information purpose only on or before the Prospectus Posting Date;
- (7) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares and the Warrant Shares, either unconditionally or subject to such conditions which the Underwriter in its opinion accepts and satisfies (if any);
- (8) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands;

- (9) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and
- (10) none of the representations, warranties and undertakings in the Underwriting Agreement being breached, untrue, inaccurate or misleading in any material respect.

The conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole or in part by the Latest Time for Termination, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and in which case the Open Offer with the Bonus Issue will not proceed.

Termination of the Underwriting Agreement

The Underwriter may by notice in writing to the Company served prior to the Latest Time for Termination terminate the Underwriting Agreement without liability to the Company on any of the following grounds:

- 1. the success of the Open Offer would be materially and adversely affected by the development, occurrence or enforcement of:
 - (a) any new law or regulation or any change in existing laws or regulations in the reasonable opinion of the Underwriter has or is likely to have a material and adverse effect on the financial position of the Group as a whole; or
 - (b) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer;
 - (c) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or exchange controls which in the reasonable opinion of the Underwriter is or would be materially adverse to the success of the Open Offer, or makes it impracticable or inadvisable or inexpedient to proceed therewith;
 - (d) any suspension of dealings in the Shares for any period longer than five consecutive business days after the date of the Underwriting Agreement (other than as a result of the Open Offer); or

- (e) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Latest Time for Termination; or
- 2. any breach of any of representations, warranties and undertakings in the Underwriting Agreement in any material respect by the Company comes to the knowledge of the Underwriter; or
- 3. any event occurs or any matter arises on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respect in such a manner as would in the absolute opinion of the Underwriter materially and adversely affect the financial position or business of the Group as a whole; or
- 4. there is any such adverse change in the general affairs, management, business, stockholders' equity or in the financial or trading position of the Group as a whole which in the absolute opinion of the Underwriter is materially adverse to the success of the Open Offer; or
- 5. there is any change in the composition of the Board which in the absolute opinion of the Underwriter may affect the management and general affairs of the Company.

In the event that the Underwriter terminates the Underwriting Agreement by notice in writing to the Company on or before the Latest Time for Termination, all obligations of the Underwriter and the Company under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of and in connection with the Underwriting Agreement save for, among others, any antecedent breach of any obligation under the Underwriting Agreement. In such circumstance, the Open Offer will not proceed.

REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS

The Company and its subsidiaries are principally engaged in investment in listed and unlisted companies mainly in Hong Kong and the PRC.

Further to the Company's positive profit alert announcement dated 15 January 2014, the Company expressed that it had recorded a significant increase in profit attributable to the Shareholders for the six months period ended 31 December 2013. Such an increase was mainly due to the Group's successful investment in listed securities in Hong Kong. However, the significant increase in profits was produced at the expense of its capital structure since the Group has borrowed approximately HK\$35 million margin financing (that incurs interest expenses) in supporting its investment in listed securities. Besides,

the Group has an unsecured loan in the principal amount of HK\$14 million which will be due in April 2014, and the Convertible Bonds in the aggregate principal amount of HK\$20 million to be due in March 2014 (subject to an extension to be agreed between the Company and the bondholders).

As such, the Group would like to raise addition capital for the purpose of repayment of margin financing, the unsecured loan and the Convertible Bonds (if it is not converted before the completion of the Open Offer), and equip itself with a healthier and stronger capital base to further invest in the securities market to produce an excellent result for the full year ended 30 June 2014.

The Directors consider that the Open Offer, which is on a fully underwritten basis, will (i) allow the Group to strengthen its financial position without having to incur interest expenses as compared to debt financing; (ii) increase the capital base of the Company for future investment purposes; and (iii) provide funding to capture suitable investment opportunities in both listed or unlisted securities when arises. In addition, the Open Offer would provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Therefore, the Directors (excluding the independent non-executive Directors who will form their views after seeking the advice from the independent financial adviser) consider that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Open Offer will be not less than approximately HK\$151 million and not more than approximately HK\$171 million. The estimated net proceeds of the Open Offer will be not less than approximately HK\$146 million and the Company intends to apply such net proceeds in the following manner:

- (1) as to approximately HK\$70 million for the purpose of repayment of the margin financing, the unsecured loan and the Convertible Bonds (if it is not converted before the completion of the Open Offer);
- (2) as to approximately HK\$56 million for further investment in listed securities; and
- (3) as to approximately HK\$20 million for general working capital of the Group.

Any additional amount raised from the Open Offer shall be used in further investment in listed securities.

The net price per Offer Share is approximately HK\$0.24.

WARNING OF THE RISKS OF DEALING IN SHARES

The Open Offer with the Bonus Issue is conditional, among other things, upon the obligations of the Underwriter under the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer with the Bonus Issue may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in Shares. Any Shareholders or other persons contemplating dealing in the Shares are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

Assuming that there is no change in the shareholding structure of the Company from the date of this announcement up to the Record Date, the shareholding structure of the Company is set out as follows (for illustration purposes only):

	As at the date of this announcement and up to the Record Date		Immediately upon completion of the Open Offer (assuming all Shareholders have taken up the Offer Shares and without taking into account any Warrant Shares that may be issued)		Immediately upon completion of the Open Offer (assuming no Shareholder has taken up the Offer Shares and without taking into account any Warrant Shares that may be issued)		Immediately upon completion of the Open Offer (assuming all Shareholders have taken up the Offer Shares) and the subscription rights of all the Bonus Warrants have been exercised in full		Immediately upon completion of the Open Offer (assuming no Shareholder has taken up the Offer Shares) and the subscription rights of all the Bonus Warrants have been exercised in full	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Underwriter, sub-underwriter(s) and subscribers procured by any of them	–	–	–	–	605,572,096	80	–	–	756,965,120	83.33
Other Shareholders	151,393,024	100	756,965,120	100	151,393,024	20	908,358,144	100	151,393,024	16.67
Total	<u>151,393,024</u>	<u>100</u>	<u>756,965,120</u>	<u>100</u>	<u>756,965,120</u>	<u>100</u>	<u>908,358,144</u>	<u>100</u>	<u>908,358,144</u>	<u>100</u>

Assuming the Convertible Bonds have been converted in full on or before the Record Date and there is no other change in the shareholding structure of the Company from the date of this announcement up to the Record Date, the shareholding structure of the Company is as follows (for illustration purposes only):

	As at the date of this announcement and up to the Record Date		Immediately upon completion of the Open Offer (assuming all Shareholders have taken up the Offer Shares and without taking into account any Warrant Shares that may be issued)		Immediately upon completion of the Open Offer (assuming no Shareholder has taken up the Offer Shares and without taking into account any Warrant Shares that may be issued)		Immediately upon completion of the Open Offer (assuming all Shareholders have taken up the Offer Shares) and the subscription rights of all the Bonus Warrants have been exercised in full		Immediately upon completion of the Open Offer (assuming no Shareholder has taken up the Offer Shares) and the subscription rights of all the Bonus Warrants have been exercised in full	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Underwriter, sub-underwriter(s) and subscribers procured by any of them	–	–	–	–	685,572,096	80	–	–	856,965,120	83.33
Other Shareholders	171,393,024	100	856,965,120	100	171,393,024	20	1,028,358,144	100	171,393,024	16.67
	<u>171,393,024</u>	<u>100</u>	<u>856,965,120</u>	<u>100</u>	<u>856,965,120</u>	<u>100</u>	<u>1,028,358,144</u>	<u>100</u>	<u>1,028,358,144</u>	<u>100</u>

ADJUSTMENTS TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS

As a result of the Open Offer, the conversion price of the Convertible Bonds and the number of Shares to be issued upon conversion of the Convertible Bonds may be adjusted in accordance with the terms and conditions of the Convertible Bonds. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is indicative only and it has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

The expected timetable for the Open Offer is set out below:

Expected date of dispatch of the circular Tuesday, 18 February 2014
in relation to the Open Offer and the notice
of the EGM which will be on or before

Latest time for lodging proxy forms for the EGM 11:00 a.m. on
Tuesday, 4 March 2014

Expected date of the EGM 11:00 a.m. Thursday, 6 March 2014

Announcement of results of the EGM Thursday, 6 March 2014

Last day of dealings in the Shares on Friday, 7 March 2014
a cum-entitlement basis

First day of dealings in the Shares Monday, 10 March 2014
on an ex-entitlement basis

Latest time for lodging transfer of Shares 4:30 p.m. on Tuesday, 11 March 2014
for entitlement to the Open Offer

Book closure period (both days inclusive) Wednesday, 12 March 2014 to
Friday, 14 March 2014

Record Date Friday, 14 March 2014

Register of members re-opens Monday, 17 March 2014

Despatch of Prospectus Documents Monday, 17 March 2014

Latest time for payment for and acceptance 4:00 p.m. on
of the Open Offer Monday, 31 March 2014

Latest time for the Open Offer becomes 4:00 p.m. on
unconditional Wednesday, 2 April 2014

Announcement on results of the Open Offer Monday, 7 April 2014

Share certificates of Offer Shares and Tuesday, 8 April 2014
Bonus Warrants to be posted

Dealings in Offer Shares expected
to commence Wednesday, 9 April 2014

FUND RAISING EXERCISES OF THE COMPANY

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
03/01/2013	Right issue	HK\$30.9 million	(1) General working capital of the Group and (2) for future investments pursuant to the investment objectives of the Company.	Used as intended
11/03/2013	Placing of the convertible bonds under general mandate	HK\$19.3 million	(1) General working capital of the Group and (2) for future investments pursuant to the investment objectives of the Company.	Used as intended

LISTING RULES IMPLICATIONS

As the Open Offer will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Open Offer.

To the best of the Directors' knowledge, information and belief having and made all reasonable enquiry, there is no controlling Shareholders as at the date of this announcement. Therefore, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions relating to the Open Offer at the EGM. An independent board committee of the Company comprising all the independent non-executive Directors will be established to make recommendation to the Independent Shareholders in respect of the Open Offer. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

General

A circular containing, among other things, (i) further details of the proposed Open Offer with the Bonus Issue; (ii) a letter of recommendation from the independent board committee of the Company; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders; and (iv) notice of the EGM, will be despatched to the Shareholders on or before Tuesday, 18 February 2014.

DEFINITIONS

“Application Form(s)”	the form(s) of application in respect of the Open Offer
“associates”	has the meaning as in the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the issue of Bonus Warrants
“Bonus Warrant(s)”	the bonus warrant(s) to be issued by the Company to the first holders of the Offer Shares on the basis of one Bonus Warrant for every four Offer Shares taken up under the Open Offer, conferring rights on the holder(s) thereof to subscribe for the Warrant Share(s) at the Exercise Price
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)

“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, whose shares are listed on the main board of the Stock Exchange
“Convertible Bonds”	outstanding convertible bonds with an aggregate principal amount of HK\$20,000,000 issued on 27 March 2013 which are convertible into Shares at conversion price of HK\$1.00 per Share (subject to adjustments)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Underwriting Agreement and the Open Offer with the Bonus Issue (or any adjournment thereof)
“Excluded Shareholder(s)”	the Overseas Shareholders whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Offer Shares and the Bonus Warrants to on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Exercise Price”	the price payable for each Warrant Share on exercise of the subscription rights attaching to the Bonus Warrants, which is initially set at HK\$0.25 per Warrant Share (subject to adjustments)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholder(s) other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates

“Last Trading Day”	Monday, 27 January 2014, being the last trading day for the Shares of the Company immediately prior to the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Monday, 31 March 2014 or such other time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on Wednesday, 2 April 2014 or such other time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Share(s)”	not less than 605,572,096 new Shares and not more than 685,572,096 new Shares to be issued by the Company pursuant to the Open Offer
“Open Offer”	the proposed issue of Offer Shares by way of open offer on the basis of four Offer Shares for every one existing Share held on the Record Date to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents
“Overseas Shareholder(s)”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form(s)
“Prospectus Posting Date”	17 March 2014 or such other date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents

“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	14 March 2014, the date for the determination of the entitlements to participate in the Open Offer
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.25 per Offer Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Tanrich Securities Company Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 27 January 2014 entered into among the Company and the Underwriter in relation to the underwriting of the Underwritten Shares
“Underwritten Shares”	Not less than 605,572,096 Offer Shares and not more than 685,572,096 Offer Shares

”“Warrant Share(s)”

the new Share(s) to be issued by the Company upon exercise of the subscription rights attaching to the Bonus Warrant(s)

“%”

per cent.

By order of the Board
Capital VC Limited
Tang Tsz Tung
Executive Director

Hong Kong, 27 January 2014

As at the date of this announcement, the Board 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement contained in this announcement misleading.

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