
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, a licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Capital VC Limited 首都創投有限公司 (the “Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**I. PROPOSED SHARE CONSOLIDATION;
II. PROPOSED CHANGE IN BOARD LOT SIZE;
III. PROPOSED OPEN OFFER ON THE BASIS OF
SEVEN OFFER SHARES FOR EVERY ONE CONSOLIDATED
SHARE HELD ON THE RECORD DATE AT HK\$0.25
PER OFFER SHARE; AND
IV. NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



AKRON
Corporate Finance Limited
亞貝隆資本有限公司

Underwriter of the Open Offer



軟庫中華金融服務有限公司
SBI China Capital Financial Services Limited

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 6 to 27 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 28 of this circular. A letter from the Vinco Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 54 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Thursday, 11 June 2015 at Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong, is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out under the section headed “Conditions of the Open Offer” in the Letter from the Board of this circular. In particular, the Open Offer is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Open Offer may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

26 May 2015

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EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, the Change in Board Lot Size and the Open Offer is set below:

Event	2015
Latest time for return of proxy form of the EGM (not less than 48 hours prior to time of the EGM)	11:00 a.m. on Tuesday, 9 June
Expected date of the EGM	11:00 a.m. on Thursday, 11 June
Announcement of results of the EGM	Thursday, 11 June
Effective date of the Share Consolidation	Friday, 12 June
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Friday, 12 June
Original counter for trading in Shares (in board lots of 5,000 Shares) (in the form of existing share certificates) temporarily closes	9:00 a.m. on Friday, 12 June
Temporary counter for trading in Consolidated Shares, in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Friday, 12 June
First day for the free exchange of existing certificates of the Shares into new share certificates of Consolidated Shares commences	9:00 a.m. on Friday, 12 June
Last day of dealings in Consolidated Shares on a cum-entitlement basis	Friday, 12 June
First day of dealings in Consolidated Shares on an ex-entitlement basis	Monday, 15 June
Latest time for lodging transfers of Consolidated Shares in order to qualify for the Open Offer	4:30 p.m. on Tuesday, 16 June
Register of members closes	Wednesday, 17 June to Tuesday, 23 June (both dates inclusive)

EXPECTED TIMETABLE

Event	2015
Record Date	Tuesday, 23 June
Register of members re-opens	Wednesday, 24 June
Despatch of the Prospectus Documents	Wednesday, 24 June
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares	9:00 a.m. on Friday, 26 June
Original counter for trading in Consolidated Shares in new board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Friday, 26 June
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Friday, 26 June
Latest time for acceptance of and payment for the Offer Shares	4:00 p.m. on Thursday, 9 July
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Tuesday, 14 July
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares	4:00 p.m. on Friday, 17 July
Temporary counter for trading in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m. on Friday, 17 July
Parallel trading in Consolidated Shares (in the form of new and existing certificates) ends	4:00 p.m. on Friday, 17 July
Announcement of the results of the Open Offer	Monday, 20 July
Last day of free exchange of existing certificates for new certificates for Consolidated Shares	Tuesday, 21 July
Despatch of certificates for the Offer Shares	Tuesday, 21 July
Despatch of refund cheques if the Open Offer is terminated	Tuesday, 21 July
Expected first day of dealings in the Offer Shares	9:00 a.m. on Wednesday, 22 July

EXPECTED TIMETABLE

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning
 - (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same business day;
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead, the latest time for acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares is postponed in accordance with the foregoing, the dates mentioned in the above “EXPECTED TIMETABLE” may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“Acceptance Date”	9 July 2015 (or such other date as the Company and the Underwriter may agree in writing) as the latest date for acceptance of, and payment for, the Offer Shares
“Announcement”	the announcement of the Company dated 13 March 2015 relating to, among other things, Share Consolidation, the Change in Board Lot Size and the Open Offer
“Application Form(s)”	the application form(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Open Offer
“Articles”	the articles of association of the Company as amended from time to time
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Board”	the Board of Directors
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 5,000 Shares to 10,000 Consolidated Shares
“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 main board of the Stock Exchange
“Connected Person”	has the meaning as ascribed thereto under the Listing Rules

DEFINITIONS

“Consolidated Share(s)”	ordinary share(s) of HK\$0.005 each in the issued share capital of the Company upon completion of the Share Consolidation
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the proposed Share Consolidation and the proposed Open Offer
“Excluded Shareholder(s)”	the Overseas Shareholders to whom the Board, based on legal opinions provided by the legal advisers, considers it necessary or expedient not to offer the Offer Shares 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
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board (comprising Mr. Lam Kwan, Mr. Ong Chi King and Mr. Lee Ming Gin, all being independent non-executive Directors) established to advise the Independent Shareholders in respect of the Open Offer
“Independent Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock code: 8340), a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer
“Independent Shareholder(s)”	any Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates

DEFINITIONS

“Investment Manager”	Insight Capital Management (Hong Kong) Limited, a licensed corporation registered under the SFO to conduct type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, the investment manager appointed by the Company
“Investment Management Agreement”	the investment management agreement dated 17 October 2014 entered into between the Company and the Investment Manager
“Last Trading Day”	13 March 2015, being the date of the Underwriting Agreement
“Latest Practicable Date”	21 May 2015, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 9 July 2015 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Offer Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on 14 July 2015, or such other time as may be agreed between the Company and the Underwriter, being the third Business Day after (but excluding) the Latest Time for Acceptance
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Memorandum”	the memorandum of association of the Company
“Net Asset Value”	the net asset value of the Company calculated in accordance with the provisions of the Articles
“Offer Share(s)”	Not less than 1,369,384,905 Consolidated Shares and not more than 1,439,701,396 Consolidated Shares to be issued pursuant to the Open Offer on the basis of seven (7) Offer Shares for every one (1) Consolidated Share in issue on the Record Date
“Open Offer”	the proposed issue of seven (7) Offer Shares for every one (1) Consolidated Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong

DEFINITIONS

“Parties”	the named parties to the Underwriting Agreement and their respective successors and permitted assignees, and “Party” means each of them
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	24 June 2015 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only to the Excluded Shareholders
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) is/are registered on the register of the members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	23 June 2015 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Open Offer are expected to be determined
“Registrar”	the share registrar of the Company in Hong Kong, being Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share Consolidation”	the proposed consolidation of every five (5) Shares of HK\$0.001 each into one (1) Consolidated Share of HK\$0.005 each
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares or Consolidated Shares, as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Price”	HK\$0.25 per Offer Share
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on the Takeovers and Mergers
“Underwriter”	SBI China Capital Financial Services Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 13 March 2015 (as supplemented on 21 May 2015) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer
“Underwritten Shares”	not less than 1,369,384,905 and not more than 1,439,701,396 Offer Shares being underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Warranties”	includes the warranties, representations and undertakings of the Company set out in the Underwriting Agreement
“Warrants”	outstanding unlisted warrants in the aggregate principal amount of HK\$12,556,517 issued by the Company on 17 April 2014 which entitle the holders thereof to subscribe for existing Shares at the price of HK\$0.25 per share at any time during a period commencing from the date of issue of the Warrants to 17 April 2016
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Kong Fanpeng
Mr. Chan Cheong Yee

Independent Non-executive Directors:

Mr. Lam Kwan
Mr. Ong Chi King
Mr. Lee Ming Gin

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Unit 2302, 23rd Floor
New World Tower 1
18 Queen's Road Central
Hong Kong

26 May 2015

To the Shareholders

Dear Sir or Madam,

**I. PROPOSED SHARE CONSOLIDATION;
II. PROPOSED CHANGE IN BOARD LOT SIZE;
III. PROPOSED OPEN OFFER ON THE BASIS OF
SEVEN OFFER SHARES FOR EVERY ONE CONSOLIDATED
SHARE HELD ON THE RECORD DATE AT HK\$0.25
PER OFFER SHARE; AND
IV. NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the proposed Share Consolidation, the proposed Change in Board Lot Size and the proposed Open Offer.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders, among other things, (i) further details about the Share Consolidation, the Change in Board Lot Size and the Open Offer; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer; (iii) a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders on the Open Offer; and (iv) the notice convening the EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Shares of HK\$0.001 each will be consolidated into one (1) Consolidated Share of HK\$0.005 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon (i) passing of an ordinary resolution to approve the Share Consolidation by the Shareholders by way of poll at the EGM; and (ii) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the Consolidated Shares.

The Share Consolidation will become effective on the next Business Day immediately following the fulfillment of the above conditions.

Effect of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 200,000,000,000 Shares of HK\$0.001 each, of which 978,132,076 Shares have been issued and fully paid or credited as fully paid.

Assuming that no outstanding Warrants being exercised between the Latest Practicable Date and the date of the EGM, immediately after the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$200,000,000 divided into 40,000,000,000 Consolidated Shares of HK\$0.005 each, of which 195,626,415 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if feasible and applicable.

Other than the relevant expenses, including but not limited to professional fees and printing charges incurred, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled. The Directors believe that the Share Consolidation will not have any material adverse effect on the financial position of the Group.

LETTER FROM THE BOARD

The Company has adopted a share option scheme on 10 December 2013 (the “**Share Option Scheme**”) and has obtained listing approval on 20 November 2014 from the Stock Exchange for the listing of and permission to deal in 97,809,207 Shares which may be issued pursuant to the exercise of options granted thereunder in accordance with the relevant terms of the Share Option Scheme. As at the Latest Practicable Date, no options are outstanding under the Share Option Scheme. After the Share Consolidation, only up to 19,561,841 Consolidated Shares may be issued pursuant to the exercise of options to be granted under the Share Option Scheme. As the Company has no outstanding options as at the Latest Practicable Date and the Company has undertaken not to issue any options from the date of the Underwriting Agreement up to the Latest Time for Acceptance (a date after the effective date of the Share Consolidation), no adjustments need to be made to the exercise prices or numbers of Consolidated Shares to be issued upon exercise of any outstanding options as a result of the Share Consolidation. If any options are granted after the Latest Time for Acceptance, their exercise prices and numbers of Consolidated Shares to be issued upon exercise of such options will be determined by the Board after taking account of, among others, the Share Consolidation and will be announced by the Company upon the grant of such options.

Application for Listing of the Consolidated Shares

An application will be made by the Company to the Listing Division of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares to be in issue upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated 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 Consolidated Shares on the Stock Exchange or such other date 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Reasons for and benefits of the Share Consolidation

The Share Consolidation will increase the nominal value of the Shares and it is expected to bring about corresponding upward adjustment in the trading price of the Consolidated Shares. In addition, the Share Consolidation will increase the market value per board lot of the Shares, which will reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot. Certain brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced shares or tend to discourage individual brokers from recommending low-priced shares to their customers. Therefore, with a higher trading price of the Consolidated Shares and reduction of the transaction and handling costs as a proportion of the market value of each board lot, the Company believes that the Share Consolidation will make investing in Shares

LETTER FROM THE BOARD

more attractive to a broader range of institutional and professional investors and other members of the investing public. As such, the Board believes that the Share Consolidation may attract more investors and extend the shareholders' base of the Company. In view of the above, the Board considers that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Free exchange of Consolidated Shares' certificates and trading arrangement

Subject to the Share Consolidation becoming effective, Shareholders may, during the period from Friday, 12 June 2015 to Tuesday, 21 July 2015, submit share certificates for the existing Shares to the Registrar to exchange, at the expense of the Company, for new certificates of the Consolidated Shares. Thereafter, each share certificate for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be from time to time be specified by the Stock Exchange) for each new share certificate issued for the Consolidated Shares or each share certificate for the existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. With effect from Monday, 20 July 2015, trading will only be in Consolidated Shares in the form of new share certificates, and the share certificates for the existing Shares will cease to be valid for trading and settlement purpose but they will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares.

Odd lots arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed SBI China Capital Financial Services Limited to provide matching services for sale and purchase of odd lots of Consolidated Shares at the relevant market price per Consolidated Share, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares from Friday, 26 June 2015 to Friday, 17 July 2015. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangement, is recommended to consult his/her/ its own professional advisers.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded in board lot size of 5,000 Shares. The Company proposes to change the board lot size for trading of the Shares and/or the Consolidated Shares on the Stock Exchange from 5,000 Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.247 per Share (equivalent to HK\$1.235 per Consolidated Share) as at the Latest Practicable Date, the value of each board lot of 10,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$12,350.

The Change in Board Lot Size is expected to bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs for dealings in the Consolidated Shares.

LETTER FROM THE BOARD

PROPOSED OPEN OFFER

Basis of the Open Offer:	Seven (7) Offer Shares for every one (1) Consolidated Share held on the Record Date
Subscription Price:	HK\$0.25 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	978,132,076 Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation having become effective:	195,626,415 Consolidated Shares (assuming no outstanding Warrants being exercised before the Share Consolidation) 205,671,628 Consolidated Shares (assuming the outstanding Warrants being exercised in full before the Share Consolidation)
Number of Offer Shares:	Not less than 1,369,384,905 Offer Shares (assuming no outstanding Warrants being exercised on or before the Record Date) Not more than 1,439,701,396 Offer Shares (assuming the outstanding Warrants being exercised in full on or before the Record Date) The aggregate nominal value of the Offer Shares will not be less than approximately HK\$6,846,924.52 and not more than approximately HK\$7,198,506.98
Number of Consolidated Shares in issue immediately upon completion of the Open Offer:	Not less than 1,565,011,320 and not more than 1,645,373,024 Consolidated Shares

As at the Latest Practicable Date, there are outstanding Warrants to subscribe for an aggregate of 50,226,068 Shares or 10,045,213 Consolidated Shares. Assuming full exercise of the subscription rights attaching to the outstanding Warrants on or before the Record Date, an additional 70,316,491 Offer Shares will be issued.

Save as disclosed, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date. The Open Offer is fully underwritten by the Underwriter which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08 of the Listing Rules.

LETTER FROM THE BOARD

The Offer Shares

Assuming no outstanding Warrants will be exercised on or before the Record Date, 1,369,384,905 Offer Shares will be issued and allotted representing approximately 700.00% of the issued share capital of the Company immediately after the Share Consolidation and approximately 87.50% of the issued share capital of the Company as enlarged by the Offer Shares.

Assuming the outstanding Warrants will be exercised in full on or before the Record Date, 1,439,701,396 Offer Shares will be issued and allotted representing approximately 735.94% of the issued share capital of the Company immediately after the Share Consolidation and approximately 87.50% of the issued share capital of the Company as enlarged by the Offer Shares.

Subscription Price

The Subscription Price of HK\$0.25 per Offer Share will be payable in full upon application by a Qualifying Shareholder. The Subscription Price represents:

- (a) a discount of approximately 76.6% to the theoretical closing price of approximately HK\$1.07 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (b) a discount of approximately 76.4% to the average theoretical closing price of approximately HK\$1.06 per Consolidated Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (c) a discount of approximately 76.6% to the average theoretical closing price of approximately HK\$1.07 per Consolidated Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (d) a discount of approximately 28.6% to the theoretical ex-entitlement price (assuming no outstanding Warrants being exercised from the Latest Practicable Date up to the Record Date) of approximately HK\$0.35 per Consolidated Share based on the theoretical closing price of approximately HK\$1.07 per Consolidated Share as quoted on the Stock exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (e) a discount of approximately 79.8% to the theoretical closing price of approximately HK\$1.235 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and
- (f) a discount of approximately 96.9% to the unaudited consolidated net assets value per Consolidated Share of approximately HK\$8.115 as at 30 April 2015 (based on 195,626,415 Consolidated Shares in issue as at the Last Trading Day and adjusted for the effect of the Share Consolidation).

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price of the Shares under the prevailing market conditions and the financial position of the Group. As all Qualifying Shareholders are entitled to subscribe for the Offer Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group. The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net price per Offer Share after deducting the related expenses of the Open Offer will be approximately HK\$0.25.

Conditions of the Open Offer

The Open Offer is conditional upon the fulfillment of the following conditions:

- (a) the passing of the following resolutions by way of poll at the EGM:
 - (i) an ordinary resolution to approve the Share Consolidation by the Shareholders; and
 - (ii) an ordinary resolution to approve the Open Offer by the Independent Shareholders;
- (b) the Share Consolidation having become effective;
- (c) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached in the Underwriting Agreement) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (d) 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;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Consolidated Shares and the Offer Shares, either unconditionally or subject to such conditions which the Underwriter in its opinion accepts and satisfies (if any);
- (f) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;

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- (g) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement;
- (h) none of the Warranties being breached, untrue, inaccurate or misleading in any material respect; and
- (i) (if necessary) compliance with any other requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

If the conditions precedent referred to in the above paragraph (a) to (i) are not satisfied on or before the Latest Time for Termination, the Underwriting Agreement shall terminate and no Party will have any claim against any other party for costs, damages, compensation or otherwise save for, among others, any rights or obligations which may accrue under the Underwriting Agreement prior to such termination.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Status of the Offer Shares

The Offer Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Consolidated Shares then in issue in all respects. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares, which are registered in the register of members of the Company in Hong Kong, will be subject to payment of stamp duty and other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Open Offer will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Excluded Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and must be a Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares/Consolidated Shares (together with the relevant share certificates) with the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 16 June 2015.

Closure of register of members

The Company's register of members will be closed from Wednesday, 17 June 2015 to Tuesday, 23 June 2015, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Shares or Consolidated Shares will be registered during this period.

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Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with Rule 13.36 of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders. If, based on legal advice, the Directors consider that it is necessary or expedient not to issue the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on the Prospectus Posting Date. The Company will send copies of the Prospectus to the Excluded Shareholders for their information only, but will not send any Application Form to them.

Overseas Shareholders should note that they may or may not be entitled to the Open Offer. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

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.

If application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs including preparing and arranging the excess application, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc. It is estimated that an additional cost of approximately HK\$100,000 to administer the excess application procedures will be incurred, which is not cost effective from the viewpoint of the Company.

The Directors hold the view that the Open Offer allows each Qualifying Shareholder to be given an equal opportunity to maintain their respective pro rata shareholding in the Company and to participate in the potential future growth and development of the Group by subscribing for his/her/its entitlements under the Open Offer. In addition, the Board considers that it is important for the Group to minimise all unnecessary costs to be incurred during the fund raising. 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 Qualifying Shareholders.

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Fractions of Offer Shares

On the basis of provisional allotment of seven (7) Offer Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer.

Share certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for and paid for the Offer Shares on or before Tuesday, 21 July 2015 by ordinary post at their own risk. If the Open Offer is terminated, refund cheques are expected to be posted on or before Tuesday, 21 July 2015 by ordinary post to the applicants at their own risk.

Application for listing of the Offer Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in Offer Shares on the Stock Exchange or such other date 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

As the Offer Shares, when allotted, issued and fully-paid, will rank pari passu with the Consolidated Shares then in issue in all respects, the Offer Shares are not new class of securities to be listed and accordingly no arrangements are required to be made to enable the Offer Shares to be admitted into CCASS.

Dealings in the Offer Shares which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Reasons for the Open Offer and the use of proceeds

The Company is an investment company listed on the main board of the Stock Exchange under Chapter 21 of the Listing Rules. The Company and its subsidiaries are principally engaged in investment in listed and unlisted companies mainly in Hong Kong and the PRC.

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As disclosed in the interim report of the Company for the six months ended 31 December 2014, The Group recorded a significant increase in profit attributable to the Shareholders for the six months ended 31 December 2014 which amounted to approximately HK\$130.6 million as compared with approximately HK\$85.8 million for the corresponding period in 2013. Such an increase was mainly due to the successful performance of the Group's associate, CNI Bullion Limited in Hong Kong, the principal business of which is trading and broking of spot contracts of precious metals. However, the significant increase in profits was produced at the expense of its capital structure. As at 28 February 2015, the Group has borrowed approximately HK\$37.8 million margin financing (that incurs interest expenses in the range of 8.25% and prime rate plus 5% per annum, equivalent to 10% per annum as at the Latest Practicable Date), in supporting its investment in listed securities. The margin expenses of approximately HK\$3.9 million and HK\$1.2 million were incurred for the year ended 30 June 2014 and the six months ended 31 December 2014 respectively. The margin financing percentage is not more than 70% of the stocks held in the margin accounts, and callable with or without notice by securities companies. If the Group elects to seek additional debt financing of the same amount to the gross proceeds of the Open Offer of approximately HK\$342.3 million to HK\$359.9 million to support its investment instead of raising fund by the Open Offer, by applying the interest rate range of 8.25% to 10% per annum, the interest burden of the Group will be approximately HK\$28 million to HK\$36 million while compare to 1% commission charged by the Underwriter which amounted to approximately HK\$3.4 million to HK\$3.6 million. The Group considered that it may not be able to procure more favourable terms in commercial margin financing or debt financing than 1% underwriting commission rate. The Group considered that significant reduction in margin financing costs of the Company under the Open Offer of approximately HK\$24.6 million to HK\$32.4 million (assuming the amount of the gross proceeds of the Open Offer is financed by margin financing), which is in the interests of the Group and the Shareholders as a whole.

The Group's cash and bank balances and cash balance held in securities accounts as at 28 February 2015 amounted in aggregate to approximately HK\$119.1 million. After netting off the cash and bank balances and cash balance held in securities accounts against the margin financing of the Group, the Group recorded a net cash position of approximately HK\$81.3 million.

Owing to the business nature of the Group, being an investment company, the Group requires extensive cash to grow. The total cost of the Group's investment for the year ended 30 June 2014 was approximately HK\$779.9 million. Unlike other companies with constant cash income from operations, investments of investment companies under Chapter 21 of the Listing Rules do not necessarily generate extensive cash income. The Group's revenue mainly comprises of sale on listed investments, unrealised gain on listed investment, dividend income and interest income, etc. For the year ended 30 June 2014, nearly half of the revenue was unrealized gain on listed investments, which was non-cash income. Should there be any change in the market value or fair value of the investments or the investment conditions turnaround, there is a risk that the Group may not generate extensive cash income. With the view of increasing the size of its investment portfolio and taking into account the net cash position of the Group of approximately HK\$81.3 million as at 28 February 2015, the Directors consider that the cash position on hand will not be sufficient for the Group to capture suitable investment opportunities which may arise any time for expanding its investment portfolios and business and continue the growing performance without additional funding. As such, the Group would like to raise addition capital to equip itself with a healthier and stronger capital base to further invest in both the securities market and for future strategic investments when suitable opportunities arise to produce a satisfactory result.

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In view of (i) the quantitative easing programme announced by European Central Bank (“ECB”) in January 2015 of which ECB commits monthly purchase of 60 billion Euros of asset-backed securities until at least September 2016 for supporting investment and consumption; (ii) China’s economic growth rate of approximately 7.4% in 2014; and (iii) increase in money supply in China as illustrated from financial data of January 2015 as announced by the People’s Bank of China which includes (a) the increase in narrow and broad money as compared with last year, (b) increase in loans and deposits dominated in RMB and other foreign currencies as compared with last year, there are positive signals for good investment environment.

The Group, being an investment company, requires readily available funds for capturing suitable investment opportunities in a timely fashion to provide investment return to the Group and Shareholders. Hence, the Directors are of the view that the Company should take the opportunity to increase capital via Open Offer for investments to capture the opportunity.

The Board has considered other fund raising alternatives before resolving to the Open Offer, including but not limited to debt financing, placing of new shares and rights issue. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms on a timely basis under volatile market conditions. Placing of new shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. Although rights issue can provide a way out to those Shareholders who do not wish to take up the entitlements by selling nil-paid rights, rights issue will involve extra administrative work and costs of approximately HK\$100,000 for the printing, posting and processing of excess applications forms as well as making arrangements with the share registrar on the trading of the nil-paid rights. The Company will also incur resources to administer the trading of the nil-paid right including communication between the Company and other parties such as the registrar or financial printer, and these additional costs and time are difficult to quantify. In addition, in view of the downward trend of the historical trading price of the Shares, there is uncertainty of the existence of a market to trade the nil-paid rights. In view of the above, the Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) considered that raising funds by way of the Open Offer is more cost effective and efficient and beneficial to the Company and its Shareholders as a whole than a rights issue. The Board considers it is prudent to finance the Group’s long term growth by long term financing, preferably in the form of equity which will not increase the Group’s finance costs.

The Directors consider that the Open Offer, which is on a fully underwritten basis, provide funding to capture suitable investment opportunities in both listed and unlisted securities when arises. In addition, the Open Offer would give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interest in the Company and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Therefore, the Directors (including the independent non-executive Directors after considering 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 Company will receive gross proceeds of not less than approximately HK\$342.3 million and not more than approximately HK\$359.9 million. The estimated net proceeds of the Open Offer will be not less than approximately HK\$337.7 million and not more than approximately HK\$355.3 million. The Company intends to apply net proceeds from the Open Offer in the following manner:

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- (a) approximately HK\$190.0 million for investment in listed securities in various industries including but not limited to energy and resources, movie distribution and film right licensing, money lending, properties investments, building construction, provision of advertising media services, environmental protection, insurance, Chinese medicine clinic operations, management of forestlands, securities-related financial services, food and beverages, trading of natural resources and commodities, industrial, provision of beauty and slimming services, software, information technology related businesses and distribution of juvenile and infant products;
- (b) approximately HK\$130.0 million for investment in unlisted securities in various industries including but not limited to energy and resources, movie distribution and film right licensing, money lending, properties investments, building construction, provision of advertising media services, environmental protection, insurance, Chinese medicine clinic operations, management of forestlands, securities-related financial services, food and beverages, trading of natural resources and commodities, industrial, provision of beauty and slimming services, software, information technology related businesses and distribution of juvenile and infant products; and
- (c) remaining balance of not less than approximately HK\$17.7 million and not more than approximately HK\$35.3 million for general working capital of the Group for the coming two years.

As at the Latest Practicable Date, the Group has not identified any specific investment targets (save for the aforesaid industry sectors) and is not currently in negotiations for any possible investments.

Owing to the nature of the Group's principle business which is investment in listed and unlisted securities, it is essential for the Group to have sufficient funding for its business. In estimating the proportion of proceeds to be allocated for investment in listed and unlisted securities, the Directors have taken into account the proportion of listed and unlisted investment in the Group's current investment portfolio. As disclosed in the interim report of the Company for the six months ended 31 December 2014, as at 31 December 2014, the Group's investment portfolio (excluding interest in associate) were recorded under available for sale investment (comprised of unlisted investment) and financial assets at fair value through profit or loss (comprised of listed investment), which were in the ratio of approximately 70% and 30% respectively. In view of current investment portfolio and the Group's intention to maintain a slightly adjusted risk level from historical risk level, the Directors consider to allocate proceeds from the Open Offer for its listed and unlisted investments in current proportion which are similar to and only slightly differed from historical proportion between the listed and unlisted investments.

The Company is an investment company and its principal business is restricted to making investments. Accordingly, net proceeds of the Open Offer will be and can only be used for making investments and for general working capital purpose. Upon receiving proceeds from the Open Offer, the Group will continue to explore suitable investment opportunities actively. In the event that suitable investments are not identified after completion of the Open Offer, the Company will place the proceeds from the Open Offer with financial institution in Hong Kong and such proceeds will be reserved for future investments when suitable investment opportunities arise.

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In assessing the fairness and reasonableness of the Open Offer, the Directors are of the view that:

- (i) the offer ratio of the Open Offer is determined after taking into account the estimated funding requirements of the Company and the Subscription Price;
- (ii) the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price of the Shares under the prevailing market conditions and the financial position of the Group;
- (iii) in the course of considering the Open Offer, the Company has approached two securities houses respectively. However, neither of them showed interest in providing underwriting service for the Company's proposed open offer given the size of the Open Offer and the Company's business scale. Moreover, the Company has attempted to obtain loan financing from its two principal bankers for financing its principal business, however, the principal bankers indicated that it was unlikely for the Company to obtain loan financing from them. Therefore, given the fund raising size and the business scale and investment portfolio of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms. Moreover, during the negotiation of the Underwriting Agreement, it has been indicated to the Company that a subscription price with a relatively deep discount to the closing price is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Open Offer. Based on the foregoing, without deep discount to historical trading price, it will be unlikely for the Group to obtain underwriting services for the Open Offer from the only available underwriter, being the Underwriter. Hence, taking into account the fund raising size and the need for setting the Subscription Price at a relatively deep discount for inducing the Underwriter to provide underwriting services under the Open Offer, it has resulted in the offer ratio of the Open Offer with such dilutive impact to the Shareholders;
- (iv) in view of the uncertainties in the financial market in Hong Kong as a result of the uncertainties stemming from fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors consider it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Open Offer under the volatile investment environment if the Subscription Price was not set at a relatively deep discount to the historical trading prices of the Shares;
- (v) the Open Offer will enable the Group to enhance its financial position through strengthening its capital base. In addition, the Open Offer will provide the Group with readily available fund for its future development and enhance its existing operation;
- (vi) under the Open Offer, all the Qualifying Shareholders will be offered the same opportunity to maintain their proportionate interests in the Company and to participate in the growth and development of the Company. Should the Qualifying Shareholders participate in the Open Offer, they will be subscribing the Offer Shares at a lower price as compared to the historical and prevailing market price of the Shares;

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- (vii) inherent dilutive nature of open offer in general if the Qualifying Shareholders did not take up their entitlements under the Open Offer in full. However, the Qualifying Shareholders have the first right to decide whether to accept their entitlements of the Offer Shares; and
- (viii) although the Open Offer has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Open Offer and the Underwriter has also undertaken to the Company that none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer.

Underwriting Agreement

Date:	13 March 2015 (after trading hours) (as supplemented on 21 May 2015)
Underwriter:	SBI China Capital Financial Services Limited
Number of Underwritten Shares:	Not less than 1,369,384,905 Offer Shares and not more than 1,439,701,396 Offer Shares
Commission:	1% of the aggregate Subscription Price of the maximum amount of the Underwritten Shares

The terms of the Underwriting Agreement are agreed after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Open Offer, and the current and expected market condition. The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the terms of the Underwriting Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

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 subscription of the Underwritten Shares with selected subscribers with such authority and rights as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its Connected Persons.

Pursuant to the Underwriting Agreement, the Company has undertaken not to issue any Shares or Consolidated Shares (save for Consolidated Shares to be issued under Share Consolidation or upon exercise of the Warrants) or issue any options or other securities which carry rights to acquire or convert into Shares or Consolidated Shares or repurchase its own Shares or Consolidated Shares from the date of the Underwriting Agreement until the Latest Time for Acceptance.

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The Underwriter has irrevocably undertaken to the Company in the Underwriting Agreement 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; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected Persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or placees to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.

Conditions of the Underwriting Agreement

The conditions of the Underwriting Agreement have been set out in the section headed “Proposed Open Offer – Conditions of the Open Offer” above.

Termination of the Underwriting Agreement

Notwithstanding anything contained in the Underwriting Agreement, if at any time prior to the Latest Time for Termination:

- (a) the success of the Open Offer would be materially and adversely affected by the development, occurrence or enforcement of:
 - (i) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the financial position of the Group as a whole;
 - (ii) 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;
 - (iii) 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;
 - (iv) 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
 - (v) 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;

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- (b) any breach of any of the Warranties in any material respect by the Company comes to the knowledge of the Underwriter;
- (c) any event occurs or any matter arises on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement 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;
- (d) 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
- (e) 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;

then and in any such case, the Underwriter may terminate the Underwriting Agreement without liability to the Company by giving notice in writing to the Company, served prior to the Latest Time for Termination.

In the event that the Underwriter terminates the Underwriting Agreement in accordance with the Underwriting Agreement, all obligations of each of the Parties under the Underwriting Agreement shall cease and no Party shall have any claim against any other Party in respect of any matter arising out of or in connection with the Underwriting Agreement except for, among others, any antecedent breach of any obligation under the Underwriting Agreement.

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SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structures of the Company (for illustration purpose only) (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective but before completion of the Open Offer; and (iii) immediately after completion of the Open Offer:

Scenario 1:

Assuming no outstanding Warrants will be exercised on or before the Record Date:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective but before completion of the Open Offer		Immediately after completion of the Open Offer			
					Assuming all the Offer Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares (Note 1)	%
Underwriter (Note 2)	-	-	-	-	-	-	1,046,884,905	66.89%
Sub-Underwriters:								
Sub-Underwriter A (Note 2)	-	-	-	-	-	-	142,500,000	9.11%
Sub-Underwriter B (Note 2)	-	-	-	-	-	-	150,000,000	9.58%
Sub-Underwriter C (Note 2)	-	-	-	-	-	-	30,000,000	1.92%
Other Public shareholders	978,132,076	100.00%	195,626,415	100.00%	1,565,011,320	100.00%	195,626,415	12.50%
	<u>978,132,076</u>	<u>100.00%</u>	<u>195,626,415</u>	<u>100.00%</u>	<u>1,565,011,320</u>	<u>100.00%</u>	<u>1,565,011,320</u>	<u>100.00%</u>

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Scenario 2:

Assuming the full exercise of the Warrants on or before the Record Date:

	As at the Latest Practicable Date		Immediately after the outstanding Warrants being exercised in full but before the Share Consolidation has become effective		Immediately after the outstanding Warrants being exercised and the Share Consolidation becoming effective but before the completion of the Open offer		Immediately after completion of the Open Offer			
							Assuming all the Offer Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	Number of Shares	%	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares (Note 1)	%
Underwriter (Note 2)	-	-	-	-	-	-	-	-	1,117,201,396	67.90%
Sub-Underwriters:										
Sub-Underwriter A (Note 2)	-	-	-	-	-	-	-	-	142,500,000	8.66%
Sub-Underwriter B (Note 2)	-	-	-	-	-	-	-	-	150,000,000	9.12%
Sub-Underwriter C (Note 2)	-	-	-	-	-	-	-	-	30,000,000	1.82%
Warrants holders	-	-	50,226,068	4.88%	10,045,213	4.88%	80,361,704	4.88%	10,045,213	0.61%
Other public Shareholders	978,132,076	100.00%	978,132,076	95.12%	195,626,415	95.12%	1,565,011,320	95.12%	195,626,415	11.89%
	<u>978,132,076</u>	<u>100.00%</u>	<u>1,028,358,144</u>	<u>100.00%</u>	<u>205,671,628</u>	<u>100.0%</u>	<u>1,645,373,024</u>	<u>100.0%</u>	<u>1,645,373,024</u>	<u>100.0%</u>

Note:

- The Underwriter has irrevocably 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; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected Persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or places to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.
- The Underwriter has entered into separate sub-underwriting agreements (collectively, the “**Sub-Underwriting Agreements**”) with two sub-underwriters (collectively, the “**Sub-Underwriters**”), being an asset management company (the “**Sub-Underwriter A**”) and a securities firm (the “**Sub-Underwriter B**”) in respect of the sub-underwriting of an aggregate of 322,500,000 Underwritten Shares. The Sub-Underwriter B has entered into a sub-underwriting agreement (the “**Other Sub-Underwriting Agreement**”) with an investment holding company (the “**Sub-Underwriter C**”) incorporated in the British Virgin Islands which its ultimate beneficial owner is a listed company on the Main Board of the Stock Exchange, in respect of the sub-underwriting of 30,000,000 Underwritten Shares. Pursuant to the respective Sub-Underwriting Agreements and Other Sub-Underwriting Agreement: (i) Sub-Underwriter A has agreed to sub-underwrite up to a maximum of 142,500,000 Underwritten Shares, representing approximately 9.11% and 8.66% of the total issued Consolidated Shares immediately after the Open Offer under scenarios 1 and 2 above respectively; (ii) Sub-Underwriter B has agreed to sub-underwrite up to a maximum of 180,000,000 Underwritten Shares, of which 30,000,000 Underwritten Shares were sub-underwritten by the Sub-Underwriter C pursuant to the Other Sub-Underwriting Agreement. As such, the maximum sub-underwriting commitment of Sub-Underwriter B will be 150,000,000 Underwritten Shares, representing approximately 9.58% and 9.12% of the total issued Consolidated Shares immediately after the Open Offer under scenarios 1 and 2 above respectively. and (iii) Sub-Underwriter C has agreed to sub-underwrite up to a maximum of 30,000,000 Underwritten Shares, representing approximately 1.92% and 1.82% of the total issued Consolidated

LETTER FROM THE BOARD

Shares immediately after the Open Offer under scenarios 1 and 2 above respectively. Both Sub-Underwriters are Independent Third Parties. The Sub-Underwriters has confirmed to the Underwriter that they shall procure independent placees to take up such number of Offer Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Open Offer (the “**Public Float Arrangement**”). The sub-underwriting commitment of the Sub-Underwriter A is less than 10% of the issued share capital of the Company as enlarged by the Open Offer under both scenarios 1 and 2 above. As such, underwriting commitment of Sub-Underwriter A will be counted towards the public float. Although the Sub-Underwriter B has sub-underwritten 10% or more of the issued share capital of the Company as enlarged by the Open Offer under both scenarios 1 and 2 above, taking into account that the Sub-Underwriter B has confirmed to the Underwriter to adopt the Public Float Arrangement, it is estimated that the underwriting commitment of Sub-Underwriter B will be counted towards the public float. In this connection, (i) under scenario 1, the aggregate shareholding of public Shareholders and the Sub-Underwriters will be approximately 33.11% of the total issued Consolidated Shares immediately after the Open Offer; and (ii) under scenario 2, the aggregate shareholding of public Shareholders, the Warrants holders and the Sub-Underwriters will be approximately 32.10% of the total issued Consolidated Shares immediately after the Open Offer. Taking into consideration the Sub-Underwriting Agreements, the public float requirement of 25% will be maintained under both scenario 1 and 2 above.

FUND RAISING EXERCISES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not carried out any fund raising exercises in the past twelve months immediately preceding the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Date of completion	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
27 January 2014	17 April 2014	Open offer on the basis of four (4) offer shares for every one (1) share held on 25 March 2014 with bonus issue on the basis of 1 bonus warrant for every four (4) offer shares taken up under the said open offer (the “ Previous Open Offer ”)	HK\$166 million	(i) Approximately HK\$50 million for repayment of margin financing and the unsecured loan; (ii) approximately HK\$96 million for further investment in listed securities; and (iii) approximately HK\$20 million for general working capital.	(i) Approximately HK\$50 million for repayment of margin financing and the unsecured loan; (ii) approximately HK\$110 million for further investment in listed securities; and (iii) approximately HK\$6 million for general working capital.

In view of effective control over administrative expenses of the Group, approximately HK\$14 million from the Previous Open Offer was re-allocated from working capital to further investment in listed securities with the view to lower the finance costs for the Group’s investments and hence enabling the Group to meet its overall investment needs more efficiently. There are no material changes in the nature of business of the Group and the Board believes that the above change in allocation of proceeds will not adversely affect the existing operation and business of the Group and is in the best interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

ADJUSTMENTS IN RELATION TO THE OUTSTANDING WARRANTS

As at the Latest Practicable Date, there are outstanding Warrants entitling the holders thereof to subscribe for up to an aggregate of 50,226,068 Shares. The Share Consolidation and the Open Offer may cause adjustments to the exercise price of the outstanding Warrants and/or the number of Consolidated Shares to be allotted and issued upon exercise of the outstanding Warrants. The Company will make further announcement in respect of such adjustments as and when appropriate.

WARNING OF THE RISKS OF DEALING IN SHARES AND CONSOLIDATED SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares and Consolidated Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares and Consolidated Shares will be dealt in on an ex-entitlement basis commencing from Monday, 15 June 2015 and that dealing in Shares and Consolidated Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in Shares and Consolidated Shares up to the date on which all conditions to which the Open Offer are subject to are fulfilled (which is expected to be at 4:00 p.m. on Tuesday, 14 July 2015), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares and Consolidated Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the 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. Since there is no controlling shareholder as at the Latest Practicable Date, the Directors (excluding the 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 in accordance with Rule 7.24(5) of the Listing Rules.

GENERAL

An independent board committee of the Company, comprising Mr. Lam Kwan, Mr. Ong Chi King and Mr. Lee Ming Gin, all being the independent non-executive Directors, has been established to make recommendations to the Independent Shareholders in respect of the Open Offer. Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

An EGM will be convened and held at 11:00 a.m. on 11 June 2015 at Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong. for the Shareholders and the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the proposed Share Consolidation and the proposed Open Offer by way of poll.

The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in an event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting should you so wish.

Upon approval of the Open Offer by the Independent Shareholders at the EGM and the Share Consolidation, the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Excluded Shareholders for information only.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of Vinco Capital) are of the opinion that the Open Offer is fair and reasonable and is in the interest of the Company and the Shareholders as a whole. The Directors also believe that the Share Consolidation is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders and/or the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on page 28 of this circular and the letter from Vinco Capital containing its recommendation to the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Open Offer, as set out on pages 29 to 54 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Capital VC Limited
Chan Cheong Yee
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

26 May 2015

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED OPEN OFFER

We refer to the circular of the Company to the Shareholders dated 26 May 2015 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the Open Offer.

Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer is fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 29 to 54 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 27 of the Circular.

Having considered the factors and reasons considered by, and the opinion of, Vinco Capital as set out in the “Letter from Vinco Capital” in the Circular, we are of the opinion that the terms of the Open Offer is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Lam Kwan

Mr. Ong Chi King

Mr. Lee Ming Gin

Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Open Offer which has been prepared for the purpose of incorporation in this circular.



26 May 2015

*To the Independent Board Committee and the Independent Shareholders of
Capital VC Limited*

Dear Sirs,

**PROPOSED OPEN OFFER ON THE BASIS OF
SEVEN OFFER SHARES FOR EVERY ONE CONSOLIDATED SHARE
HELD ON THE RECORD DATE AT HK\$0.25 PER OFFER SHARE**

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, details of which are set out in the "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 26 May 2015 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement. On 13 March 2015, the Company announced, among other things, subject to the Share Consolidation and the Change in Board Lot Size becoming effective, the Company proposes to raise not less than approximately HK\$342.3 million and not more than approximately HK\$359.9 million (before expenses) by way of an open offer of not less than 1,369,384,905 Offer Shares and not more than 1,439,701,396 Offer Shares at a subscription price of HK\$0.25 per Offer Share on the basis of seven (7) Offer Shares for every one (1) Consolidated Share held on the Record Date.

Assuming no outstanding Warrants will be exercised on or before the Record Date, 1,369,384,905 Offer Shares will be issued and allotted representing approximately 700.00% of the issued share capital of the Company immediately after the Share Consolidation and approximately 87.50% of the issued share capital of the Company as enlarged by the Offer Shares.

Assuming the outstanding Warrants will be exercised in full on or before the Record Date, 1,439,701,396 Offer Shares will be issued and allotted representing approximately 735.94% of the issued share capital of the Company immediately after the Share Consolidation and approximately 87.50% of the issued share capital of the Company as enlarged by the Offer Shares.

LETTER FROM VINCO CAPITAL

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 the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding the 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.

An independent board committee of the Company, comprising Mr. Lam Kwan, Mr. Ong Chi King and Mr. Lee Ming Gin, all being the independent non-executive Directors, has been established to make recommendations to the Independent Shareholders in respect of the Open Offer. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Open Offer is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholders should vote in favour of or against of the resolution to be proposed at the EGM to approve the Open Offer. We are not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and therefore is considered suitable as defined under Rule 13.84 of the Listing Rules to give independent advice to the Independent Board Committee and the Independent Shareholders. We have acted as the independent financial adviser to the Company's other transactions during the last two years. As stated in the circular of the Company dated 27 February 2014, we have been appointed by the Company, as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the underwriting agreement and the open offer with the bonus issue.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

LETTER FROM VINCO CAPITAL

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

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Offer Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Offer Shares. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers. We consider that we have reviewed all currently available information and documents (particularly, (i) board minutes approving the Open Offer; (ii) the Underwriting Agreement; (iii) the investment policies adopted by the Company; (iv) the historical financial information of the Company for the two years ended 30 June 2014 and the six months ended 31 December 2014; (v) the latest unaudited consolidated management account of the Company as at 28 February 2015 and (vi) market comparables listed on Stock Exchange in relation to open offer), which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Open Offer, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Open Offer, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM VINCO CAPITAL

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, we have considered the principal factors and reasons set out below:

1. Background information of the Company

Principal Business

The Company is an investment company listed on the main board of the Stock Exchange under Chapter 21 of the Listing Rule. The Group is principally engaged in investing in listed and unlisted companies mainly in Hong Kong and PRC.

Historical financial information

Set out below is a summary of the financial information on the Group as extracted from the annual report of the Company for the year ended 30 June 2014 (the “**2013/14 Annual Report**”) and the interim report of the Company for the six months ended 31 December 2014 (the “**2014/15 Interim Report**”):

Consolidated statement of profit or loss and other comprehensive income	For the six months ended		For the year ended	
	31 December		30 June	
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	167,302,305	156,976,260	136,230,385	21,124,405
Profit/(loss) for the period/year attributable to equity holders of the Company	130,632,546	85,804,339	72,565,143	(7,821,511)
Consolidated statement of financial position	As at		As at	
	31 December		30 June	
	2014	2014	2014	2013
	(unaudited)	(audited)	(audited)	(audited)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Total assets	920,271,508	751,912,182	420,931,922	
Total liabilities	97,993,394	65,700,698	48,755,393	
Equity attributable to equity holders of the Company	822,278,114	686,211,484	372,176,529	

Source: 2013/14 Annual Report and 2014/15 Interim Report

LETTER FROM VINCO CAPITAL

Audited consolidated results for the year ended 30 June 2014

As disclosed in the 2013/14 Annual Report, for the year ended 30 June 2014, the Group recorded revenue of HK\$136.2 million, represented a significant increase of 544.9% as compared with HK\$21.1 million for the year ended 30 June 2013. The increase in the Group's turnover was mainly attributable to the fact the Group's performance in financial assets investment largely improved and recognised a profit of approximately HK\$134.7 million in 2014 as compared to HK\$16.7 million in 2013.

The Group was able to report a turnaround from loss of approximately HK\$7.8 million for the year ended 30 June 2013 to a profit of approximately HK\$72.6 million for the year ended 30 June. The turnaround from loss to profit was mainly due to (i) the increase in turnover as explained above; (ii) the Group's portfolio of listed securities outperformed the blue chips securities; and (iii) certain listed stocks held by the Group contributed over 30% investment gain during the year ended 30 June 2014.

As at 30 June 2014, the Group recorded total assets, total liabilities and equity attributable to equity holders of the Company of approximately HK\$751.9 million, HK\$65.7 million and HK\$686.2 million, respectively.

Unaudited consolidated results for the six months ended 31 December 2014

As disclosed in the 2014/15 Interim Report, the Group reported a turnover of approximately HK\$167.3 million for the six months ended 31 December 2014, representing an increase of approximately 6.6% as compared to the turnover of the Company of approximately HK\$157.0 million for the six months ended 31 December 2013. The increase in the Group's turnover are principally due to the sustaining outstanding performance of listed securities held by the Group and the improving performance of the Group's associate, CNI Bullion Limited ("CNI"), which principally engaged in the provision of services on trading and braking of spot contracts of precious metals.

The Group recorded a significant increase in profit attributable to the equity holders of the Company for the six months ended 31 December 2014 which amounted to approximately HK\$130.6 million as compared with approximately HK\$85.8 million for the corresponding period in 2013. Such an increase was mainly due to the successful performance of the Group's associate, CNI in Hong Kong. As state in the Appendix I of the Circular, although the gold price maintained low level during the six months ended 31 December 2014, many analysts expected further decrease of the gold price including happen in short to medium terms. Therefore, the bullion trading activities were stimulated. Hence, CNI was able to improve from loss of approximately HK\$60.6 million during the first half of fiscal year of 2013/2014 to profit of approximately HK\$2.5 million for the six months ended 31 December 2014 shared to the Group.

LETTER FROM VINCO CAPITAL

As at 31 December 2014, the Group recorded total assets, total liabilities and equity attributable to equity holders of the Company of approximately HK\$920.3 million, HK\$98.0 million and HK\$822.3 million, respectively.

2. Reasons for the Open Offer and proposed use of proceeds

As stated in the section headed “Historical financial information” above, the Group recorded a significant increase in profit attributable to equity holders of the Company for the six months ended 31 December 2014 which amounted to approximately HK\$130.6 million as compared with approximately HK\$85.8 million for the corresponding period in 2013. As stated in the Letter from the Board, we noted that given the positive financial performance of the Group recently, the Group would like to prepare for the investment opportunities of expanding its investment portfolios and business and continue the growing performance which may arise any time. Given the current cash and bank balances of the Group of and cash balance held in securities accounts as at 28 February 2015 amounted in aggregate to approximately HK\$119.1 million. After netting off the cash and bank balances and cash balance held in securities accounts against the margin financing of the Group, the Group recorded a net cash position of approximately HK\$81.3 million. In order to support the investment in listed securities, as at 28 February 2015, the Group has borrowed approximately HK\$ 37.8 million margin financing in supporting its investment in listed securities, which incurs interest expenses.

As stated in the Letter from the Board, the Directors consider that the Group does not necessarily generate extensive cash income from operations as the Company is an investment company under Chapter 21 of the Listing Rules. As discussed with the management of the Company, the total cost of the Group’s investment for the year ended 30 June 2014 was approximately HK\$779.9 million, therefore, the Directors consider that the cash position on hand will not be sufficient for the Group to capture suitable investment opportunities which may arise any time for expanding its investment portfolios and business and continue the growing performance without additional funding. As such, the Group would like to raise addition capital to equip itself with a healthier and stronger capital base to further invest in both the securities market and for future strategic investments when suitable opportunities arise to produce a satisfactory result. Owing to the business nature of the Group, being an investment company, the Group requires extensive cash to grow. In addition, as referred to the Circular, in view of (i) the quantitative easing programme announced by European Central Bank (“**ECB**”) in January 2015 of which ECB commits monthly purchase of 60 billion Euros of asset-backed securities until at least September 2016 for supporting investment and consumption; (ii) China’s economic growth rate of approximately 7.4% in 2014; and (iii) increase in money supply in China as illustrated from financial data of January 2015 as announced by the People’s Bank of China which includes (a) the increase in narrow and broad money as compared with last year, (b) increase in loans and deposits dominated in RMB and other foreign currencies as compared with last year, there are positive signals for good investment environment. Having considered that (i) the conditions or sentiment of capital markets are optimistic, should unlisted and/or listed investment opportunities arise, investment decisions have to be made promptly. If the Group does not have sufficient resources to finance such investment opportunities, the Group may lose the chance to capture the growth of the investments; (ii) the Company performed well in the last fiscal year which proved that their investment strategy was successful; (iii) the Group recorded a net cash position of approximately HK\$81.3 million after netting off margin financing of the Group of approximately HK\$37.8

LETTER FROM VINCO CAPITAL

million; and (iv) the total investment cost of approximately HK\$779.9 million for the year ended 30 June 2014, therefore we are of the view that the Group is in the genuine need for funding for their potential investment in listed and unlisted securities as investment opportunities may not be available for a period of time or wait until the Group has obtained sufficient funding. Sufficient immediately available funding can allow the Group to respond promptly should such investment opportunities arise.

Use of Proceeds

Assuming all the Qualifying Shareholders taking up their entitlements under the Open Offer, The Company will receive gross proceeds of not less than approximately HK\$342.3 million and not more than approximately HK\$359.9 million. The estimated net proceeds of the Open Offer will be not less than approximately HK\$337.7 million and not more than approximately HK\$355.3 million. The Company intends to apply net proceeds from the Open Offer in the following manner:

- (a) approximately HK\$190.0 million for investment in listed securities in various industries including but not limited to energy and resources, movie distribution and film right licensing, money lending, properties investments, building construction, provision of advertising media services, environmental protection, insurance, Chinese medicine clinic operations, management of forestlands, securities-related financial services, food and beverages, trading of natural resources and commodities, industrial, provision of beauty and slimming services, software, information technology related businesses and distribution of juvenile and infant products;
- (b) approximately HK\$130.0 million for investment in unlisted securities in various industries including but not limited to energy and resources, movie distribution and film right licensing, money lending, properties investments, building construction, provision of advertising media services, environmental protection, insurance, Chinese medicine clinic operations, management of forestlands, securities-related financial services, food and beverages, trading of natural resources and commodities, industrial, provision of beauty and slimming services, software, information technology related businesses and distribution of juvenile and infant products; and
- (c) remaining balance of not less than approximately HK\$17.7 million and not more than approximately HK\$35.3 million for general working capital of the Group for the coming two years.

We noted that the vast majority (i.e. approximately 93.5%) of the estimated net proceeds will be utilized to invest in listed and unlisted securities in various industries as mentioned above. Making reference to the investment policies adopted by the Company as stated in Appendix IV of the Circular, we noted that investment will be made in the form of equity related securities and debt instruments in listed and unlisted companies engaged in different industries including (but not limited to) information technology, manufacturing, pharmaceutical, service, property, telecommunications, life and environmental and

LETTER FROM VINCO CAPITAL

infrastructure sectors. This helps to maintain a balance in the Company's exposure to different industry sectors in order to minimize the effect on the Company of any downturn in any particular sector. After discussed with the management of the Company, we noted that the proposed investments in the industries mentioned above do not override the Company's investment policies. In addition, the Company has experience in those industries before. As mentioned in the above section headed "Historical financial information", the Group recorded profit attributable to equity holders of the Company for the year ended 30 June 2014 and the six months ended 31 December 2014. The profit was due to fair value gain on listed investments at fair value through profit and loss and the improving performance of CNI. As advised by the Directors, such fair value gain was due to profitable investments made on the listed securities that using the investment strategy we have mentioned above. We also noted that the Company tends to invest in the listed and unlisted companies in different industries. This could diversify the investment portfolio of the Company and reduce risks for investing in only one sector.

The remaining part of the estimated net proceeds (i.e. approximately 6.5%) is intended for general working capital of the Group. After reviewing of the working capital forecast of the Company, approximately HK\$17.7 million of working capital (i.e. audit fee, rental and salaries etc.) is required for the next two years. We noted that, given the current cash level of approximately HK\$81.3 million, without the proceeds from the Open Offer, the Company would be able to support its working capital. However, as discussed above, the current cash level may not be sufficient to support increase in the size of Company's investment portfolio, it will require additional cash to make investments.

Owing to the business nature of the Group, being an investment company, the Group requires extensive cash to grow. Unlike other companies with constant cash income from operations, investments of investment companies under Chapter 21 of Listing Rules do not necessarily generate extensive cash income. According to a breakdown of the cash income provided by the Company, for the year ended 30 June 2014, nearly half of the revenue are the unrealized gain on the listed investments. Although the Group recorded a net profit for the year ended 30 June 2014 and the six months ended 31 December 2014, the Group's revenue were merely based on the sales of listed investments, unrealised gain on listed investment, dividend income and interest income etc. Should there be any change in the market value or fair value of the investments or the investment conditions turnaround, there is a risk that the Group may not generate extensive cash income. With the view of increasing the size of the investment portfolio and taking into account the net cash position of the Group of approximately HK\$81.3 million as at 28 February 2015, the Directors consider that the financial resources will not be sufficient for the Group to capture suitable investment opportunities which may arise any time for expanding its investment portfolios and business and continue the growing performance without additional funding. Therefore, we are of the view that there is a need for the Group to raise additional capital for its operations and equip itself with a healthier and stronger capital base to further invest in the securities market and for future strategic investments when suitable opportunities arise.

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After reviewing the investment portfolio of the Group in Appendix IV of the Circular, we noted that among the ten largest investments of the Group as at 31 December 2014, a larger portion of the investment portfolio is in listed securities and those listed investments are with a value of more than 5% of the Group's gross assets as at 31 December 2014. According to Appendix I of the Circular, the Group's portfolio of listed securities outperformed the blue chips securities. The prices of certain listed securities held by the Group rose by more than 50% during the six months ended 31 December 2014. Accordingly, the listed securities tend to bring higher profits to the Group, therefore, this segment should be allocated with more financial resources to support the profit growth of the Group. As stated in the Letter from the Board, as at 31 December 2014, the Group's investment portfolio (excluding interest in associate) were recorded under available for sale investment (comprised of unlisted investment) and financial assets at fair value through profit or loss (comprised of listed investment), which were in the ratio of approximately 70% and 30% respectively. In view of current investment portfolio and the Group's intention to maintain a slightly adjusted risk level from historical risk level, the Directors consider to allocate proceeds from the Open Offer for its listed and unlisted investments in current proportion which are similar to and only slightly differed from historical proportion between the listed and unlisted investments. Given that (i) the proposed allocation is based on the historical risk level and (ii) the fact that the profit of the Group for the year ended 30 June 2014 and the six months ended 31 December 2014 was due to the investment in listed securities, we therefore are of the view that the Company's investment plan in relation to the allocation of proceeds is fair and reasonable.

As stated in the Letter from the Board, save for the aforesaid industry sectors, the Company has not identified any specific investment targets. In the event that suitable investments are not identified after completion of the Open Offer, the Company will place the proceeds from the Open Offer with financial institution in Hong Kong and such proceeds will be reserved for future investments when suitable investment opportunities arise. Although the Company has not identified any specific investment targets, the investment opportunities may arise anytime. As an investment company, the Group should have sufficient financial resources ready for the chance of making investments that maybe due to sudden change in financial market sentiment or the global economic environment which are outside the control of the Group.

Having considered that (i) the profit of the Group recorded in the 2014/15 Interim Report was approximately HK\$130 million, which evidenced that the investment strategies of the Group were successful; (ii) the Group does not necessarily generate extensive cash income from operations as an investment company; (iii) the Board considers that the present financial resources that the Group holding would not be sufficient for the Group to capture suitable investment opportunities which may arise any time due to volatile market conditions given the cost of investments of the Group was approximately HK\$779.9 million for the year ended 30 June 2014 and (iv) the Open Offer can increase the fund size of the Company and enhance the cash position of the Company, therefore, we are of the view that even the Company has not identified any specific investment targets, the Group still has a funding need to expand its fund size and investment portfolio in order to sustain its performance.

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Take into consideration of the funding needs of the Group to expand its fund size for investment purposes as mentioned above, we are of the view that the estimated net proceeds from the Open Offer will be utilized to invest in accordance to the investment objectives and policies of the Group and the intended utilization of the net proceeds from the Open Offer is fair and reasonable.

Financial alternatives

As stated in the Letter from the Board, the management of the Company had also considered other means of fund raising, including alternative means of equity financing (such as rights issue or placement of Shares) and debt financing. Although rights issue is similar to open offer and the rights issue enables the qualifying shareholders to trade in the nil-paid rights in the market for economic benefits, the arrangement for trading of the nil-paid rights arose from the rights issue, which would involve additional administration costs to the Group for trading of nil-paid rights and would require trading arrangements of the nil-paid rights with the share registrar and additional time for splitting and trading of nil-paid rights shares as well as reviewing relevant documents and liaising with other professional parties for such preparation and administration to be put in place to facilitate and administrate such trading, which in turn would require longer time to complete. After discussing with the management of the Company and reviewing the quotations on relevant professional parties in relation to the preparation of nil-paid rights issue provided by the Company, we noted that preparing nil-paid rights issue will involve extra administrative costs of approximately HK\$100,000 for printing, posting and processing of excess application forms as well as making arrangements with the share registrar on the trading of the nil-paid rights.

In order to raise such large amount of proceeds from the Open Offer, the management of the Group are of the view that conducting the placement of Shares will not be fair to existing Shareholders as the potential Shareholders from the placement of Shares will result in an immediate dilution of existing shareholding interests in the Company. The management of the Group also considers that raising funds by way of the Open Offer is more cost-effective and efficient as compared to rights issue.

In addition to the equity financing, the Directors are also of the opinion that bank borrowing and/or debt financing will usually incur interest burden on the Group and may not be achievable on favourable terms on a timely basis, due to possibility of being subject to, including but not limited to, lengthy due diligence and negotiations with banks as well as pledge of assets by the Group. As stated in the Letter from the Board, as at 28 February 2015, the Group has borrowed approximately HK\$37.8 million margin financing in supporting its investment in listed securities. The incurred interest expenses in the range of 8.25% to 10% per annum as at the Latest Practicable Date. Given that if the Group elects to seek additional debt financing of the same amount to the gross proceeds of the Open Offer to support its investment instead of raising fund by Open Offer, by applying the interest rate range of 8.25% to 10% per annum, the interest burden will be incurred by approximately HK\$28 million to approximately HK\$36 million in order to receive gross proceeds of approximately HK\$342.3 million to approximately HK\$359.9 million as compared to 1% commission charged by the Underwriter amounted to approximately HK\$3.4

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million to approximately HK\$3.6 million. Given the fluctuating financial performance of the Group, the Directors are of the view that it may be difficult to obtain bank borrowings/ debt financing with terms which the Group considers acceptable, and incurring additional debts will increase the Group's liabilities burden compared to Open Offer. In addition, as discussed with management of the Company regarding the combination of funding measures in the form of both consideration issue and/or promissory note, we noted that the consideration issue will bring dilution effect to the existing Shareholders while the issue of promissory notes or other means of debt instrument will incur liabilities and interest burden to the Group. As such, we consider that (i) the other means of equity financing, (ii) debt financing and (iii) combination of equity and debt financing are not in the interests of the Company and Shareholders; therefore, we thus concur with the Director's view that the Open Offer is a suitable source of financing over the aforementioned alternatives.

In view of the above, raising funds by way of the Open Offer is (i) more cost effective and efficient; (ii) beneficial to the Company and its Shareholders as a whole than a rights issue; (iii) prudent to finance the Group's long term growth by long term financing, preferably in the form of equity; and (iv) does not incur any financial costs. We are of the view that the Open Offer which subject to the approval of the Independent Shareholders, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Fund raising activities in the past twelve months preceding the date of the Announcement and up to the Latest Practicable Date

Date of announcement	Fund raising activities	Net proceeds raised (approximate)	Intended use of net proceeds	Actual use of proceeds as at the Latest Practicable Date
27 January 2014	Open offer on the basis of four (4) offer shares for every one (1) share held on 25 March 2014 with bonus issue on the basis of 1 bonus warrant for every four (4) offer shares taken up under the said open offer	HK\$166 million	(i) Approximately HK\$50 million for repayment of margin financing and the unsecured loan; (ii) Approximately HK\$96 million for further investment in listed securities; and (iii) Approximately HK\$20 million for general working capital.	(i) Approximately HK\$50 million for repayment of margin financing and the unsecured loan; (ii) Approximately HK\$110 million for further investment in listed securities; and (iii) Approximately HK\$6 million for general working capital.

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As shown in the table above, the Group invested HK\$110 million for further investment in listed securities. As confirmed by the Directors, the details of actual investments made and performance to date are as follows:

Stock Name and code	Invested amount	Realised gain	Unrealise gain*	Total amount
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
RCG Holdings Ltd. (802)	12.15	0	1.1	1.1
Orient Securities International Holdings Ltd. (8001)	43.13	11.8	0	11.8
Deson Development International Holdings Ltd. (262)	17.27	0.98	0	0.98
Sunrise (China) Technology Group Ltd. (8226)	12.88	0.12	1.31	1.43
Suncorp Technologies Ltd. (1063)	23.9	0	135.9	135.9
Total	109.33	12.9	138.31	151.21

Note:

* Based on closing price as at 15 April 2015.

3. Principal terms of the Open Offer

The table below summaries the issue statistics of the Open Offer:

Basis of the Open Offer:	Seven (7) Offer Shares for every one (1) Consolidated Share held on the Record Date
Subscription Price:	HK\$0.25 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	978,132,076 Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation having become effective:	195,626,415 Consolidated Shares (assuming no outstanding Warrants being exercised before the Share Consolidation)
	205,671,628 Consolidated Shares (assuming the outstanding Warrants being exercised in full before the Share Consolidation)

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Number of Offer Shares:	Not less than 1,369,384,905 Offer Shares (assuming no outstanding Warrants being exercised on or before the Record Date)
	Not more than 1,439,701,396 Offer Shares (assuming the outstanding Warrants being exercised in full on or before the Record Date)
	The aggregate nominal value of the Offer Shares will not be less than approximately HK\$6,846,924.52 and not more than approximately HK\$7,198,506.98
Number of Consolidated Shares in issue immediately upon completion of the Open Offer:	Not less than 1,565,011,320 and not more than 1,645,373,024 Consolidated Shares

As at the Latest Practicable Date, there are outstanding Warrants to subscribe for an aggregate of 50,226,068 Shares or 10,045,213 Consolidated Shares. Assuming full exercise of the subscription rights attaching to the outstanding Warrants on or before the Record Date, an additional 70,316,491 Offer Shares will be issued.

Assuming no outstanding Warrants will be exercised on or before the Record Date, 1,369,384,905 Offer Shares will be issued and allotted representing approximately 700.00% of the issued share capital of the Company immediately after the Share Consolidation and approximately 87.50% of the issued share capital of the Company as enlarged by the Offer Shares.

Assuming the outstanding Warrants will be exercised in full on or before the Record Date, 1,439,701,396 Offer Shares will be issued and allotted representing approximately 735.94% of the issued share capital of the Company immediately after the Share Consolidation and approximately 87.50% of the issued share capital of the Company as enlarged by the Offer Shares.

Subscription Price

The Subscription Price of HK\$0.25 per Offer Share will be payable in full upon application by a Qualifying Shareholder. The Subscription Price represents:

- (a) a discount of approximately 76.6% to the theoretical closing price of approximately HK\$1.07 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (b) a discount of approximately 76.4% to the average theoretical closing price of approximately HK\$1.06 per Consolidated Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;

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- (c) a discount of approximately 76.6% to the average theoretical closing price of approximately HK\$1.07 per Consolidated Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (d) a discount of approximately 28.6% to the theoretical ex-entitlement price (assuming no outstanding Warrants being exercised from the Latest Practicable Date up to the Record Date) of approximately HK\$0.35 per Consolidated Share based on the theoretical closing price of approximately HK\$1.07 per Consolidated Share as quoted on the Stock exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (e) a discount of approximately 79.8% to the theoretical closing price of approximately HK\$1.235 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and
- (f) a discount of approximately 96.9% to the unaudited consolidated net assets value per Consolidated Share of approximately HK\$8.115 as at 30 April 2015 (based on 195,626,415 Consolidated Shares in issue as at the Last Trading Day and adjusted for the effect of the Share Consolidation).

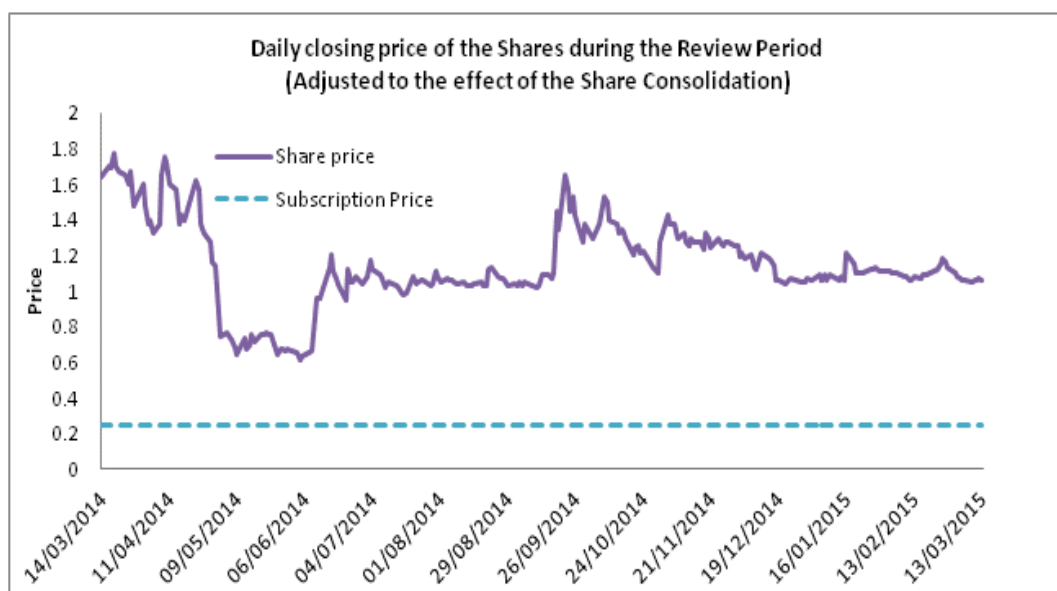
As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price of the Shares under the prevailing market conditions and the financial position of the Group.

In order to assess the fairness and reasonableness of the Subscription Price, we compared the Subscription Price with reference to (i) the recent price performance of the Shares (adjusted for the effect of the Share Consolidation) and trading liquidity of the Company; and (ii) the market comparables analysis, as follows:

Share prices and trading liquidity of the Company

We have reviewed the closing prices and the trading liquidity of the Shares during the twelve-month period from 14 March 2014, up to and including 13 March 2015, being the Last Trading Day and the date of the Underwriting Agreement, (the "**Review Period**"). Adjustment to the Share price has been made taking into account of the share subdivision and the issue of bonus shares and assuming the Share Consolidation has been effective since the beginning of the Review Period.

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	Total	Number of trading days	Average Daily Volume	Shares as at end of the period/month	Number of issued Shares as at end of the period/month	Approximately % of average daily trading volume to the then total number of issued Shares as at end of the period/month (Note 3)
2014			(Shares)	(Shares)		
March (Note 1)	51,537,000	13	3,964,385	856,965,120		0.46%
April	450,247,006	20	22,512,350	955,694,489		2.36%
May	919,156,000	20	45,957,800	955,694,489		4.81%
June	1,576,873,868	20	78,843,693	956,370,739		8.24%
July	431,456,841	22	19,611,675	956,395,739		2.05%
August	187,039,000	21	8,906,619	956,445,739		0.93%
September	828,631,260	21	39,458,631	956,465,739		4.13%
October	356,853,000	21	16,993,000	956,465,739		1.78%
November	305,576,245	20	15,278,812	977,382,069		1.56%
December	112,228,000	21	5,344,190	978,092,076		0.55%
2015						
January	93,713,250	21	4,462,536	978,132,076		0.46%
February	60,962,250	18	3,386,792	978,132,076		0.35%
March (Note 2)	43,670,000	10	4,367,000	978,132,076		0.45%

Source: The Stock Exchange

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Notes:

1. The Review Period commenced on 14 March 2014.
2. The Review Period ended on 13 March 2015.
3. Based on the total number of issued Shares as at end of the period/month.

For illustrative purpose, we have adjusted the closing price of the Share and assumed that the Share Consolidation took effect from the beginning of the Review Period. As shown in the chart above, the daily closing price of the Shares during the Review Period ranged from a high of HK\$1.775 per Share on 19 March 2014 to the low of HK\$0.615 per Share on 4 June 2014. The average closing price of Shares within the Review Period was approximately HK\$1.15 per Share, and the Subscription Price represents a discount of approximately 78.3% to the average closing price of Shares within the Review Period. The Subscription Price represents a discount to the closing price of the Shares throughout the Review Period and to the average closing price of Shares. We noted that the Share price substantially increased from August to September in 2014. We also noted that as at 26 September 2014, the Company released the 2013/14 Annual Report, referred to the report, the Company recorded a positive results for the year ended 30 June 2014. Further, the Share price fluctuated in October and November. As advised by the management of the Company, they are not aware of any reasons for the said fluctuations, and then the Share price of the Company was relatively stable in the entire period.

Regarding the liquidity of the Shares, as shown in the table above, the highest average daily turnover was approximately 78.8 million Shares in June 2014, representing approximately 8.24% of the total number of issued Shares as at the end of June 2014. Referred to the announcement of the Company dated 10 June 2014, the management was not aware of any reasons for the unusual trading volume. During the Review Period, apart from June 2014 as mentioned above, we consider that the trading liquidity of the Shares were very thin with less than 5% to the then total number of issued Shares as at the end of the period/month.

We noted that (i) the Subscription Price lower than the range of the closing price of the Share and hence the average closing price during the Review Period and (ii) the low liquidity of the Share during the Review Period. However, having considered that (i) the profit making performance of the Group was due to the successful investment strategies; (ii) present financial resources that the Group is holding would not be sufficient for the Group to capture suitable investment opportunities which may arise any time given the cost of investments of the Group was approximately HK\$779.9 million for the year ended 30 June 2014 and (iii) the proceeds from the Open Offer can increase the fund size of the Group, therefore we are of the view that setting the Subscription Price lower than the range of the closing price of the Share and hence the average closing price during the Review Period is justifiable as this can increase the attractiveness of the Open Offer so as to allow the Qualifying Shareholders to participate.

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As indicated in the table in the section headed “Comparison with other open offers” below, the subscription prices of all of the Comparables were set at a discount to their respective closing prices per share on the last trading day, ranging from a discount of approximately 13.5% to approximately 79.2%. The discount of the Subscription Price of the Open Offer to the closing price per Consolidated Share on the Last Trading Day is approximately 76.6%, which falls within the range of the general market price. We noted that it is a common market practice that, in order to enhance the attractiveness of an open offer to existing shareholders, the subscription price represents a discount to the prevailing market prices of the relevant shares. As such, we consider that the setting of the Subscription Price at a discount to the closing price of the Shares (adjusted by taking into effect of the Share Consolidation) at the Last Trading Day prior to the Announcement and the Latest Practicable Date is in line with general market practice.

Comparison with other open offers

To further assess the fairness and reasonableness of the Open Offer, we have selected and identified a list of 5 open offers conducted by companies (the “**Comparables**”) listed on the Stock Exchange for the twelve months period from 14 March 2014 up to and including the Last Trading Day (the “**Comparable Period**”), which is considered to be exhaustive, for comparison purpose. We are of the view that the Comparable Period would provide us with the recent relevant information on the market sentiment, which plays an important role in the determination of the subscription price of an open offer in general. We also noted that the business activities of the Comparables are directly comparable to those carried out by the Group. The terms of the open offer of the Comparables may vary from companies with different financial standings, business performance and future prospects. However, we still consider the selection on the Comparables are fair and representative given that the Comparables are (i) in the similar business nature with the Company under Chapter 21 of the Listing Rules; and (ii) the Comparable Period in which the open offers took place matches with the Review Period. We consider that the Comparables could represent the recent trend of the open offer transactions in the prevailing market condition and could provide a general reference for the terms of the Open Offer. Our relevant findings are summarised in the table below:

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Date of announcement	Company name	Stock code	Basis of entitlement	Underwriting commission (%)	Discount/ (premium) of the subscription price to the closing price of last trading day prior to the date of announcement (%)	Discount/ (premium) of the subscription price to the theoretical ex-entitlement price (%)	Excess application (Y/N)
23-Jan-15	Unity Investments Holdings Limited	913	4 for 1	2.50	(78.08)	(41.61)	N
16-Jan-15	Prosperity Investment Holdings Limited	310	1 for 2	3.00	(28.57)	(21.04)	N
25-Nov-14	Mastermind Capital Limited	905	1 for 2	3.50	(13.46)	N/A	N
9-Jun-14	DT Capital Limited*	356	1 for 2	3.00	(79.17)	N/A	Y
9-Jun-14	China Investment and Finance Group Limited	1226	1 for 2	2.00	(47.37)	N/A	N
			Minimum	2.00	(13.46)	(21.36)	
			Maximum	3.50	(79.17)	(41.61)	
			Mean	2.75	(50.95)	(28.34)	
	Company		7 for 1	1%	(76.60)	(28.60)	N

* *DT Capital Limited was formerly known as Incutech Investments Limited*

Based on the above table, we noted that the subscription prices to the closing price on the last trading day prior to the open offer announcement of the Comparables ranged from a discount of 13.46% to a discount of 79.17%, with the mean at discount of approximately 50.95%. The discount of the Subscription Price of the Open Offer to the closing price of the Consolidated Shares on the Last Trading Day and adjusted for the effect of the Share Consolidation is approximately 76.6%, which represents within the range and higher discount than the mean of the Comparables. We also noted that the discount represented by the Subscription Price to the theoretical ex-entitlement price of the Consolidated Shares on the Last Trading Day falls within the relevant range of the Comparables.

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We noted that the discount of the Subscription Price is higher than the average of the Comparables, however, it is common for the listed issuers in Hong Kong to issue open offer shares at a discount to the market price in order to enhance the attractiveness of an open offer exercise. We have reviewed the circulars of the Comparables and noted that other than the Group, none of the Comparables has undergone any open offer or rights issue exercises in the past twelve months before the announcements of the open offer exercise. We are advised by the management of the Company that the Group has already undergone an open offer exercise in the past twelve months before the announcement of the Open Offer, therefore setting the Subscription Price in a deep discount is needed in order to provide an incentive and increase the attractiveness of the Open Offer for the Qualifying Shareholders to participate again. Based on the aforesaid, we consider that the discount of the Subscription Price which is higher than the average discount of the Comparables is justifiable.

Having considered that (i) the section headed in “Reasons for the Open Offer and proposed use of proceeds above”; (ii) the discount represented by the Subscription Price to the closing price of the Consolidated Shares on the Last Trading Day (adjusted for the effect of the Share Consolidation) falls within the relevant range of the Comparables; (iii) the discount represented by the Subscription Price to the theoretical ex-entitlement price of the Consolidated Shares on the Last Trading Day (adjusted for the effect of the Share Consolidation) falls within the relevant range of the Comparables; (iv) the common practice by the Comparables to set their subscription prices of their open offers at a discount to the prevailing market prices of the relevant shares before the relevant announcements; (v) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Offer Shares at the Subscription Price which represents discount to market price; (vi) it is common for the listed issuers in Hong Kong to offer large discount of the subscription prices to the shareholders in order to increase the attractiveness of an open offer exercise; and (vii) the possibility of participating in the future benefits which may be brought by the Group for investing in the listed and unlisted securities, we are of the view that the discount of the Subscription Price is fair and reasonable, and thus is in the interests of the Company and the Shareholders as a whole.

4. No application for excess Offer Shares

As stated in the Letter from the Board, 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.

If application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs including preparing and arranging the excess application, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc. It is estimated that an additional cost of approximately HK\$100,000 to administer the excess application procedures will be incurred, which is not cost effective from the viewpoint of the Company.

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The Directors hold the view that the Open Offer allows each of the Qualifying Shareholder to be given an equal opportunity to maintain their respective pro rata shareholding in the Company and to participate in the potential future growth and development of the Group by subscribing for his/her/its entitlements under the Open Offer. In addition, the Board considers that it is important for the Group to minimise all unnecessary costs to be incurred during the fund raising. 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 Qualifying Shareholders.

After reviewing the announcement of the Comparables in relation to the open offer, we noted that the above practice (i) is in line with the market practice (i.e. 4 out of 5 Comparables had no excess application for their open offer exercises); (ii) is able to lower the related administration costs in the absence of excess applications; and (iii) allows the Qualifying Shareholders to maintain their respective pro rata shareholding, we are of the view that such arrangement is fair and reasonable to the Company and the Shareholders as a whole.

5. Underwriting Agreement

Based on the Underwriting Agreement, the Company will pay the Underwriter 1.0% of the aggregate Subscription Price of the maximum amount of Offer Shares agreed to be underwritten by the Underwriter as determined on the Record Date. With reference to the above paragraph headed "Comparison with other open offers", the underwriting commission of the Comparables ranged from 0.5% to 3.5% with a mean of 2.45%. On this basis, we noted the commission is lower than the mean but falls within the range of the commission of the Comparables. As such, we are of the view that the commission charged by the Underwriter is under normal commercial terms and is fair and reasonable so far as the Company and the Shareholders are concerned.

6. Termination of the Underwriting Agreement

It should also be noted that the Open Offer would not proceed if the Underwriter exercises their termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the Letter from the Board section headed "Termination of the Underwriting Agreement". After reviewing the announcement of the Comparables, we consider such provisions are on normal commercial terms and in line with the market practice.

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7. Dilution effects of the Open Offer on shareholding interests

Set out below is the shareholding structures of the Company (for illustration purpose only) (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective but before completion of the Open Offer; and (iii) immediately after completion of the Open Offer:

Scenario 1:

Assuming no outstanding Warrants will be exercised on or before the Record Date:

	As at the Latest Practicable Date		Immediately after completion of the Open Offer					
			Immediately after the Share Consolidation becoming effective but before completion of the Open Offer		Assuming all the Offer Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Consolidated Shares</i>	<i>%</i>	<i>Number of Consolidated Shares</i>	<i>%</i>	<i>Number of Consolidated Shares (Note 1)</i>	<i>%</i>
Underwriter (Note 2)	-	-	-	-	-	-	1,046,884,905	66.89%
Sub-Underwriters:								
Sub-Underwriter A (Note 2)	-	-	-	-	-	-	142,500,000	9.11%
Sub-Underwriter B (Note 2)	-	-	-	-	-	-	150,000,000	9.58%
Sub-Underwriter C (Note 2)	-	-	-	-	-	-	30,000,000	1.92%
Other Public shareholders	978,132,076	100.00%	195,626,415	100.00%	1,565,011,320	100.00%	195,626,415	12.50%
	978,132,076	100.00%	195,626,415	100.00%	1,565,011,320	100.00%	1,565,011,320	100.00%

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Scenario 2:

Assuming the full exercise of the Warrants on or before the Record Date:

	As at the Latest Practicable Date		Immediately after the outstanding Warrants being exercised in full but before the Share Consolidation has become effective		Immediately after the outstanding Warrants being exercised and the Share Consolidation becoming effective but before the completion of the Open offer		Immediately after completion of the Open Offer		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	Number of Shares		Number of Shares		Number of Consolidated Shares		Number of Consolidated Shares		Number of Consolidated Shares (Note 1)	
	%	%	%	%	%	%	%	%	%	%
Underwriter (Note 2)	-	-	-	-	-	-	-	-	1,117,201,396	67.90%
Sub-Underwriters:										
Sub-Underwriter A (Note 2)	-	-	-	-	-	-	-	-	142,500,000	8.66%
Sub-Underwriter B (Note 2)	-	-	-	-	-	-	-	-	150,000,000	9.12%
Sub-Underwriter C (Note 2)	-	-	-	-	-	-	-	-	30,000,000	1.82%
Warrants holders	-	-	50,226,068	4.88%	10,045,213	4.88%	80,361,704	4.88%	10,045,213	0.61%
Other public Shareholders	978,132,076	100.00%	978,132,076	95.12%	195,626,415	95.12%	1,565,011,320	95.12%	195,626,415	11.89%
	<u>978,132,076</u>	<u>100.00%</u>	<u>1,028,358,144</u>	<u>100.00%</u>	<u>205,671,628</u>	<u>100.0%</u>	<u>1,645,373,024</u>	<u>100.0%</u>	<u>1,645,373,024</u>	<u>100.0%</u>

Note:

- The Underwriter has irrevocably 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; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected Persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or places to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.
- The Underwriter has entered into separate sub-underwriting agreements (collectively, the “**Sub-Underwriting Agreements**”) with two sub-underwriters (collectively, the “**Sub-Underwriters**”), being an asset management company (the “**Sub-Underwriter A**”) and a securities firm (the “**Sub-Underwriter B**”) in respect of the sub-underwriting of an aggregate of 322,500,000 Underwritten Shares. The Sub-Underwriter B has entered into a sub-underwriting agreement (the “**Other Sub-Underwriting Agreement**”) with an investment holding company (the “**Sub-Underwriter C**”) incorporated in the British Virgin Islands which its ultimate beneficial owner is a listed company on the Main Board of the Stock Exchange, in respect of the sub-underwriting of 30,000,000 Underwritten Shares. Pursuant to the respective Sub-Underwriting Agreements and Other Sub-Underwriting Agreement: (i) Sub-Underwriter A has agreed to sub-underwrite up to a maximum of 142,500,000 Underwritten Shares, representing approximately 9.11% and 8.66% of the total issued Consolidated Shares immediately after the Open Offer under scenarios 1 and 2 above respectively; (ii) Sub-Underwriter B has agreed to sub-underwrite up to a maximum of 180,000,000 Underwritten Shares, of which 30,000,000 Underwritten Shares were sub-underwritten by

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the Sub-Underwriter C pursuant to the Other Sub-Underwriting Agreement. As such, the maximum sub-underwriting commitment of Sub-Underwriter B will be 150,000,000 Underwritten Shares, representing approximately 9.58% and 9.12% of the total issued Consolidated Shares immediately after the Open Offer under scenarios 1 and 2 above respectively. and (iii) Sub-Underwriter C has agreed to sub-underwrite up to a maximum of 30,000,000 Underwritten Shares, representing approximately 1.92% and 1.82% of the total issued Consolidated Shares immediately after the Open Offer under scenarios 1 and 2 above respectively. Both Sub-Underwriters are Independent Third Parties. The Sub-Underwriters has confirmed to the Underwriter that they shall procure independent places to take up such number of Offer Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Open Offer (the “**Public Float Arrangement**”). The sub-underwriting commitment of the Sub-Underwriter A is less than 10% of the issued share capital of the Company as enlarged by the Open Offer under both scenarios 1 and 2 above. As such, underwriting commitment of Sub-Underwriter A will be counted towards the public float. Although the Sub-Underwriter B has sub-underwritten 10% or more of the issued share capital of the Company as enlarged by the Open Offer under both scenarios 1 and 2 above, taking into account that the Sub-Underwriter B has confirmed to the Underwriter to adopt the Public Float Arrangement, it is estimated that the underwriting commitment of Sub-Underwriter B will be counted towards the public float. In this connection, (i) under scenario 1, the aggregate shareholding of public Shareholders and the Sub-Underwriters will be approximately 33.11% of the total issued Consolidated Shares immediately after the Open Offer; and (ii) under scenario 2, the aggregate shareholding of public Shareholders, the Warrants holders and the Sub-Underwriters will be approximately 32.10% of the total issued Consolidated Shares immediately after the Open Offer. Taking into consideration the Sub-Underwriting Agreements, the public float requirement of 25% will be maintained under both scenario 1 and 2 above.

As stated from the Letter from the Board, pursuant to the Underwriting Agreement, the Underwriter undertakes with 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; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected Persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or places to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.

In the Scenario 1, the Independent Shareholders who are Qualifying Shareholders should note that, if they decide to subscribe for their full provisional allotment entitlements of the Offer Shares, there would not be any dilution effect on their shareholding interests in the Company. However, we would like to draw the Qualifying Shareholders’ attention to the fact that, for those Qualifying Shareholders who do not wish to take up all or part of their provisional allotment entitlements to the Offer Shares, their corresponding interest in the Company will be diluted. In view that the Company sets the Subscription Price at a substantial discount, the Qualifying Shareholders are more likely to be attracted to participate in the Open Offer so as their shareholding are not to be diluted. Nevertheless, if all the Qualifying Shareholders (other than the Underwriters) still decide not to take up the provisional allotments of the Open Offer and the Underwriter has taken up all the provisional allotments in its capacity as the Underwriter, the percentage of shareholding of the existing Shareholders will be reduced from 100% to 12.5%.

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In the Scenario 2, there would be 50,226,068 more Shares immediately after the outstanding Warrants being exercised in full but before the Share Consolidation has become effective, representing 4.88% of the total issued Shares. The Independent Shareholders who are Qualifying Shareholders should note that, if they decide to subscribe for their full provisional allotment entitlements of the Offer Shares, there would not be any dilution effect on their shareholding interests in the Company, representing 95.12% of the total issued Shares. However, we would like to draw the Qualifying Shareholders' attention to the fact that, for those Qualifying Shareholders who do not wish to take up all or part of their provisional allotment entitlements to the Offer Shares, their corresponding interest in the Company will be diluted. In view that the Company sets the Subscription Price at a substantial discount, the Qualifying Shareholders are more likely to be attracted to participate in the Open Offer so as their shareholding are not to be diluted. Nevertheless, if all the Qualifying Shareholders (other than the Underwriters) still decide not to take up the provisional allotments of the Open Offer and the Underwriter has taken up all the provisional allotments in its capacity as the Underwriter, the percentage of shareholding of the existing Shareholders will be reduced from 100% to 11.89%.

Having considered that (i) the intended use of proceeds from the Open Offer will enable the Group to strengthen its capital base and to invest in listed and unlisted securities, which is part of the Group's principal activities; (ii) lower subscription price which represents discount to the Share price as at the Last Trading Day and to the theoretical ex-entitlement price may likely to attract the Qualifying Shareholders to participate in the Open Offer; (iii) the inherent dilutive nature of open offer is a general market practice; and (iv) the Open Offer are on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company, we are of the view that the potential dilution effect on the shareholding is fair and reasonable to the Shareholders and is not prejudicial to the Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Offer Shares under the Open Offer.

8. Financial effects of the Open Offer

(a) Net assets value

With reference to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as set out in the Appendix II to the Circular, the unaudited consolidated net tangible assets value of the Group was HK\$822 million as at 31 December 2014. After taking into account the net proceeds from the Open Offer, the unaudited pro forma adjusted consolidated net assets value of the Group will be raised to approximately HK\$1,160 million based on minimum number 1,369,384,905 Offer Shares to be issued or approximately HK\$1,190 million based on maximum number 1,439,701,396 Offer Shares to be issued.

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The consolidated net tangible assets value per Share of the Group as at 31 December 2014 was approximately HK\$0.84 per Share. Taking into effect of the Share Consolidation, the unaudited adjusted consolidated net tangible assets value per Share of the Group attributed to the equity shareholders of the Company will be approximately HK\$4.2 per Share. Upon completion of the Open Offer, the total number of Consolidated Shares shall be increased to 1,369,385,000 Shares, the unaudited pro forma adjusted consolidated net tangible assets per Share will be approximately HK\$0.74 per Share based on minimum number 1,369,384,905 Offer Shares to be issued or HK\$0.72 per Share based on minimum number 1,439,701,396 Offer Shares to be issued. This represents a decrease from HK\$0.84 per Share for consolidated net tangible assets value per Share of the Group attributed to the equity shareholders of the Company as at 31 December 2014 before the Share Consolidation.

(b) Working capital

With reference to the 2014/15 Interim Report, the unaudited net current asset of the Group was HK\$599,022,567 as at 31 December 2014. Immediately after completion of the Open Offer, the net current assets of the Group would increase by not less than HK\$342.3 million. In this regard, we are of the view that the Open Offer will improve the liquidity position of the Group.

Based on the foregoing, although the unaudited net tangible assets value per Share of the Group will be diminished, the Open Offer will enhance the net assets value of the Group and improve the liquidity position of the Group. Hence, we are of the view that the Open Offer is in the interest of the Company and the Shareholders as a whole.

D. CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the Open Offer including:

- (a) the net proceeds from the Open Offer will enhance the capital base as well as to finance the investment in listed and unlisted securities in accordance to the investment objectives and policies of the Group;
- (b) the Open Offer would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company, to participate in the future growth and development of the Company;
- (c) the discount represented by the Subscription Price to the theoretical ex-entitlement price of the Consolidated Shares on the Last Trading Day falls within the range of the discounts of the subscription prices of the Comparables;
- (d) the major terms and conditions of the Underwriting Agreement is in line with the market practice;

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- (e) the dilution effect is not prejudicial to the Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Offer Shares under the Open Offer; and
- (f) despite the decrease in the unaudited net tangible assets value per Share, the Open Offer will enhance the net assets value of the Group and improve the liquidity position of the Group;

we are of the view that the Open Offer is in the ordinary and usual course of business of the Group, and the terms of the Open Offer are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Grand Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for the year ended 30 June 2012, the year 30 June 2013, the year ended 30 June 2014 and the six month ended 31 December 2014 are disclosed on pages 28-107 of the 2012 annual report published on 30 October 2012, pages 27-103 of the 2013 annual report published on 29 October 2013, pages 28-107 of the 2014 annual report published on 14 October 2014 and pages 3-18 of the 2014 Interim Report published on 3 March 2015 respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.capital-vc.com). Please refer to the hyperlinks as stated below:

2012 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/1030/LTN20121030258.pdf>

2013 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/1029/LTN20131029396.pdf>

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1014/LTN20141014231.pdf>

2014 interim report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0303/LTN20150303739.pdf>

2. INDEBTEDNESS STATEMENT

As at 31 March 2015, the Group has pledged its financial assets at fair value through profit or loss which are approximately HK\$35,023,000 to secure margin financing facilities obtained from regulated securities dealers. As at 31 March 2015, approximately HK\$20,928,000 margin financing facilities was utilized.

Save as disclosed above and apart from intra-group liabilities, the Company did not have any other outstanding bank or other borrowings, mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, guarantee, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or other finance lease commitments or other contingent liabilities.

Saved as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Company since 31 March 2015 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of this circular in the absence of unforeseen circumstances.

4. WORKING CAPITAL MANAGEMENT POLICY

Cash is required to pay for all assets and services subscribed by the company and to meet future obligations as they come due. A sufficient level of cash should be kept available for daily operating expenses. However, only cash necessary to meet anticipate day-to-day expenditures plus a reasonable cushion for emergencies should be kept available. It is the Group's policy that any excess cash should be invested in liquid income-producing instruments.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 30 June 2014, being the date to which the latest published audited financial statements of the Group was made up.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Company is an investment company and its shares are listed on the Main Board of the Stock Exchange since 27 October 2003, pursuant to Chapter 21 of the Listing Rules. The Group will remain principally engaged in investment in listed and unlisted companies mainly in Hong Kong and the PRC.

The second half of Year 2014 continues the amazing time to investors holding securities listed in Hong Kong. Hang Seng Index maintained at a high level from 23,190 at the end of June 2014 to 23,501 at 31 December 2014. The Group's portfolio of listed securities outperformed the Blue Chips. The prices of certain listed stocks held by the Group rose by more than 50% during the six months ended 31 December 2014 (the "**Period**").

Accordingly, consistent with the outstanding performance on financial asset investment in the six months ended 31 December 2013, the Group recognised the net profit on financial assets at fair value through profit or loss of approximately HK\$163.4 million in the Period.

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

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

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

The unaudited net profit of SSIL was approximately HK\$2.0 million during the year ended 31 December 2014. The unaudited net profit of MAL was approximately HK\$11.7 million during the period from 1 July 2014 (date of incorporation) to 31 March 2015. DCIH recorded an unaudited net loss of approximately HK\$4.1 million during the nine months ended 31 December 2014.

About the unlisted investments brought forward, as the crude oil WTI (NYMEX) price dropped from approximately US\$100 per barrel in June 2014 to approximately US\$50 per barrel in December 2014, the value of the Group’s investment in Pure Power Group, which is principally engaged in the exploration and exploitation of oil fields in the United States of America, decreased by HK\$8 million during the Period.

Looking forward, the Board expects the investment environment in the US and other advance economies will extend the uptick from the fiscal year of 2013/14. Anticipated mild and slow removal of excess liquidity will not cause significant influence of global investment market. In the East, as the China economy is maturing and a more sustainable development is desired, slower future growth levels are to be expected. During the last quarter of the fiscal year 2013/14, major economic indicators in the US continued to accelerate, allowing a carefully more optimistic outlook for the current year. The Directors will continue to adopt cautious measures to manage the Group’s investment portfolio.

In view of the average share price (HK\$0.166) of the Company in April 2015 which was traded below the Company’s net asset value per share (HK\$1.623) as at 30 April 2015, the Directors considered that the trading price of the Shares has yet reflected the intrinsic value of the Company and was undervalued by the investors under current market perception. Taking note of the Group’s business performance since 2014, the current investment environment and the Group’s proposed development to capture suitable investment opportunities in both listed and unlisted securities from time to time utilizing proceeds from the Open Offer, the Directors considered that it will strengthen the Group’s asset and capital base which will be beneficial for the Group’s business growth and development.

Owing to the nature of the Group’s principal business which is investment in listed and unlisted securities, it is essential for the Group to have sufficient funding for its business development and requires extensive cash to grow. It is the intention of the Group to maximize its capital resources utilization efficiency by capturing suitable investment opportunities for its business expansion. Subject to the Group is profit-making and possess sufficient cash resources on hand after capturing suitable investment opportunities for its business growth, without affecting the normal operations and business development of the Group, the Company shall pay dividends to the Shareholders. The Company will continue to perform regular review of its dividend policy on a bi-annual basis.

In the past, the Company has taken into account the following in the determination of dividend payment, namely (i) results of the Group's operation; (ii) the level of the Group's cash position in comparison to its current and projected operating and capital requirements; (iii) the Group's margin financing level; (iv) the Group's ability to obtain debt financing; (v) the level of financing costs on the indebtedness of the Group from time to time; (vi) general investment environment; (vii) cash reserve for capturing appropriate investment opportunities which may arise from time to time, along with the ultimate goal of maximizing returns to Shareholders.

Details of the Company's dividend policy is stated in Appendix IV "Additional Disclosures" under the paragraph headed "Distribution Policy" on page IV-5. Further, upon release of the Company's annual report, the Company will state therein (i) the Company's ongoing dividend policy; (ii) any deviation from its dividend policy previously disclosed; (iii) factors considered by the Company in its determination of dividend payment.

Up to the Latest Practicable Date, dividend policy of the Company does not set out specifically the proportion of net profits which will be distributed as dividend to Shareholders in the event the Group recorded net profits.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma financial information of the Group (the “Unaudited Pro Forma Financial Information”) attributable to equity shareholders of the Company is prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the proposed Share Consolidation for every five issued Share consolidated into one Consolidated Share and the proposed Open Offer on the basis of seven Offer Shares for every one consolidated Share held on the Record Date at HK\$0.25 per Offer Share on the consolidated net tangible assets of the Group as if the Share Consolidation and the Open Offer had been completed on 31 December 2014.

The Unaudited Pro Forma Financial Information of the Group is prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Share Consolidation and Open Offer as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2014 and adjusted to reflect the effect of the Share Consolidation and Open Offer.

	Unaudited consolidated net assets of the Group as at 31 December 2014	Unaudited adjusted consolidated net assets of the Group after Share Consolidation	Estimated net proceeds from the exercise of warrants	Estimated net proceeds from the Open Offer	Unaudited pro forma adjusted consolidated net assets of the Group after the completion of the Share Consolidation and the Open Offer
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4, 5)</i>	<i>(Note 6, 7)</i>
Based on minimum number 1,369,384,905 Offer shares to be issued					
Net tangible assets	<u>822,278</u>	<u>822,278</u>	<u>–</u>	<u>337,746</u>	<u>1,160,024</u>
Number of shares ('000)	<u>978,132</u>	<u>195,626</u>	<u>–</u>	<u>1,369,385</u>	<u>1,565,011</u>
Net tangible assets per share	<u>0.84</u>	<u>4.20</u>			<u>0.74</u>
Based on maximum number 1,439,701,396 Offer shares to be issued					
Net tangible assets	<u>822,278</u>	<u>822,278</u>	<u>12,556</u>	<u>355,325</u>	<u>1,190,159</u>
Number of shares ('000)	<u>978,132</u>	<u>195,626</u>	<u>10,045</u>	<u>1,439,701</u>	<u>1,645,372</u>
Net tangible assets per share	<u>0.84</u>	<u>4.20</u>			<u>0.72</u>

Notes:

- (1) The unaudited consolidated net tangible assets attributable to equity shareholders of the Company at 31 December 2014 is extracted from the published interim report of the Company for the period ended 31 December 2014.
- (2) The Company proposed the Share Consolidation on the basis of five shares in issue consolidated into one consolidated share. Prior to the Share Consolidation, the number of Shares in issue was 978,132,076 shares. Number of Shares in issue immediately upon the Share Consolidation is 195,626,415 shares.
- (3) Assuming full exercise of the subscription rights attaching to the outstanding Warrants on or before the Record Date, an additional 70,316,491 Offer Shares would be issued.
- (4) The estimated net proceeds from the issue of the Open Offer of approximately HK\$337,746,000 are based on 1,369,384,905 Offer Shares to be issued at the Subscription Price of HK\$0.25 per Offer Share (assuming no outstanding Warrants being exercised on or before the Record Date) and after deduction of estimated related expenses of approximately HK\$4,600,000.
- (5) The estimated net proceeds from the issue of the Open Offer of approximately HK\$355,325,000 are based on 1,439,701,396 Offer Shares to be issued at the Subscription Price of HK\$0.25 per Offer Share (assuming the outstanding Warrants being exercised in full on or before the Record Date) and after deduction of estimated related expenses of approximately HK\$4,600,000.
- (6) Assuming no outstanding Warrants being exercised on or before the Record Date, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share after completion of the Share Consolidation and Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company after the completion of the Share Consolidation and Open Offer of approximately HK\$1,160,024,000 and on the basis of 1,565,011,320 Shares in issue, representing an aggregate of 978,132,076 Shares in issue consolidated into 195,626,415 Consolidated Shares (calculated on the basis of 978,132,076 Shares in issue as at the Latest Practicable Date) issued under the Share Consolidation and 1,369,384,905 Offer Shares (on the basis of seven Offer Shares for every one Consolidated Shares taken up) assuming the Share Consolidation and Open Offer have been completed on 31 December 2014.
- (7) Assuming the outstanding Warrants being exercised in full on or before the Record Date, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share after completion of the Share Consolidation and Open Offer is calculated based on the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company after the completion of the Share Consolidation and Open Offer of approximately HK\$1,190,159,000 and on the basis of 1,645,373,024 Shares in issue, representing an aggregate of 978,132,076 Shares in issue consolidated into 195,626,415 Consolidated Shares (calculated on the basis of 978,132,076 Shares in issue as at the Latest Practicable Date) issued under the Share Consolidation, 10,045,213 shares issued through the exercise of all outstanding Warrants and 1,439,701,396 Offer Shares (on the basis of seven Offer Shares for every one Consolidated Shares taken up) assuming the Share Consolidation and Open Offer have been completed on 31 December 2014.
- (8) No adjustment other than those adjusted above has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2014.

2. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, Cheng & Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the sole purpose of incorporation in this Circular, in respect of the unaudited pro forma financial information of the Company.

TO THE DIRECTORS OF CAPITAL VC LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Capital VC Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma net assets statement as at 31 December 2014 and related notes as set out in section A of Appendix II of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in section A of Appendix II of the investment circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Open Offer and the shares consolidation on the Group’s financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial statements for the period ended 31 December 2014, on which an interim report has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the respective dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKASE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion:

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Cheng & Cheng Limited
Certified Public Accountants
Hong Kong

26 May 2015

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors and the directors of the Investment Manager collectively and individually accept full responsibility, include particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the directors of the Investment Manager, having made all reasonable enquiries, confirm that to the best of their knowledge and belief and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorized and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective but before completion of the Open Offer (assuming there is no change in the issued share capital of the Company other than the Share Consolidation between the Latest Practicable Date up to the effective date of the Share Consolidation); (iii) immediately following the completion of the Open Offer (assuming no outstanding Warrants will be exercised on or before the Record Date); and (iv) immediately following the completion of the Open Offer (assuming full exercise of the Warrants on or before the Record Date) are as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>200,000,000,000</u>	Shares of HK\$0.001 each	<u>200,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		<i>HK\$</i>
<u>978,132,076</u>	Shares of HK\$0.001 each	<u>978,132.08</u>

(ii) Immediately after the Share Consolidation becoming effective but before completion of the Open Offer (assuming there is no change in the issued share capital of the Company other than the Share Consolidation between the Latest Practicable Date up to the effective date of the Share Consolidation)

<i>Authorised:</i>		<i>HK\$</i>
<u>40,000,000,000</u>	Consolidated Shares of HK\$0.005 each	<u>200,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		<i>HK\$</i>
<u>195,626,415</u>	Consolidated Shares of HK\$0.005 each	<u>978,132.08</u>

(iii) Immediately following completion of the Open Offer (assuming no outstanding Warrants will be exercised on or before the Record Date)

<i>Authorised:</i>		<i>HK\$</i>
<u>40,000,000,000</u>	Consolidated Shares of HK\$0.005 each	<u>200,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		<i>HK\$</i>
978,132,076	Shares of HK\$0.001 each as at the Latest Practicable Date	978,132.08
195,626,415	Consolidated Shares in issue as at the Record Date	978,132.08
1,369,384,905	Offer Shares to be issued	6,846,924.52
<u>1,565,011,320</u>	Total	<u>7,825,056.60</u>

(iv) immediately following completion of the Open Offer (assuming full exercise of the Warrants on or before the Record Date)

<i>Authorised:</i>		<i>HK\$</i>
<u>40,000,000,000</u>	Consolidated Shares of HK\$0.005 each	<u>200,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		<i>HK\$</i>
978,132,076	Shares of HK\$0.001 each as at the Latest Practicable Date	978,132.08
205,671,628	Consolidated Shares in issue as at the Record Date	1,028,358.14
1,439,701,396	Offer Shares to be issued	7,198,506.98
<u>1,645,373,024</u>	Total	<u>8,226,865.12</u>

No capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date. All the Offer Shares when allotted, issued and fully paid, will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Consolidated Shares in issue as at the date of allotment and issue of the Open Offer.

The Offer Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Consolidated Shares or the Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, there are outstanding Warrants to subscribe for an aggregate of 50,226,068 Shares or 10,045,213 Consolidated Shares. Assuming full exercise of the subscription rights attaching to the outstanding Warrants on or before the Record Date, an additional 70,316,491 Offer Shares will be issued. Saved for the Warrants, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

3. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Interest of substantial shareholders

As at the Latest Practicable Date, to the best knowledge of the Directors, the following person (other than a Director and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long Positions in the Shares

Name of shareholder	Capacity	Number of shares held	Percentage of the shareholding (Approximately)
I-clouds Investments Limited (<i>Note</i>)	Beneficial owner	63,000,000	6.44%
Ye Ruiqiang	Interest held by controlled corporation	63,000,000	6.44%

Note:

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

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 30 June 2014 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group.

5. LITIGATION

In HCA 1700/2011, since the legal representative of the Company filed the defence on behalf of the Company in December 2011, for almost 3 years, the Plaintiff has not taken any further steps at all in respect of the proceedings. The said law suit was taken out by Mr. Chan Ping Yee (the “**Plaintiff**”) and involves a dishonoured cheque issued by the Company for the amount of HK\$39,000,000 allegedly payable to the Plaintiff. The law suit came about because there was a possible share transaction which eventually fell through. It has always been the view of the Company’s legal representative that the Plaintiff’s claim is totally without ground. The Company has taken legal advice and has already given instructions to their legal representative to make an application to strike out the claim with costs, for (1) lack of merits of the claim, and (2) want of prosecution.

Save as disclosed above, as at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling Shareholder or their respective close associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

8. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within the two years immediately preceding the date of this circular, and are or may be material:

- (1) the tenancy agreement dated 4 July 2013, the Company and an independent third party (the “**third party**”) jointly entered into 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;
- (2) a separate agreement (“**Separate Agreement**”) dated 2 July 2013 between the Company, the third party (the “**Third Party**”) and a guarantor, who is a director and shareholder of the Third Party, the Company is obligated to pay HK\$1 during the Lease Period and third party is obligated to pay the remaining lease payment. According to the Separate Agreement, 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;

- (3) the underwriting agreement (“**2014 Underwriting Agreement**”) dated 27 January 2014 (as supplemented by a supplemental agreement entered by the parties to the 2014 Underwriting Agreement on 24 February 2014) entered into between the Company and Tanrich Securities Company Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the open offer of the Company completed on 17 April 2014. The amount of commission was 2.5% of the aggregate subscription price of the maximum number of 685,572,096 underwritten shares, which amounted to approximately HK\$4.3 million.
- (4) the Investment Management Agreement; and
- (5) the Underwriting Agreement.

9. EXPERT AND CONSENT

The followings are the names and the qualifications of the professional advisers who have given opinions or advice which are contained or referred to in this document:

Name	Qualification
Cheng & Cheng Limited (“Cheng & Cheng”)	Certified Public Accountants
Vinco Capital (“Vinco Capital”)	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of Cheng & Cheng and Vinco Capital had no beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either directly or indirectly, in any assets which have been, since 30 June 2014, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Cheng & Cheng and Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and/or its letters dated 26 May 2015 and/or references to its name and/or its advice in the form and context in which they respectively appear.

10. EXPENSES

The expenses in connection with the Open Offer, including underwriting commission, printing, registration, legal, accounting and financial adviser fees, are estimated to be approximately HK\$4.7 million and will be payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Unit 2302, 23rd Floor New World Tower 1 18 Queen's Road Central Hong Kong
Company secretary	Mr. Chan Ka Yin, who is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experience in company secretarial practices in respect of listed companies.
Investment Manager	Insight Capital Management (Hong Kong) Limited 16A, Two Chinachem Plaza 135 Des Voeux Road Central Hong Kong
Authorised representatives	Mr. Kong Fanpeng Unit 2302, 23rd Floor New World Tower 1 18 Queen's Road Central Hong Kong Mr. Chan Ka Yin Unit 2302, 23rd Floor New World Tower 1 18 Queen's Road Central Hong Kong
Share registrar and transfer office in Hong Kong	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Des Voeux Road Central, Hong Kong

	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
Auditors	Cheng & Cheng Limited <i>Certified Public Accountants</i> 10th Floor, Allied Kajima Building 138 Gloucester Road, Wanchai Hong Kong
Reporting accountants	Cheng & Cheng Limited <i>Certified Public Accountants</i> 10th Floor, Allied Kajima Building 138 Gloucester Road, Wanchai Hong Kong
Legal advisers to the Company in relation to the Open Offer	<i>As to Hong Kong law</i> Patrick Mak & Tse 16th Floor, Nan Fung Tower 173 Des Voeux Road Central Hong Kong
Underwriter	SBI China Capital Financial Services Limited Unit A2, 32/F, United Centre 95 Queensway, Hong Kong

12. PARTICULARS OF THE DIRECTORS

(a) Name and address of the Directors

Executive Directors

Name	Address
Mr. Kong Fanpeng	Unit 2302, 23rd Floor New World Tower 1 18 Queen's Road Central Hong Kong
Mr. Chan Cheong Yee	Unit 2302, 23rd Floor New World Tower 1 18 Queen's Road Central Hong Kong

Independent Non-executive Directors

Name	Address
Mr. Lam Kwan	Unit 2302, 23rd Floor New World Tower 1 18 Queen's Road Central Hong Kong
Mr. Ong Chi King	Unit 2302, 23rd Floor New World Tower 1 18 Queen's Road Central Hong Kong
Mr. Lee Ming Gin	Unit 2302, 23rd Floor New World Tower 1 18 Queen's Road Central Hong Kong

(b) Profile of the Directors*Executive Directors*

Mr. Kong Fanpeng (“Mr. Kong”), aged 47, has been an Executive Director since 18 March 2010. He obtained a Bachelor's degree in Finance and Auditing from Zhongshan University, the PRC. Mr. Kong was a manager of Huizhou TCL Information System Limited and Guangzhou Bada Telecommunications Limited. He also worked as the general manager of the PRC market and an executive director respectively at Chief Securities Limited in Hong Kong and Excalibur Securities Limited in Hong Kong, specialising in risk averse arbitrage trading in both Shenzhen and Hong Kong capital market. Mr. Kong was the chairman and an executive director of Shenzhen Wansheng Investment Management Company Limited. He has a wealth of experience in the Hong Kong securities market for over 24 years and is well versed in investment in the second board market in both China and Hong Kong. Mr. Kong is the chief partner of Shenzhen CAS Bright Stone Investment Management Limited.

Mr. Chan Cheong Yee (“Mr. Chan”), aged 51, has been an Executive Director since 21 November 2012. He is one of the responsible officers of China Everbright Securities (HK) Limited. Mr. Chan is currently a licensed person to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading) and type 9 (asset management) regulated activities under the SFO. Mr. Chan obtained a Bachelor of Science degree from the College of Business Administration of the University of South Florida in the United States of America. Mr. Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing listed investment companies under Chapter 21 of the Listing Rules of Hong Kong Stock Exchanges.

Since June 2003, Mr. Chan joined China Innovation Investment Limited (stock code: 1217), an investment company listed on the Stock Exchange, as executive director. Mr. Chan was an independent non-executive director before 2009 and thereafter an executive director of Bingo Group Holdings Limited (stock code: 8220), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chan was appointed as an independent nonexecutive director of Agritrade Resources Limited (stock code: 1131), a company listed on the Stock Exchange, in June 2010. Mr. Chan was appointed as an executive director of China Investment and Finance Group Limited (stock code: 1226), an investment company listed on the Stock Exchange, in March 2011. Mr. Chan was appointed as an executive director of China Investment Development Limited (stock code: 204), an investment company listed on the Stock Exchange, in May 2012. Mr. Chan was also appointed as an executive director of China New Economy Fund Limited (stock code: 80), an investment company listed on the Stock Exchange, in June 2013.

Independent Non-Executive Directors

Mr. Lam Kwan (“Mr. Lam”), aged 46, has been an Independent Non-executive Director of the Company since 10 September 2003. He obtained a Bachelor degree in Accountancy from the Hong Kong Polytechnic University. He is a practicing Certified Public Accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong. Mr. Lam is currently a director of Charles H.C. Cheung & CPA Limited. Mr. Lam is an independent non-executive director of Pearl Oriental Oil Limited (stock code: 632).

Mr. Ong Chi King (“Mr. Ong”), aged 41, has been an Independent Non-executive Director of the Company since 20 January 2012, is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Ong received a Bachelor’s degree in Business Administration from The Hong Kong University of Science and Technology and a master’s degree in corporate finance from The Hong Kong Polytechnic University. Mr. Ong has more than 19 years of experience in accounting, finance and company secretarial fields and held senior positions in finance and company secretarial departments in various listed companies listed on the main board of the Stock Exchange. Mr. Ong is currently a company secretary of a company listed on the main board of the Stock Exchange. Mr. Ong is an independent non-executive director of China Environmental Resources Group Limited (stock code: 1130), Hong Kong Education (Int’l) Investments Limited (stock code: 1082), King Force Security Holdings Limited (stock code: 8315), KSL Holding Limited (stock code: 8170), Larry Jewelry International Company Limited (stock code: 8351) and WLS Holdings Limited (stock code: 8021).

Mr. Ong was a director of Fitness Concept International Holdings Limited prior to its dissolution. The said company was incorporated in the Cayman Islands and was dissolved on 30 June 2005 by striking off due to cessation of business.

Mr. Lee Ming Gin (“Mr. Lee”), aged 29, has been an Independent Non-executive Director of the Company since 6 March 2013. Mr. Lee holds a Bachelor Degree of Quantitative Finance from the Chinese University of Hong Kong. Mr. Lee is experienced in securities, insurance advisory and fund management having been working for several wealth and asset management firms. Mr. Lee was a continuous education training tutor and is currently a director of the Institute of Financial Planners of Hong Kong, and his professional qualifications include Certified Financial Consultant, Certified Financial Planner and member of the Hong Kong Securities Institution.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday (except for public holidays) at the principal place of business of the Company in Hong Kong at Unit 2302, 23rd Floor, New World Tower 1, 18 Queen’s Road Central Hong Kong from 26 May 2015, the date of this circular up to and including 8 June 2015:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the year ended 30 June 2012, 30 June 2013 and 30 June 2014;
- (c) the interim report of the Company for the six months ended 31 December 2014;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 28 of this circular;
- (e) the letter of advice from Vinco Capital, the text of which is set out on pages 29 to 54 of this circular;
- (f) the accountants’ report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- (g) the letters of consent referred to under the paragraph headed “Expert and Consents” in this Appendix;
- (h) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix; and
- (i) this circular.

14. MISCELLANEOUS

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) The English text of this circular shall prevail over the Chinese text.

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of the Listing Rules in connection with the listing document of investment companies. This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company. This appendix, for which the Directors and the directors of the Investment Manager collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the directors of the Investment Manager, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this appendix is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this appendix misleading.

INFORMATION ON THE INVESTMENT MANAGER AND THE CUSTODIAN

Investment Manger

Insight Capital Management (Hong Kong) Limited
16A, Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

Directors of the Investment Manager

Cheng Chi Wai, Benny
16A, Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

Woo Wing Sum, Samuel
16A, Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

The Investment Manager

The Investment Manager is a company incorporated in Hong Kong on 5 November 2013 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 biographical details of the directors of the Investment Manager are set out as follows:

Mr. Cheng Chi Wai, Benny (“**Mr. Cheng**”) holds a Bachelor’s degree in economics from the University of New South Wales and a Master’s degree in Business Administration from the California State University. He has over 17 years of experience in the financial service and fund management industry. Mr. Cheng started the fund management career at Baring Asset Management (Asia) Limited in 1999. Mr. Cheng was invited to join Maunakai Capital Partners (MCP) as a Partner in 2006 and he was acting as a responsible officer until June 2014. Mr. Cheng founded the Investment Manager in 2013 and is currently a responsible officer in respect of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Mr. Woo Wing Sum, Samuel (“**Mr. Woo**”) obtained a Bachelor’s degree in building construction management and a Master’s degree in real estate from the University of New South Wales. He has around 9 years’ of experience in the asset management industry. During the period from 2005 to 2013, he was the Investment Director of CLSA Capital Partners. Mr. Woo joined Insight Capital Management (Hong Kong) Limited in 2013 and is currently a responsible officer in respect of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

The Custodian

As at the Latest Practicable Date, the Group has not appointed any custodian.

The Directors confirm that none of the directors of the investment company, the management company, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the investment company, or any reallowance of other types on purchases charged to the investment company.

RISKS RELATING TO THE COMPANY

The Company is an investment company and its funds will be invested in listed and unlisted companies in Hong Kong and PRC. These investments will be subject to market fluctuations and to the risks inherent in all investments. Investors should also be aware that the Company’s income and its Net Asset Value are likely to be adversely affected by external factors beyond the control of the Company. As a result, income of the fund and its Net Asset Value may therefore go down as well as go up, subject to the prevailing market conditions.

INVESTMENT OBJECTIVES AND POLICIES

The Company is an investment company incorporated in the Cayman Islands with the primary objective of achieving earnings in the form of short to medium term (i.e. less than five years) capital appreciation as well as income from interest and dividends by investing in listed and unlisted companies mainly in Hong Kong and the PRC. The Company may from time to time make other investments outside the PRC and Hong Kong should the Directors believe that such investments may provide attractive returns. The Company also intends to invest in unlisted companies with the potential to seek a listing on the Stock Exchange or any overseas stock exchanges.

The Company has adopted the following investment policies:

1. at least 70% of the Company’s total investments will be invested in equity securities, convertible notes, preference shares, options, warrants, futures contracts, debt securities, mutual fund and unit trusts issued by listed and unlisted companies in Hong Kong and the PRC, or such other types of investments in accordance with the investment objectives and policies and restrictions adopted by the Company from time to time and the requirements of the Memorandum of Association (the “**Memorandum**”), the Articles, the Listing Rules and the Investment Management Agreement;

2. investments will normally be made in the form of equity or equity related securities and debt instruments in listed and unlisted companies engaged in different industries including (but not limited to) information technology, manufacturing, pharmaceutical, service, property, telecommunications, life and environmental and infrastructure sectors. This helps to maintain a balance in the Company's exposure to different industry sectors in order to minimize the effect on the Company of any downturn in any particular sector;
3. investment will normally be made in enterprises which are established in their respective fields and in which the Board believes that there are prospects of earnings growth and/or capital appreciation. In particular, the Company will seek to identify business or entities with a potential for profit growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to long term growth of such companies. However, the Company may invest in companies or other entities which are considered by the Board and/or the Investment Manager as being special or in recovery situations on a case by case basis. The Board believes that the present market conditions offer various special and attractive investment opportunities;
4. where possible, the Board and the Investment Manager will seek to identify investments where there is a certain degree of synergy with other investee companies and where cooperation between such companies would be of mutual benefit to each other;
5. the Company's investments may take the form of equity joint ventures, co-operative joint ventures or participation in unincorporated investments. In the event that the entity in which an investment is made is an unlimited company under the PRC laws, the Company may invest through a wholly-owned subsidiary or an intermediate investment holding company with limited liability. The Board will seek to ensure that the Company will not be directly and unnecessarily exposed to any unlimited liability on its investments;
6. the Company's investments are intended to be held for short to medium term (i.e. less than five years) capital appreciation and there is no present intention to realize any of such investments in any specific period or by any specific date. Nevertheless, the Directors will from time to time realize investments where they believe the realisation would be in the best interests of the Company or where the terms on which such realisation can be achieved are considered by the Directors to be favourable to the Company; and
7. the investment limit exercisable by the Board for any single investment is the lower of 20% of its net asset value or HK\$10,000,000 or such other amount as may be resolved by the Board from time to time.

Investors should note that while it is the intention of the Company to invest its funds in accordance with the investment objectives and policies outlined above as soon as practicable, it may take some time before the funds of the Company are fully invested due to market and other investment considerations.

INVESTMENT RESTRICTIONS

Under the Articles and the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company. In part to meet such restriction, the Board has resolved that the Company may not:

1. either on its own or in conjunction with any connected person (as defined in the Listing Rules) take legal, or effective, management control of underlying investments and in no event will the Company itself or through its wholly owned subsidiaries, if any, own(s) or control(s) more than 30% (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in such company or other entity, except in relation to wholly-owned subsidiaries of the Company, if any;
2. invest in any company or entity other than wholly-owned subsidiaries of the Company, if any, for the purpose of holding investments only, if such investment will result in more than 20% of its net asset value being invested in such company or entity as at the date the investment is made so as to ensure that a reasonable spread of investments will at all times be maintained by the Company;
3. buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metal;
4. invest more than 30% of the Company's assets outside Hong Kong and the PRC to the extent of contravening its primary objective of achieving short to medium term (i.e. less than five years) capital appreciation by investing in listed and unlisted companies in Hong Kong and the PRC; and
5. engage in transactions in options and futures except for hedging purposes.

The Company has to comply with investment restrictions 1 and 2 above, in accordance with its Articles, and at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules.

Save for investment restrictions 1 and 2, the investment objectives, policies and restrictions of the Company can be changed by a resolution of the Board without Shareholders' approval.

BORROWING POWER

Pursuant to and in accordance with the provisions of the Articles, the Company may exercise its borrowing power to borrow up to an aggregate principal amount representing not more than 50% of its latest available net asset value at the time the borrowing is made. Shareholders' approval at general meeting is required if the borrowing exceeds 50% of the latest net asset value at the time the borrowing is made. The Company's assets may be charged or pledged as security for borrowings. Subject to the provisions of the Memorandum, the Articles and the Investment Management Agreement, the Investment Manager may from time to time advise the Company to borrow for the purposes of providing liquidity or taking advantage of investment opportunities.

DISTRIBUTION POLICY

It is the Board's intention to distribute any excess balance by way of dividend to the extent permitted by law, the Memorandum and the Articles. Dividends will only be paid to the extent that they are covered by net income received from underlying investments. Distribution will be made annually after the annual accounts of the Company are approved by the Shareholders but interim distribution may be made from time to time to Shareholders as appear to the Board to be justified by the position of the Company. Distributions will be made in Hong Kong dollars.

FOREIGN CURRENCY MANAGEMENT AND EXCHANGE CONTROL

The Group has a number of investment projects in the PRC and may be subjected 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. Therefore, no financial instrument was made to hedge such exposures.

TAXATION

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

FEES AND EXPENSES

The Company will pay the fees of the Investment Manager, as described below. In addition, the Company will pay certain other costs and expenses incurred in its operation, including taxes (other than Hong Kong profits tax), expenses for legal, auditing and consulting services, promotional expenses, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance, interest and brokerage cost and the cost of publishing the net assets value of the Company on a monthly basis.

Investment management fees

The Company will pay the Investment Manager a monthly investment management fee payable at HK\$50,000 per month from 21 October 2014 up to 20 October 2016.

Save for the fees mentioned hereinabove, the Investment Manager are not entitled to receive any other fees from the Company.

INVESTMENT PORTFOLIO

The follows are the details of the ten largest investments of the Group as at 31 December 2014, which include all listed investments and all other investments with a value of more than 5% of the Group's gross assets as at 31 December 2014. Save for the investments disclosed herein, there are no other listed investments and all other investments with a value of more than 5% of the Company's gross assets as at 31 December 2014.

Note	Name of investee company	Stock Code	Number of shares held	Effective shareholding interest (Approximate)	Cost as at 31 December 2014 (Approximate) HK\$'000	Market value/Fair value as at 31 December 2014 (Approximate) HK\$'000	Accumulated unrealised holding gain (loss) arising on revaluation (Approximate) HK\$'000	Net asset value to the Group (Approximate) HK\$'000	Profit/(Loss) attributable to the Group for the period (Approximate) HK\$'000	Dividends received/receivable during the period HK\$'000	Classification of financial assets
(i)	GCL New Energy Holdings Limited	0451	138,144,000	1.00%	95,395	110,515	15,120	29,010	(1,127)	0	Held for trading
(ii)	Suncorp Technology Limited	1063	244,560,000	1.91%	56,038	56,982	944	241	(628)	0	Held for trading
(iii)	Sincere Smart International Limited	N/A	1,400	14.00%	42,700	42,700	0	378	(28)	0	Available-for-sale
(iv)	Starfame Investments Limited	N/A	99	9.90%	30,000	30,000	0	9,831	3,010	0	Available-for-sale
(v)	Orient Securities International Holdings Limited	8001	15,792,000	4.39%	24,978	25,267	289	10,874	786	0	Held for trading
(vi)	Pure Power Holdings Limited	N/A	220	2.59%	32,500	24,500	(8,000)	(85)	(18)	0	Available-for-sale
(vii)	Tiangong International Company Limited	0826	17,118,000	0.77%	36,645	24,479	(12,166)	38,127	4,497	0	Held for trading
(viii)	Easy Ideas Limited	N/A	13,000	26.00%	24,440	24,440	0	962	(182)	0	Available-for-sale
(ix)	Wealth Glory Holdings Limited	8269	80,000,000	3.74%	24,242	23,600	(642)	6,672	(5,962)	0	Held for trading
(x)	Sau San Tong Holdings Limited	8200	124,200,000	8.84%	23,301	19,748	(3,553)	22,224	283	0	Held for trading

Based on the latest published annual reports or valuation report of the above companies, a brief description of the business and financial information of such companies is as follows:

- (i) GCL New Energy Holdings Limited (stock code: 0451) ("GCL") and its subsidiaries are principally engaged in manufacturing and selling of printed circuit boards. Net loss of approximately HK\$112.7 million was recognized for the period from 1 April 2014 to 31 December 2014, its net asset value was approximately HK\$2,901.0 million as at 31 December 2014.

- (ii) Suncorp Technology Limited (stock code: 1063) (“Suncrop”) and its subsidiaries are principally engaged in design and sales of telephones and related products, processing and trading of used computer-related components. Net loss of approximately HK\$32.9 million was recognized during the year ended 31 December 2014, its net asset value was approximately HK\$12.6 million as at 31 December 2014.
- (iii) Sincere Smart International Limited is a private company (“Sincere Smart”) and its subsidiaries are principally engaged in software application industry. The unaudited consolidate loss attributable to equity holders of approximately HK\$0.2 million was recognized during the period 1 April 2014 to 31 December 2014, its unaudited net assets value was approximately HK\$2.7 million as at 31 December 2014.
- (iv) Starfame Investments Limited (“Starfame”) is a private company incorporated in British Virgin Islands and is principally engaged in investment holding and wholesale and distribution of products encompassing various aspects of production and livelihood. For the financial year ended 31 December 2014, the unaudited consolidated profit attributable to equity holders of Starfame was approximately HK\$30.4 million and the consolidated net assets attributable to the equity holders was HK\$99.3 million.
- (v) Orient Securities International Holdings Limited (stock code: 8001) (“Orient”) and its subsidiaries are principally engaged in provision of brokerage service; underwriting and placing service; and financing service including securities and IPO margin financing. Net profit of approximately HK\$17.9 million was recognized during the year ended 31 December 2014, its net asset value was approximately HK\$247.7 million as at 31 December 2014.
- (vi) Pure Power Holdings Limited (“Pure Power”) and its subsidiaries are principally engaged in the exploration and exploitation of natural resources in United State of America. Pure Power is an unlisted equity security. For the financial year ended 31 December 2014, the unaudited consolidated loss attributable to equity holders of Pure Power was approximately US\$86,049 (equivalent to approximately HK\$0.7 million) and its unaudited consolidated net liability value was approximately US\$424,169 (equivalent to approximately HK\$3.3 million).
- (vii) Tiangong International Company Limited (stock code: 0826) (“Tiangong”) and its subsidiaries are principally engaged in manufacture and sale of high speed steel (or HSS), HSS cutting tools and die steel. Net profit of approximately RMB463,466,000 (equivalent to approximately HK\$584.0 million) was recognized during the year ended 31 December 2014, its net asset value was approximately RMB3,929,821,000 (equivalent to approximately HK\$4,951.6 million) as at 31 December 2014.

- (viii) Easy Ideas Limited (“Easy Ideas”) is principally engaged in the provision of professional IT service for the development and support of internet and mobile applications, and the implementation of business information network and infrastructure. Easy Ideas is an unlisted equity security. For the financial year ended 30 September 2013, the unaudited consolidated profit attributable to equity holders of Easy Ideas was approximately HK\$3.7 million and its unaudited consolidated net liability value was approximately HK\$0.7 million.

- (ix) Wealth Glory Holdings Limited (stock code: 8269) (“Wealth Glory”) and its subsidiaries are principally engaged in supply and sale of dried noodles; manufacture and sale of fresh noodles; investment in coal trading business; and trading of natural resources and commodities. Net loss of approximately HK\$159.4 million was recognized during the year ended 31 March 2014. As at 30 September 2014, according to the latest published financial statements of Wealth Glory, its net asset value was approximately HK\$178.4 million.

- (x) Sau San Tong Holdings Limited (stock code: 8200) (“Sau San Tong”) and its subsidiaries are principally engaged in provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products and sale of other health and beauty products. Net profit of approximately HK\$3.2 million was recognized during the year ended 31 March 2014. As at 30 September 2014, according to the latest published financial statements of Sau San Tong, its net asset value was approximately HK\$251.4 million.

The Group reviews the fair value of its unlisted equity investments to determine whether there is any indication that those investment has required to make provision. As at 31 December 2014, the Group does not aware any provision should be made for those investments.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Capital VC Limited (the “**Company**”) will be held at 11:00 a.m. on Thursday, 11 June 2015 at Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and condition upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and permission to deal in, the Consolidated Shares (as defined below), with effect from the business day (as defined below) immediately following the date on which this resolution is passed:
 - (a) every five (5) issued and unissued shares of HK\$0.001 each in the share capital of the Company be consolidated into one (1) share of HK\$0.005 each (the “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”);
 - (b) the Consolidated Shares shall rank *pari passu* in all respects with each other and have the same rights and privileges as regards dividend, capital, redemption, attendance at meetings, voting, etc. and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company;
 - (c) all fractional Consolidated Shares will be disregarded and will not be issued to the holders of the existing shares of HK\$0.001 each in the share capital of the Company but all fractional Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if possible and applicable; and
 - (d) the directors of the Company be and are hereby generally authorised to do all such acts, deeds and things and execute all such documents, including under the seal of the Company, where applicable, as they may consider necessary or expedient to complete, implement and give effect to any and all the arrangements set out in this resolution.

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For the purpose of this resolution, “business day” means a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business.”

2. “**THAT** conditional upon fulfilment of the conditions of the Underwriting Agreement (as defined below):
 - (a) the allotment and issue of not less than 1,369,384,905 Consolidated Shares and not more than 1,439,701,396 Consolidated Shares in the share capital of the Company (the “**Offer Shares**”) by way of open offer (the “**Open Offer**”) at a subscription price of HK\$0.25 per Offer Share to the qualifying holders of the Shares (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on Tuesday, 23 June 2015 (or such other date as the Underwriter (as defined below) may agree in writing with the Company to be the record date for such Open Offer) (the “**Record Date**”) other than those shareholders with addresses on the Record Date are outside Hong Kong to whom the Board, based on legal opinions provided by the legal advisers, considers it necessary or expedient not to offer the Offer Shares 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 (the “**Excluded Shareholders**”) as described in further details in the Company’s circular dated 26 May 2015 and on and subject to such terms and conditions as may be determined by the Directors and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**”) including all supplemental agreement(s) relating thereto, if any) (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) dated 13 March 2015 (as supplemented on 21 May 2015) and made between the Company and SBI China Capital Financial Services Limited as underwriter (the “**Underwriter**”), and the transactions contemplated thereunder, be and are hereby approved;
 - (b) any one Director be and is hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;

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- (c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Offer Shares, if any, by the Underwriter) be and are hereby approved;
- (d) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution.”

By order of the Board
Capital VC Limited
Chan Cheong Yee
Executive Director

Hong Kong, 26 May 2015

Notes:

1. Any shareholder entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the extraordinary general meeting (or any adjournment thereof).
3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the extraordinary general meeting and in such event, the instrument appoint a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the extraordinary general meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
5. A form of proxy for use at the extraordinary general meeting is attached herewith.
6. Any voting at the extraordinary general meeting shall be taken by poll.
7. The form of proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

As at the date of this notice, the board comprise:

Executive Directors:
Mr. Kong Fanpeng
Mr. Chan Cheong Yee

Independent non-executive Directors:
Mr. Lam Kwan
Mr. Ong Chi King
Mr. Lee Ming Gin