

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



Capital VC Limited 首都創投有限公司

(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 2012

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 2012 together with the comparative figures in 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2012

	Notes	2012 HK\$	2011 HK\$
Turnover	3	(148,462,292)	(984,164)
Other income		2,558,516	1,417,828
Administrative expenses		(17,703,094)	(13,981,443)
Net gain on disposal of available-for-sale investments		20,000,000	–
Loss on written off of plant and equipment		–	(152,233)
Operating loss		(143,606,870)	(13,700,012)
Finance costs		(6,260,494)	(4,603,410)
Share of results of an associate		49,073,667	41,674,842
(Loss) profit before tax	5	(100,793,697)	23,371,420
Income tax	6	–	–
(Loss) profit for the year		<u>(100,793,697)</u>	<u>23,371,420</u>
Dividend	7	–	–
(Losses) earnings per share	8		
– basic		<u>(0.1241)</u>	<u>0.0558</u>
– diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	2012	2011
	HK\$	HK\$
(Loss) profit for the year attributable to equity holders of the Company	(100,793,697)	<u>23,371,420</u>
Other comprehensive loss		
Loss on fair value changes of available-for-sale investments	(15,000,000)	(15,305,087)
Transfer from investment revaluation reserve on disposal of available-for-sale investments	(20,000,000)	<u>—</u>
Other comprehensive loss for the year, net of tax	(35,000,000)	<u>(15,305,087)</u>
Total comprehensive (loss) income for the year attributable to equity holders of the Company	(135,793,697)	<u>8,066,333</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	<i>Notes</i>	2012 HK\$	2011 HK\$
Non-current assets			
Plant and equipment		1,293,164	1,416,802
Interest in an associate		140,087,101	91,013,434
Available-for-sale investments		21,000,000	36,000,000
Amounts receivable on disposal of available-for-sale investments	9	25,000,000	–
		187,380,265	128,430,236
Current assets			
Available-for-sale investments		19,008,480	70,000,000
Financial assets at fair value through profit or loss		76,039,014	165,882,076
Loans receivable		12,000,000	10,000,000
Prepayments, deposits and other receivables		81,850,313	45,775,027
Amounts due from investee companies		–	716,808
Amounts due from an associate		36,611,883	44,125,000
Bank balances		724,736	14,486,942
		226,234,426	350,985,853
Current liabilities			
Other payables and accruals		41,306,161	62,578,201
Amounts due to investee companies		–	49,639
Amounts due to directors		2,305,960	2,222,418
Obligations under finance leases – due within one year		209,260	195,041
		43,821,381	65,045,299
Net current assets		182,413,045	285,940,554
		369,793,310	414,370,790
Capital and reserves			
Share capital		92,528,683	59,116,985
Reserves		277,191,537	354,971,454
Total equity attributable to equity holders of the Company		369,720,220	414,088,439
Non-current liability			
Obligations under finance leases – due after one year		73,090	282,351
		369,793,310	414,370,790
Net asset value per share	10	0.3996	0.7005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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 the current year, the Group has applied the following new and revised HKFRSs and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”)

HKFRS (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosure
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements.

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.

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Standards – Government Loans ³
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ³ Mandatory Effective Date HKFRS 9 and Transition Disclosures ⁵
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ³

HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ¹
HKAS 19 (Revised)	Employee Benefits ³
HKAS 27 (Revised)	Separate Financial Statements ³
HKAS 28 (Revised)	Investments in Associates and Joint Ventures ³
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁴
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine ³

¹ Effective for annual periods beginning on or after 1 January 2012.

² Effective for annual periods beginning on or after 1 July 2012.

³ Effective for annual periods beginning on or after 1 January 2013.

⁴ Effective for annual periods beginning on or after 1 January 2014.

⁵ 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 loss on financial assets at fair value through profit or loss (“FVTPL”) during the year as follows:

	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
Net loss on financial assets at FVTPL	(153,089,790)	(2,309,927)
Dividend income from investments in listed securities	74,270	2,500
Interest income on amounts due from investee companies	921,052	805,944
Interest income on amounts due from an associate	3,134,595	–
Interest income on other receivables	496,000	496,873
Interest income	1,581	20,446
	<hr/> (148,462,292) <hr/>	<hr/> (984,164) <hr/>

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 2012

	Investment in financial assets at FVTPL <i>HK\$</i>	Investment in available- for-sale investments <i>HK\$</i>	Interests in an associate <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
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	36,050,241	-	-	7,844,230	43,894,471
Other segment information					
Depreciation of plant and equipment	-	-	-	561,351	561,351
Purchase of plant and equipment	-	-	-	437,713	437,713

For the year ended 30 June 2011

	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	(2,286,981)	1,302,817	–	1,417,828	433,664
Administrative expenses	–	–	–	(13,981,443)	(13,981,443)
Segment result	(2,286,981)	1,302,817	–	(12,563,615)	(13,547,779)
Finance costs	(4,445,886)	–	–	(157,524)	(4,603,410)
Loss on written off of plant and equipment	–	–	–	(152,233)	(152,233)
Share of results of an associate	–	–	41,674,842	–	41,674,842
Profit (Loss) before tax	(6,732,867)	1,302,817	41,674,842	(12,873,372)	23,371,420
Income tax	–	–	–	–	–
Profit (Loss) for the year	<u>(6,732,867)</u>	<u>1,302,817</u>	<u>41,674,842</u>	<u>(12,873,372)</u>	<u>23,371,420</u>
Segment assets	166,002,753	145,216,577	135,138,434	33,058,325	479,416,089
Segment liabilities	58,503,193	49,639	–	6,774,818	65,327,650
Other segment information					
Depreciation of plant and equipment	–	–	–	1,028,221	1,028,221
Purchase of plant and equipment	–	–	–	1,609,979	1,609,979
Gain on disposal of plant and equipment	–	–	–	250,000	250,000

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) PROFIT BEFORE TAX

The Group's (loss) profit for the year has been arrived at after charging (crediting):

	2012	2011
	HK\$	HK\$
Directors' emoluments	3,075,980	2,418,000
Staff costs		
Salaries, allowances and other benefits	665,112	524,984
MPF Scheme contributions	19,396	23,131
	<hr/>	<hr/>
Total staff costs	3,760,488	2,966,115
	<hr/>	<hr/>
Auditor's remuneration		
– audit service	480,000	450,000
– other services	–	130,000
Depreciation of plant and equipment		
– owned assets	483,975	654,328
– leased assets	77,376	373,893
Minimum lease payments under		
operating lease for rented premises	2,482,512	3,514,800
Net gain on disposal of available-for-sale investments	(20,000,000)	–
Impairment loss on prepayments deposits and other receivable	2,250,000	–
Gain on disposal of plant and equipment	–	(250,000)
Share of income tax expense of an associate	8,097,155	6,876,348
Loss on written off of plant and equipment	–	152,233
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX

For the years ended 30 June 2012 and 30 June 2011, 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 2012 and 2011.

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

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
(Loss) profit before tax	<u>(100,793,697)</u>	<u>23,371,420</u>
Tax at domestic income tax rate of 16.5% (2011: 16.5%)	(16,630,960)	3,856,285
Tax effect of share of results of an associate	(8,097,155)	(6,876,348)
Tax effect of income not taxable for tax purpose	(3,463,657)	(218,749)
Tax effect of expenses not deductible for tax purpose	44,107	213,224
Tax effect of tax losses not recognised	18,858,305	2,641,078
Tax effect of origination and reversal of temporary differences	41,440	331,043
Tax effect of loss not allowed	<u>9,247,920</u>	<u>53,467</u>
Income tax	<u>-</u>	<u>-</u>

At 30 June 2012, the Group has unused tax losses of HK\$170,128,627 (2011: HK\$53,888,928) 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 2012 (2011: Nil).

8. (LOSSES) EARNINGS PER SHARE

The calculation of the basic (losses) earnings per share is based on the Group's loss for the year attributable to the equity holders of the Company of HK\$100,793,697 (2011: profit of HK\$23,371,420), based on the weighted average number of 812,443,487 (2011: 419,024,458) ordinary shares in issue during the year.

There was no dilution effect on the basic (losses) earnings per share for the years ended 30 June 2012 and 30 June 2011 as there were no dilutive shares outstanding during the two years ended 30 June 2012 and 30 June 2011.

	(Losses) earnings per share	
	2012	2011
	HK\$	HK\$
(Losses) earnings per share – basic	(0.1241)	0.0558
– diluted	N/A	N/A

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

The amounts receivables including the two disposed available-for-sale investment as follow:

- (a) Pursuant to the agreement signed with the purchaser, the deal to sell IIN Network Education (BVI) Limited was completed on 30 December 2011. The remaining balance will be settled by 5 installments in which HK\$11,000,000 will be settled on or before 30 September 2013.
- (b) Pursuant to the agreement signed with the purchaser, the deal to sell UCCTV Holdings Limited was completed on 25 December 2011. The remaining balance will be settled by 6 installments in which HK\$14,000,000 will be settled on or before 31 December 2013.

10. 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 2012 of HK\$369,720,220 (2011: HK\$414,088,439) and on the number of 925,286,831 (2011: 591,169,847) ordinary shares in issue as at 30 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 30 June 2012, the Group reported a negative turnover of approximately HK\$148.5 million (2011: HK\$1.0 million) and net loss attributable to equity holders of the Company of approximately HK\$100.8 million (2011: profit of HK\$23.4 million). During the year, the Group managed to dispose of some direct investment projects, resulting in net gain on disposal of HK\$20 million, and re-allocate our financial resources to our listed equities portfolio as well as a technology investment (see Business Review and Prospect below for more details).

As at 30 June 2012, the net asset value (“NAV”) of the Group was approximately HK\$369.7 million (2011: HK\$414.1 million), a decrease of 10.7% over the same period in 2011. The NAV per share of the Group was HK\$0.3996 (2011: HK\$0.7005).

Liquidity and Financial Resources

As at 30 June 2012, the Group held assets of approximately HK\$413.6 million (2011: HK\$479.4 million), including bank balances of HK\$0.7 million (2011: HK\$14.5 million). The bank balances decreased significantly because substantial amounts were used to settle margin payables, which decreased from HK\$58.5 million as at 30 June 2011 to HK\$36.1 million as at 30 June 2012. As the Group's current ratio (as defined by current assets/current liabilities) only slightly decreased from 5.4 as at 30 June 2011 to 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, 250,000,000 shares at HK\$0.3 each were allotted and issued on 23 August 2011. In addition, 84,116,984 shares have been allotted and issued for acquisition of a technology investment project (see Business Review and Prospect below for more details) during the year. Accordingly, the number of issued shares of the Company increased from 591,169,847 as at 1 July 2011 to 925,286,831 as at 30 June 2012.

Capital Commitment

As at 30 June 2012, the Group had no material commitment.

Contingent Liabilities

The Company and Longlife Group Holdings Limited ("Longlife") have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 30 June 2012, the maximum rental liabilities of the Company due to default of rental payment of Longlife would be approximately HK\$1.4 million (2011: HK\$2.8 million).

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 2012, the Group had 5 employees excluding the Directors. 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.

Significant Acquisition of Subsidiaries

During the year under review, the Group acquired a subsidiary in the consideration of approximately HK\$19.0 million settled by issuance of approximately 84.1 million ordinary shares of the Company.

Charge of Assets

As at 30 June 2012, the Group had pledged financial assets at FVTPL of approximately HK\$76.0 million to secure the margin payables.

BUSINESS REVIEW AND PROSPECT

During the year under review, economic problems are no longer confined to Europe and North America as China and other developing countries see worrying slump in growth. Now the fear is that the big economies of the emerging world are about to join the west in a blanket slowdown. The global investment environment has hence become more fragile than before. Due to the deeply worsening of the investment environment, the Group recorded a loss on financial asset at FVTPL of approximately HK\$153.1 million. In addition to the listed investments mentioned above, the valuation of an available-for-sale investment – Quidam Assets Limited was also adversely affected by the uncertainties in the market. Loss on fair value changes of investment in Quidam Assets Limited of approximately HK\$15.0 million was recognised in the current year.

In the environment of low interest rate, bullion has become a popular investment product against inflation, which led to keen bullion trading activities during the year. As a result, the performance of the Group's associate, CNI Bullion Limited, was outstanding and its profit shared to the Group of HK\$49.1 million partially covered the fair result in the equity investments of the Group.

In addition to the existing businesses, in May 2012, the Group acquired an investment in Go Markets Pty Limited, which specializes in offering online foreign exchange trading to retail investors as a "Straight Through Processing" provider. The consideration for the acquisition amounted to approximately HK\$19.0 million, which was satisfied by the Company allotting and issuing approximately 84.1 million shares to the vendors.

Although the investment environment has changed drastically since late last year, to enhance our capital and shareholder bases, improve the Group's competitiveness as well as participate in diversified projects with high potential, the Company underwent a placement during the year. The Company has successfully placed approximately 250 million shares at HK\$0.3 per share in August 2011 and gross proceeds of approximately HK\$75.0 million were obtained from the above fund raising exercise.

Looking forward, we expect the global economic growth of continue to slow down. Market risk aversion is likely to grow fuelling bigger market uncertainty and volatility, the developed and developing markets alike. However, Part 3 of Quantitative Easing was announced in September 2012. The Federal Reserve decided to launch a new US\$40 billion a month, open-ended, bond purchasing program of agency mortgage-backed securities and also to continue extremely low rates policy until at least mid-2015, which are favorable to the equity investments. Another positive factor is that the Chinese Government may be less hawkish to further lighten the current macro policy in the near term. The Directors will adopt cautious measures to manage the portfolio of investments of the Group.

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 or Chief Executive until Dr. Liu Ta-pei and Mr. Yan Yan Ming Raymond were appointed as the Chairman and Chief Executive Officer on 5 March 2012 and 31 May 2012 respectively, and decisions were made collectively by the Executive Directors. The Board believes that the Company can still 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 2012.

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
Dr. Liu Ta-pei
Chairman

Hong Kong, 27 September 2012

As at the date of this announcement, the board of directors of the Company comprises executive directors Dr. Liu Ta-pei and Mr. Kong Fanpeng; non-executive director Mr. Hung Cho Sing; and independent non-executive directors Mr. Lam Kwan, Mr. Ong Chi King and Mr. Cheung Kwok Yu.