
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your stockbroker or other registered 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, you should at once hand this Prospectus Documents (as defined herein) to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of these documents.

Dealings in the securities of the Company may be settled through CCASS and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms 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 Rights Shares in both their nil-paid and fully-paid forms 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.

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



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)

RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE AT HK\$0.20 PER RIGHTS SHARE

Financial adviser to the Company



中毅資本有限公司
Grand Moore Capital Limited

Underwriter of the Rights Issue



SORRENTO
SECURITIES LIMITED
擎天證券有限公司

The latest time for acceptance of and payment for the Rights Shares is at 4:00 p.m. on Monday, 6 March 2017. The procedures for acceptance of and payment for the Rights Shares are set out on page 23 of this Prospectus.

Shareholders should note that the Consolidated Shares have been dealt in on an ex-rights basis commencing from Thursday, 9 February 2017 and dealings in the Rights Shares in nil-paid form is expected to take place from 9:00 a.m. on Wednesday, 22 February 2017 to 4:00 p.m. on Wednesday, 1 March 2017 and that dealings in the Consolidated Shares and the Rights Shares in nil-paid form may take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealings in the Consolidated Shares and the Rights Shares in nil-paid form up to the date on which all conditions to which the Rights Issue is subject to are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Consolidated Shares and the Rights Shares in nil-paid form, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

The Rights Issue is conditional, inter alia, upon the fulfillment of the conditions set out under the section headed "Conditions of the Rights Issue" in the Letter from the Board of this Prospectus. In particular, the Rights Issue is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing the Shares and the Rights Shares in nil-paid form up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue 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.

20 February 2017

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set below:

Event	Time and date 2017
Despatch of the Prospectus Documents	Monday, 20 February
Original counter for trading in Consolidated Shares in new board lots of 20,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Wednesday, 22 February
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 Wednesday, 22 February
Parallel trading in Consolidated Shares (in the form of new and existing share certificates) begins	9:00 a.m. on Wednesday, 22 February
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 22 February
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Friday, 24 February
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 1 March
Latest time for acceptance of and payment for the Rights Issue	4:00 p.m. on Monday, 6 March
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Wednesday, 8 March
Announcement of the results of the Rights Issue	Tuesday, 14 March
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 Tuesday, 14 March
Temporary counter for trading in board lots of 4,000 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m. on Tuesday, 14 March
Parallel trading in Consolidated Shares (in the form of new and existing certificates) ends	4:00 p.m. on Tuesday, 14 March
Despatch of certificates for the Rights Issue	Wednesday, 15 March

EXPECTED TIMETABLE

Event	Time and date 2017
Despatch of refund cheques for wholly or partially unsuccessful applications for excess Rights Shares or if the Rights Issue is terminated	Wednesday, 15 March
Expected first day of dealings in the Rights Shares	9:00 a.m. on Thursday, 16 March
Last day for free exchange of existing certificates for new certificates for Consolidated Shares	Thursday, 16 March

All times and dates in this Prospectus 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

The Latest Time for Acceptance will not take place at 4:00 p.m. on Monday, 6 March 2017 if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning. If such circumstances are:

1. 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. The Latest Time for Acceptance will not take place at 4:00 p.m. on the Acceptance Date, but will be extended to 5:00 p.m. on the same Business Day instead; or
2. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. The Latest Time for Acceptance will not take place on the Acceptance Date, but will be rescheduled to 4:00 p.m. on the following 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 does not take place on Monday, 6 March 2017, the dates mentioned in the above section headed “Expected timetable” in this Prospectus may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

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

“Acceptance Date”	6 March 2017 (or such other date as the Company and the Underwriter may agree in writing), being the latest date for acceptance of, and payment for, the Rights Shares
“Announcement”	the announcement of the Company dated 11 November 2016 relating to the proposed Share Consolidation and the proposed Rights Issue
“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
“Circular”	circular of the Company dated 13 January 2017 in relation to, among other things, the Share Consolidation and the Rights Issue
“Company”	Capital VC Limited, a company incorporated in the Cayman Islands with limited Liability and carrying on business in Hong Kong as CNI VC Limited, the Shares of which are listed on the main board of the Stock Exchange
“Connected Person”	has the meaning as ascribed thereto under the Listing Rules

DEFINITIONS

“Consolidated Share(s)”	ordinary share(s) of HK\$0.025 each in the issued share capital of the Company upon completion of the Share Consolidation
“Controlling Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“EGM”	the extraordinary general meeting of the Company held on 7 February 2017 approving, among other things, the Share Consolidation and the Rights Issue
“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 Rights Shares to such Shareholders 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 Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340) and a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“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
“Investment Management Agreements”	the investment management agreement dated 17 October 2014 and the letter of extension of investment management agreement dated 11 October 2016 entered into between the Company and the Investment Manager

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
“Last Trading Day”	11 January 2016, being the date of the Underwriting Agreement
“Latest Practicable Date”	14 February 2017, being the latest practicable date before the printing of this Prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 6 March 2017 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on 8 March 2017, or such other time as may be agreed between the Company and the Underwriter, being the second 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
“Outstanding Options”	a total of 313,000,000 Shares granted under the Share Option Scheme, which are entitled to subscribe for shares of the Company
“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
“PAL(s)”	provisional allotment letter(s) for the Rights Issue
“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
“Previous Open Offer”	the open offer previously conducted by the Company as announced on 13 March 2015
“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date containing details of the Rights Issue

DEFINITIONS

“Prospectus Documents”	the Prospectus, PAL and EAF
“Prospectus Posting Date”	20 February 2017 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”	17 February 2017 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the offer by the Company for 2,066,161,872 Rights Shares at the Subscription Price of HK\$0.20 per Share on the basis of three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date payable in full on acceptance pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	2,066,161,872 Consolidated Share(s) to be allotted and issued in respect of the Rights Issue
“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(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Shares of HK\$0.005 each into one (1) Consolidated Share of HK\$0.025 each
“Share Option Announcement”	the announcement of the Company dated 21 November 2016 relating to the grant of the Outstanding Options
“Share Option Scheme”	the share option scheme adopted on 10 December 2013
“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\$0.20 per Rights Share
“Substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on the Takeovers and Mergers
“Underwriter”	Sorrento Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 11 November 2016 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue, and as modified in the supplemental agreement to the Underwriting Agreement dated 10 January 2017
“Underwritten Share(s)”	2,066,161,872 Rights 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
“%”	per cent

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time on or before the Latest Time for Termination:

- (a) The Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading, or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (b) There shall be:
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
 - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 10 trading days (as defined in the Listing Rules); or
 - (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which is or are, in the reasonable opinion of the Underwriter:-

- (a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter thereunder shall cease and determine and neither the Underwriter nor the Company shall have any claim against other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches hereof) and the Rights Issue shall not proceed.

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)

Directors:

Executive Directors:

Mr. Kong Fanpeng

Mr. Chan Cheong Yee

Independent Non-Executive Directors:

Mr. Lam Kwan

Mr. Ong Chi King

Mr. Lee Ming Gin

Head Office and

principal place of business:

Unit 2302, 23rd Floor

New World Tower 1

18 Queen's Road Central

Hong Kong

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

20 February 2017

To the Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR EVERY ONE
CONSOLIDATED SHARE HELD ON THE RECORD DATE
AT HK\$0.20 PER RIGHTS SHARE**

INTRODUCTION

Reference is made to the Announcement, the Share Option Announcement and the Circular in relation to, among other things, the Rights Issue.

LETTER FROM THE BOARD

At the EGM held on 7 February 2017, the necessary resolution approving, among other things, the Rights Issue, was duly passed by the Independent Shareholders by way of poll.

The purposes of this Prospectus is to provide you with further information in respect of the Rights Issue, including information on dealings in and application for the Rights Issue, and certain financial and other information of the Group.

THE RIGHTS ISSUE

Issue statistics

Basis of Rights Issue:	Three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date
Subscription Price:	HK\$0.20 per Rights Share
Number of Consolidated Shares expected to be in issue as at the Record Date:	688,720,624 Consolidated Shares (assuming no Consolidated Shares being issued or repurchased by the Company on or before the Record Date)
Number of Rights Shares:	2,066,161,872 Rights Shares (assuming no Consolidated Shares being issued or repurchased on or before the Record Date)
	The aggregate nominal value of the Rights Shares is HK\$51,654,046.80
Number of enlarged Consolidated Shares in issue upon completion of the Rights Issue:	2,754,882,496 Consolidated Shares (assuming no Consolidated Shares being issued or repurchased on or before the Record Date)

Based on the existing issued share capital of the Company and assuming that no Consolidated Shares will be issued or repurchased by the Company on or before the Record Date, a total of 2,066,161,872 Rights Shares will be issued and allotted upon the completion of the Rights Issue, representing 300% of the issued share capital of the Company immediately before the Rights Issue and 75% of the issued share capital of the Company as enlarged by the issue of the Rights Shares.

The Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into new Shares or new Consolidated Shares as at the Latest Practicable Date. The Rights Issue 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

Subscription Price

The Subscription Price is HK\$0.20 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance. The Subscription Price represents:

- (i) a discount of approximately 50.00% to the theoretical closing price of approximately HK\$0.40 per Consolidated Share, based on the closing price of HK\$0.08 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 48.05% to the average theoretical closing price of approximately HK\$0.385 per Consolidated Share, based on the average closing price of approximately HK\$0.077 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 88.71% to the unaudited consolidated net assets value per Consolidated Share of approximately HK\$1.771 as at 30 September 2016, based on 626,120,624 Consolidated Shares in issue as at the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 20.00% to the theoretical ex-rights price of approximately HK\$0.25 per Consolidated Share, based on the closing price of HK\$0.08 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation; and
- (v) a discount of approximately 3.85% to the closing price of approximately HK\$0.208 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis of determining the Subscription Price

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to (i) the low trading liquidity of the Shares for the recent 10 months; (ii) the prevailing market prices of the existing Shares as described above and the market conditions; and (iii) having considered the future funding needs for the business development of the Group. The Directors consider that the discount encourages the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the potential growth of the Group. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company.

LETTER FROM THE BOARD

Apart from the aforesaid, in coming up with the current subscription ratio (3 Rights Shares for 1 Consolidated Share) for the Rights Issue and the Subscription Price, the Company has also considered the following factors:

- (i) given the net fund raising amount of the Rights Issue of approximately HK\$405.6 million (assuming no Consolidated Shares being issued or repurchased on or before the Record Date) was around 2.83 times of the market capitalisation of approximately HK\$143.3 million of the Company as at the Latest Practicable Date, it is the need for setting the Subscription Price at a relatively deep discount for inducing the Underwriter to provide underwriting services under the Rights Issue and attracting the Qualifying Shareholders to participate in the Rights Issue;
- (ii) the downward trend of the prevailing trading prices of the Shares in the past twelve months which decreased from HK\$0.19 on 11 November 2015 to HK\$0.08 as at the Last Trading Day, representing a decrease of its trading prices of approximately 57.89%;
- (iii) in view of the uncertainties in the financial market in Hong Kong as a result of the instabilities 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 that it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at a relatively deep discount to the historical trading prices of the Shares;
- (iv) under the Rights Issue, 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 Rights Issue, they will be subscribing the Rights Shares at a lower price as compared to the historical and prevailing market prices of the Shares;
- (v) inherent dilutive nature of the Rights Issue in general if the Qualifying Shareholders did not take up their entitlements under the Rights Issue in full. However, the Qualifying Shareholders have first right to decide whether to accept their entitlements of the Rights Shares;
- (vi) although the Rights Issue has an inherent dilutive nature, it is subject to the Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue and the Underwriter has also undertaken to the Company that it 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 as a result of the Rights Issue; and

LETTER FROM THE BOARD

(vii) given the expected funding needs as stated in section “Reasons for the Rights Issue and Use of the Proceeds”, the Group requires this fund-raising size in order to foster growth of its investment portfolio and to generate returns on investment in the viewpoint of its Shareholders and to the benefit of the Company.

In view of the above, the Board considers the terms of the Rights Issue, including the subscription ratio, and the Subscription Price which has been set at a discount to the theoretical closing price of the Shares as at the Last Trading Day with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

However, those Qualifying Shareholders who do not take up in full the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted. If all the Qualifying Shareholders do not take up the Rights Shares to which they are entitled and the Underwriter takes up all the Rights Shares, the percentage of shareholding (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) of the existing public Shareholders will be reduced from 100.00% to approximately 25.00%, representing a dilution effect on the shareholding interests of approximately 75.00% as a result of the Rights Issue. Moreover, the dilution impact on shareholding after taking into account the monetary effect of the Rights Issue (estimated based on discount of the Subscription Price to the theoretical closing price of the Shares as at the Last Trading Day) is approximately 37.50%.

The estimated net proceeds from the Rights Issue after expenses and fees will be not less than approximately HK\$405.6 million (assuming no Consolidated Shares being issued or repurchased on or before the Record Date) and, accordingly, the estimated net price per Rights Share after expenses and fees of the Rights Issue will be approximately HK\$0.196.

Basis of selection of the Underwriter

The Company approached 4 underwriters for the proposed Rights Issue. The Underwriter is, amongst the four underwriters approached by the Company, offered the lowest commission rate, i.e. 1.5% of the aggregate Subscription Price of the maximum amount of the Underwritten Shares as determined on the Record Date.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- i. the Share Consolidation becoming effective;

LETTER FROM THE BOARD

- ii. the passing by the Independent Shareholders at the EGM of the necessary resolutions approving, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares;
- iii. the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares (subject to allotment), and not having revoked, listing of, and permission to deal in the Rights Shares, in nil-paid and fully-paid forms;
- iv. the posting of the Prospectus Documents to Qualifying Shareholders;
- v. the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus Documents (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and in compliance with the Listing Rules and section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong); and
- vi. compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement.

If the conditions precedent referred to in the above paragraph (i) to (vi) are not satisfied on or before the Latest Time for Termination, or if the Underwriting Agreement shall be rescinded pursuant to the section “Termination of the Underwriting Agreement”, all obligations and liabilities of the Underwriter and the Company shall cease and determine and both shall not have any claim against the other (save for any antecedent breaches thereof).

As at the Latest Practicable Date, conditions (i) and (ii) of the above have been fulfilled.

Underwriting Agreement

Date	:	11 November 2016 (as supplemented on 10 January 2017)
Underwriter	:	Sorrento Securities Limited
Total number of Rights Shares being underwritten by the Underwriter	:	2,066,161,872 Rights Shares (assuming no Consolidated Shares being issued or repurchased on or before the Record Date) on a fully underwritten basis
Commission	:	1.5% of the aggregate Subscription Price of the maximum amount of the Underwritten Shares as determined on the Record Date

LETTER FROM THE BOARD

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 Rights Issue, and the current and expected market condition. The Directors (excluding the independent non-executive Directors who will form their views after considering the advice of the Independent Financial Adviser) consider that the terms of the Underwriting Agreement are fair and reasonable insofar as the Shareholders and the Company as a whole.

The 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 supplemental agreement to the Underwriting Agreement, the Company has undertaken not to issue or allot any Shares or Consolidated Shares between the date of the Underwriting Agreement up to and including the Record Date, except for the 313,000,000 new Shares issued upon exercise of the Outstanding Options on 28 November 2016.

The Underwriter has irrevocably undertaken to the Company in the Underwriting Agreement if the Underwriter or any of the sub-underwriter is required to take up the Rights Shares pursuant to their underwriting/sub-underwriting obligations: 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 and shall cause the sub-underwriters to procure independent subscribers and/or places to take up such number of the Rights Shares as necessary to ensure that the public float requirement are complied with; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares not taken up will become Substantial Shareholder(s) immediately after completion of the Rights Issue; and (iv) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for the Underwritten Shares not taken up shall be third parties independent of and not connected with the Company nor its Connected Persons and their respective associates.

Conditions of the Underwriting Agreement

The conditions of the Underwriting Agreement have been set out in the section headed "Proposed Rights Issue – Conditions of the Rights Issue" above.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

Information on the termination of the Underwriting Agreement has been set out in the section headed “Termination of the Underwriting Agreement” in this Prospectus.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Consolidated Shares then in issue on the date of allotment and issue of the Rights Shares. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares in their fully-paid form. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

Qualifying Shareholders

The Rights Issue 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 Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and must be a Qualifying Shareholder.

Given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, if all the Shareholders participate in the Rights Issue, the Rights Issue will not have a dilutive impact on the shareholding of the Qualifying Shareholders. The Rights Issue also provides an exit mechanism to those Shareholders who do not want to participate in the Rights Issue by selling out their nil-paid Rights. The availability of excess application for the Rights Shares allows those Qualifying Shareholders, who want to share more of the future development of the Company, to apply for more Rights Shares than their respective entitlements to the Rights Shares. Details of the application for excess Right Shares are set out in the section headed “Application for excess Rights Shares”.

Rights of Overseas Shareholders

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

According to the register of members of the Company, the Company does not have any Overseas Shareholders as at the Record Date. Therefore, there is no Excluded Shareholder for the purpose of the Rights Issue.

LETTER FROM THE BOARD

Fractions of Rights Shares

On the basis of provisional allotment of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Share certificates for the Rights Issue and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for and paid for the Rights Shares on or before Wednesday, 15 March 2017 by ordinary post at their own risk. If the Rights Issue is terminated or in respect of wholly or partially unsuccessful applications for excess Rights Shares, refund cheques are expected to be posted on or before Wednesday, 15 March 2017 by ordinary post to the applicants at their own risk.

One share certificate will be issued in respect of all the fully-paid Rights Shares allotted and issued to those entitled pursuant to the Rights Issue.

Application for listing

The Company will apply to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares. Subject to the granting of the listing of, and permission to deal in, the Rights Shares, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second 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.

All necessary arrangements will be made to enable the Rights Shares to be admitted into CCASS.

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

Taxation

The Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of applying for, holding, disposing of or dealing in the Rights Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility of any tax effects or liabilities of holders of the Rights Shares resulting from the application for, holding, disposal of, or dealing in the Rights Shares.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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

In the fiscal year 2015/16, the Group enlarged its investment portfolio by investing two unlisted investments of HK\$106.3 million and further investing in an unlisted investment of HK\$13 million. In addition, increasing in investments in listed securities, net of disposal, of approximately HK\$14.6 million, reduction in advance to an associate of the Group of approximately HK\$22.4 million, which is interest-bearing at 8 percent per annum and the full settlement of a payable for acquisition for listed investment of approximately HK\$116.0 million in 2015/16, led to the decrease in over the fiscal year 2015/16, the Group's net cash position. The Group has recorded cash and bank balances of approximately HK\$13.4 million, margin deposits held in securities accounts of approximately HK\$4.7 million and margin payables of approximately HK\$102.3 million, which represented a net negative cash position of approximately HK\$84.2 million as at 30 September 2016.

Owing to the business nature of the Group, being an investment company, the Group requires extensive cash to grow. Unlike other companies with regular cash revenues from operations, investments of investment companies under Chapter 21 of the Listing Rules do not necessarily generate sufficient cash for its operations and its cash position is largely dependent on the market conditions and its investment strategies. The Group's revenues mainly comprise of amounts received and receivable on investments, net profit/loss on financial assets at fair value through profit or loss, dividend income and interest income. As mentioned above, the Group has recorded a net negative cash position of approximately HK\$84.2 million as at 30 September 2016. Should there be any change in the market value or fair value of the investments or the investment conditions becomes aversive, there is a risk that the Group may not generate sufficient cash for its business expansion. With the view of increasing the size of its investment portfolio and taking into account the net negative cash position of the Group of approximately HK\$84.2 million as at 30 September 2016, the Directors consider that the cash position on hand will not be sufficient for the Group to capture suitable investment opportunities as they arise in the near future. In summary, the Group, being an investment company by nature, requires readily available funds for capturing suitable investment opportunities in a timely fashion to provide investment returns to the Group and the Shareholders.

As such, the Board considers that equity financing by way of the Rights Issue, which is on a fully underwritten basis, represents an opportunity for the Company to increase its liquidity, strengthen its capital base and enhance its financial position by reserving cash proceeds from the Rights Issue for future investment opportunities as they arise.

LETTER FROM THE BOARD

Apart from the Rights Issue, the Board has also considered other financing alternatives such as bank borrowing, issue of new shares and open offer. 1) Bank borrowing or debt financing will incur interest expenses and may not be achievable on favourable terms on a timely basis, and subject the Group to repayment obligations. 2) Placing of new Shares would only be available to certain places who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. 3) The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. As opposed to open offer, Rights Issue would also enable the Shareholders to sell the nil-paid Rights in the market which has seen some improvement in liquidity in 2016. Hence, the Board considers raising funds by way of Rights Issue is more attractive in the current market condition than an open offer, and thus, in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Rights Issue will be approximately HK\$413.2 million. The estimated net proceeds from the Rights Issue after deducting all necessary expenses of approximately HK\$7.6 million, will be approximately HK\$405.6 million, assuming no material fluctuations in the stock market, the Company intended to apply (i) approximately HK\$337.0 million for the investment in listed securities in various industries in Hong Kong within six months from the date of receiving the proceeds from the Rights Issue; (ii) approximately HK\$60.0 million for the investment in unlisted securities in various industries mainly in Hong Kong and the PRC within one year from the date of receiving the proceeds from the Rights Issue; and (iii) the remaining of approximately HK\$8.6 million for general working capital needs (being “general and administrative expenses and financial expenses before depreciation”) of the Group within 8 months from the date of receiving the proceeds from the Rights Issue.

The Company intends to invest the net proceeds from the Rights Issue in listed and unlisted securities including but not limited to media and entertainment, financial services, construction and property development, information technology, and medical and health care.

The major reasons supporting the Group’s intended investments in these industries are fast growing company in China, global rapid development of information technology and population ageing in China.

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With a population of 1.3 billion, China has become the second largest economy and is increasingly playing an important and influential role in the global economy. Based on China's 12th Five-Year Plan and 13th Five-Year Plan, the annual growth targets are 7 percent and 6 percent respectively. With such fast growing economy and large population, people's livelihood needs in China are very keen. For example, the box office in China increased over 48.7% to approximately RMB44.1 billion in 2015, and expected to increase to over RMB50 billion in 2016. Shanghai Disney Resort, the first Disney park resort in mainland China, opened in 2016. Accordingly, the Company considers that the sector of media and entertainment with high potential for investment.

Financial sector is a high-end industry to a fast growing economy. Especially, both China and Hong Kong stock markets are benefited from Shanghai-Hong Kong Stock Connect and the coming Shenzhen-Hong Kong Stock Connect. The Company believes that the securities trading activities in all Shanghai, Shenzhen and Hong Kong are becoming more frequent. Investing in financial services companies in China and Hong Kong is one of the main themes of the Company's investment plan.

The property prices of both Hong Kong and first-tier cities in China extend gains, even though much administrative measures implemented by both Hong Kong and China governments in these few years. In addition, railway development is supported in Greater China. Construction is a major chapter in both China's 12th Five-Year Plan and 13th Five-Year Plan. The Company considers construction segment must be included in its basket of investments.

People's living behavior is changing, largely influenced by development of information technology. Nowadays, smartphones are essential to people's living. People can pay in restaurants, supermarkets and cinemas by smartphones. In addition, they can trade securities, handle bank transactions, and pay insurance premium anywhere with smartphones. The change in people's living behavior has been bringing business opportunities. The Company will continue to grasp these opportunities to invest in this segment.

China's family planning law, which limited many couples to have one child only, came into effect in 1980 as a means of controlling its population, the world's largest. After over 30 years control, aged population has risen. Although the Chinese Government formally abolished the one-child policy, replacing it with a two-child policy, at the start of 2016, the Board believes that the ageing problem will continue in a couple of decades. Accordingly, the needs of medical and health care in China are very strong. The Company considers this sector is one of the most attractive industries in China currently. The Directors consider that the target investment is in the interests of the Company and the Shareholders as a whole.

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Based on the unaudited management accounts as at 30 November 2016, the cash and bank balances of the Group (including margin deposits held in securities accounts) was approximately HK\$60.3 million, within which approximately HK\$36.9 million represented the net proceeds from exercise of the Outstanding Options in November 2016, after taking into account of the margin payables of approximately HK\$103.1 million, the Group had a negative cash position of approximately HK\$42.8 million as at 30 November 2016. In December 2016, the Company had utilised the net proceeds of approximately HK\$18.0 million from exercise of the Outstanding Options and approximately HK\$2.0 million for general working capital, the Directors estimated that the Company will have a cash and bank balance (including margin deposits held in securities accounts) of approximately HK\$92.7 million by 31 December 2016, after taking into account of the margin payables of approximately HK\$127.1 million, the Group had a negative cash position of approximately HK\$34.4 million as at 31 December 2016. The Directors estimated that the Group will not be able to meet the total working capital needs encompassing the estimated general working capital needs to be incurred for the next 12 months of approximately HK\$24.5 million and any further investment needs for the next 12 months, and such shortfall, if without other fund-raising exercises, will have to be met by cash realisation from listed securities. With the net proceeds from the Rights Issue of approximately HK\$405.6 million to be utilised for the investment in listed and unlisted securities as stated above, the Board estimated that the Group can satisfy its expected working capital needs for the next 12 months.

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

As at the Latest Practicable Date, save for the Rights Issue, the Company does not have any other immediate plan or is not contemplating to have further fund raising for at least the next 12 months for financing its existing investments or any other new investments.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (assuming no Shares or Consolidated Shares being issued or repurchased on or before the Record Date) as at the Latest Practicable Date and immediately after completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue and assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue and assuming no Qualifying Shareholders take up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares	
	Approx. %		Approx. %		Approx. %	
Underwriter (Note)	–	–	–	–	2,066,161,872	75.00
Public Shareholders	688,720,624	100.00	2,754,882,496	100.00	688,720,624	25.00
Total	688,720,624	100.00	2,754,882,496	100.00	2,754,882,496	100.00

Notes:

The Underwriter has irrevocably undertaken to the Company in the Underwriting Agreement if the Underwriter or any of the sub-underwriter is required to take up the Rights Shares pursuant to their underwriting/sub-underwriting obligations: 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 and shall cause the sub-underwriters to procure independent subscribers and/or places to take up such number of Rights Shares as necessary to ensure that the public float requirement are complied with; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares not taken up will become Substantial Shareholder(s) immediately after completion of the Rights Issue; and (iv) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for the Underwritten Shares not taken up shall be third parties independent of and not connected with the Company nor its Connected Persons and their respective associates.

FUND RAISING EXERCISES OF THE COMPANY FOR THE PAST TWELVE MONTHS

The Company has not conducted any fund-raising activities in the past twelve months preceding the Latest Practicable Date.

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PROCEDURES FOR ACCEPTANCE AND PAYMENT OR TRANSFER

Qualifying Shareholders will find enclosed with this Prospectus, a PAL which entitles the relevant Qualifying Shareholder(s) to accept the subscription of the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to exercise his/her/its rights to accept the subscription of the Rights Shares specified in the PAL, the Qualifying Shareholder must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Monday, 6 March 2017. All remittances must be made by cheques or cashier's orders in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Capital VC Limited – Rights Issue Account**" and crossed "**ACCOUNT PAYEE ONLY**".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:00 p.m. on Monday, 6 March 2017, by the original allottee or any person in whose favour the rights have been validly transferred, the relevant assured allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and the relevant Rights Shares will be available for excess application by the Qualifying Shareholders under the EAF. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PALs or to transfer their rights to more than one person, the original PALs must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 24 February 2017 with the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited, who will cancel the original PALs and issue new PALs in the denominations required, which will be available for collection at Tricor Tengis Limited after 9:00 a.m. on the second Business Day after the surrender of the original PALs.

The PAL contains further information regarding the procedures to be followed if Qualifying Shareholders wish to accept the whole or part of their assured allotment. All cheques and cashier's orders accompanying duly completed PALs will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque and/or a cashier's order, will constitute a warranty by the relevant Qualifying Shareholder that the cheque and/or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of

LETTER FROM THE BOARD

which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlements given pursuant to which will be deemed to have been declined and will be cancelled.

The PAL is for use by the person(s) named therein and is transferable. No receipt will be issued in respect of any monies received under the Rights Issue. If the conditions of the Rights Issue are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms before the Latest Time for Termination, the monies received in respect of acceptance of the Rights Shares will be returned to the Qualifying Shareholders or, in case of joint holders, to the first-named person without interest by means of cheques despatched by ordinary post to the respective addresses specified in the register of members of the Company at their own risk as soon as practicable thereafter on or before Wednesday, 15 March 2017.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares provisionally allotted but not accepted.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong so as to be received by no later than 4:00 p.m. on Monday, 6 March 2017. All remittances must be made by cheques or cashier's orders in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Capital VC Limited – Excess Application Account**" and crossed "**ACCOUNT PAYEE ONLY**".

The Directors will allocate the excess Rights Shares on a fair and equitable basis. Subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to those who have applied for excess Rights Shares on a pro rata basis by reference to the number of excess Rights Shares being applied for under each application. There is no odd lot trading arrangement after the excess Rights Shares are allotted. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares in full application. No preference will be given to topping up odd lots to whole board lots.

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Investors with their Shares held by a nominee company should note that the Board will regard the nominee company including HKSCC Nominees Limited (“HKSCC Nominees”) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners holding the listed securities through HKSCC Nominees individually. HKSCC Nominees will allocate the excess Rights Shares it receives to the relevant CCASS participants pro-rata to the number of excess Rights Shares each has applied for, or in such other manner as HKSCC considers fair and appropriate, which is pursuant to the allocation basis as stipulated in Rule 8.10.4(ix) of the CCASS Operational Procedures.

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on or about Tuesday, 14 March 2017. If no excess Rights Shares are allotted to the Qualifying Shareholders, it is expected that a cheque for the amount tendered on application will be refunded in full without interest on or before Wednesday, 15 March 2017. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the amount of the surplus application monies is also expected to be refunded to them without interest on or before Wednesday, 15 March 2017.

All cheques and cashier’s orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier’s order in payment for excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier’s order will be honoured on first presentation. If any cheque or cashier’s order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

Completion and return of the EAF by anyone outside Hong Kong will constitute a warranty and representation to the Company that all the local registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the EAF and any application under it, have been, or will be, duly complied with. For the avoidance of doubt neither HKSCC nor HKSCC Nominees is subject to any of the representations and warranties.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

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If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of the relevant applications for excess Rights Shares will be returned to the applicants, or in case of joint applicants, to the first-named person, without interest by means of cheques despatched by the ordinary post to their respective addresses at their own risk on or before Wednesday, 15 March 2017.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

WARNING OF THE RISKS OF DEALING IN SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is conditional, inter alia, upon the fulfillment of the conditions set out under section headed “Conditions of the Rights Issue” in this Prospectus. In particular, the Rights Issue is conditional, among others, upon:

- (i) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriter, in its reasonable opinion, accepts and the subsequent satisfaction of such conditions (if any); and**
- (ii) the Underwriter having not terminated the Underwriting Agreement in accordance with the terms set out thereunder (set out in the section headed “Termination of the Underwriting Agreement” in this Prospectus). If the conditions of the Rights Issue are not fulfilled on or before the Latest Time for Termination or if the Underwriter exercises its right to terminate the Underwriting Agreement pursuant to the terms therein, the Rights Issue may not proceed.**

The Consolidated Shares will be dealt in on an ex-rights basis from 9:00 a.m. on Thursday, 9 February 2017. Dealings in the Rights Shares in their nil-paid form will take place from 9:00 a.m. on Wednesday, 22 February 2017 to 4:00 p.m. on Wednesday, 1 March 2017 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

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Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 9:00 a.m. on Wednesday, 22 February 2017 to 4:00 p.m. on Wednesday, 1 March 2017 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares or the Consolidated Shares (as the case may be) up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 9:00 a.m. on Wednesday, 22 February 2017 to 4:00 p.m. on Wednesday, 1 March 2017 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

The Board considers that the Rights Issue is in the interest of the Company and the Shareholders as a whole as: (i) Qualifying Shareholders have the option to subscribe the Rights Shares at their sole discretion; (ii) Qualifying Shareholders who do not take up their allotments can sell the nil-paid Rights Shares in the market; and (iii) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlarged capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

Having considered and evaluated that all Qualifying Shareholders can have an equal opportunity to maintain their interests in the Company and that the Rights Issue will not increase the future finance costs of the Group, the Directors are of the view that raising funds by way of the Rights Issue is a better option over the other alternative fund-raising methods as set out above.

ADDITIONAL INFORMATION

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

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

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group, for year ended 30 June 2014, for the fifteen months ended 30 September 2015 and for the year ended 30 September 2016 are disclosed on pages 28-107 of the 2014 annual report published on 14 October 2014, pages 30-107 of the 2015 annual report published on 31 December 2015 and pages 31-104 of the 2016 annual report published on 25 January 2017 respectively, which are published on the websites of both the Stock Exchange (www.hkex.com.hk) and the Company (www.capital-vc.com). Please refer to the hyperlinks as stated below:

2014 annual report:

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

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1231/LTN20151231435.pdf>

2016 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0125/LTN20170125716.pdf>

2. INDEBTEDNESS STATEMENT

As at 31 December 2016, the Group has pledged its financial assets at fair value through profit or loss which are approximately HK\$693,099,000 to secure margin financing facilities obtained from regulated securities dealers. As at 31 December 2016, approximately HK\$127,122,000 margin financing facilities was utilised.

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 December 2016 up to the Latest Practicable Date.

3. WORKING CAPITAL

As at the Latest Practicable Date, the Directors are of the opinion, taking into account the financial resources available to the Group, including the existing cash and bank balances and other internally generated funds, and the available banking facilities as well as the estimated net proceeds from the Rights Issue, 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 Prospectus 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 anticipated 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

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 September 2016, being the date to which the latest published annual report of the Company were 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 Federal Reserve in December 2015 lifted rates for the first time in nearly a decade, but since then the US outlook had been clouded by a series of setbacks overseas. In their March meeting of 2016, the policymakers of the Federal Reserve halved their median forecast for the number of quarterpoint interest rate increases projected for this year to two. The pace of interest rate normalization was questioned. The situation may have changed, following Donald Trump elected the 45th president of United States of America. There may be a fundamental rethink in near-term outlook, as it relates to expectation to growth and also Federal Reserve policy. All of this has to do with increased optimism that there will be some fiscal stimulus in the near term and some type of deregulation, both of which will underpin growth. Since the president election on 8 November 2016, the benchmark 10-year Treasury has gone from a yield of 1.80 to 2.30 percent in a week. It has move higher with the US Dollar, which is up about 2.5 percent against a basket of currencies. The 30-year bond yield crossed the psychological 3 percent in the same period.

Looking forward, we expect the investment environment in the US and other advance economies will not be as stable as before. The US monetary and fiscal policies may have a dramatic change. Accelerating interest rate normalization may affect global investment atmosphere. In connection with the US foreign policy, Donald Trump may focus on the threat posted to the US by it trade relations with China. US may impose tariffs on various China products. Accordingly, the Directors consider that it will be a very challenging investment environment in this couple of years, and they will continue to adopt cautious measures to manage the Group's investment portfolio.

In view of the average share price (HK\$0.0703) of the Company in September 2016 which was traded below the Company's unaudited net asset value per share (HK\$0.3542) as at 30 September 2016, 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 utilising proceeds from the Rights Issue, 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 utilisation 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 maximising returns to Shareholders.

Details of the Company's dividend policy are 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.

**CHENG & CHENG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

鄭 鄭 會 計 師 事 務 所 有 限 公 司

10/F, Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong
香港灣仔告士打道138號
聯合鹿島大廈10樓

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

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 Rights Issue on the basis of three Rights Shares for every one Consolidated Share held on the Record Date at HK\$0.2 per Rights Share on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2016.

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 Rights Issue 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 30 September 2016 and adjusted to reflect the effect of the Rights Issue.

		HK\$	No. of Shares outstanding	Per Share HK\$
Consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 September 2016	<i>Note 1</i>	1,121,291,972	3,130,603,123	0.3582
Exercise of share options	<i>Note 2</i>	36,934,000	313,000,000	
Adjusted for consolidation of every 5 issued Shares into 1 Consolidate Share (“Share Consolidation”)	<i>Note 3</i>	<u> –</u>	<u>(2,754,882,499)</u>	
Unaudited consolidated net tangible assets of the Group attributable to the equity shareholders of the Company after Share Consolidation	<i>Note 4</i>	1,158,225,972	688,720,624	1.6817
Estimated net proceeds from the Rights Issue	<i>Note 5</i>	<u>405,634,374</u>	<u>2,066,161,872</u>	
Unaudited consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 September 2016	<i>Note 6</i>	<u>1,563,860,346</u>	<u>2,754,882,496</u>	0.5677

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company at 30 September 2016 is extracted from the published annual report of the Company for the year ended 30 September 2016.
- (2) 313,000,000 share options were exercised at a price of HK\$0.118 pursuant to the Share Option Scheme.
- (3) Pursuant to the Circular dated 13 January 2017, every five issued Shares would be consolidated into one Consolidated Share. Prior to the Share Consolidation, the number of Shares in issue was 3,443,603,123. Number of Consolidated Shares to be in issue immediately upon the Share Consolidation is 688,720,624. The difference is adjusted to reflect the number of Shares before the Rights Issue.
- (4) The calculation of the unaudited consolidated net tangible assets attributable to equity shareholders of the Company after the Share Consolidation per Share is based on the unaudited consolidated net tangible assets attributable to equity shareholders of the Company of HK\$1,158,225,972 as at 30 September 2016 and on the basis of 688,720,624 Shares in issue after the Share Consolidation.
- (5) The estimated net proceeds from the Rights Issue of approximately HK\$405,634,374 are based on 2,066,161,872 Rights Shares to be issued at the Subscription Price of HK\$0.2 per Rights Share (on the basis of 688,720,624 Consolidated Shares in issue as at the Latest Practicable Date) and after deduction of estimated related expenses of approximately HK\$7,598,000 and take no account of any additional Consolidated Shares or Rights Shares to be issued as a result of the exercise of any vested share options.
- (6) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share after completion of the Rights Issue 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 Rights Issue of HK\$1,563,860,346 and on the basis of 2,754,882,496 Shares in issue, representing an aggregate of 688,720,624 Consolidated Shares in issue after the Share Consolidation and adjusted for the effect of the 2,066,161,872 Rights Shares (calculated on the basis of 688,720,624 Shares in issue as at the Latest Practicable Date) issued under the Rights Issue assuming the Rights Issue has been completed on 30 September 2016.
- (7) No adjustment other than those adjusted above has been made to reflect any trading results or other transactions of the Group subsequent to 30 September 2016.

**B. ACCOUNTANTS' REPORT ON 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 Prospectus, in respect of the unaudited pro forma financial information of the Group.

**CHENG & CHENG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

鄭 鄭 會 計 師 事 務 所 有 限 公 司

10/F, Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong
香港灣仔告士打道138號
聯合鹿島大廈10樓

20 February 2017

The Board of Directors
Capital VC Limited
Room 2302, 23rd Floor,
New World Tower 1,
18 Queen's Road Central,
Hong Kong.

Dear Sirs,

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of Capital VC Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as set out on in section A of Appendix II to the prospectus of the Company dated 20 February 2017 (the "Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the right issue might have affected the financial information presented. The basis of preparation of the Pro Forma Financial Information is set out in the section A of Appendix II to the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited 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").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules on the unaudited 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 unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the respective dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and, accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2016 or any future date.

Opinion

In our opinion:

- (a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company 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 unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Cheng & Cheng Limited

Certified Public Accountants

Yeung Chun Yue, David

Practising Certificate Number: P05595

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors 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, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) are as follows.

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>8,000,000,000</u>	Shares of HK\$0.025 each	<u>200,000,000.00</u>
 <i>Issued and fully paid or credited as fully paid:</i>		
<u>688,720,624</u>	Shares of HK\$0.025 each	<u>17,218,015.60</u>

(ii) Immediately following the completion of the Rights Issue (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date)

<i>Authorised:</i>		<i>HK\$</i>
<u>8,000,000,000</u>	Shares of HK\$0.025 each	<u>200,000,000.00</u>
 <i>Issued and fully paid or credited as fully paid:</i>		
688,720,624	Consolidated Shares in issue as at the Record Date	17,218,015.60
<u>2,066,161,872</u>	Rights Shares to be issued	<u>51,654,046.80</u>
<u>2,754,882,496</u>	Total	<u>68,872,062.40</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 Rights 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 Rights Shares.

The Rights 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 Rights 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 was no arrangement under which future dividends are waived or agreed to be waived.

Save for the Outstanding Options exercised in full as of 28 November 2016, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into new Consolidated 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	Type of Capacity	Number of Shares held	Percentage of the shareholding (Approx.)
Sorrento Securities Limited (Notes 1 and 2)	Interest held by controlled corporation	2,066,161,872	75.00%
Dillon Vision Limited (Notes 1 and 2)	Interest held by controlled corporation	2,066,161,872	75.00%
Wong Hiu Yeung (Notes 1 and 2)	Interest held by controlled corporation	2,066,161,872	75.00%

Notes:

- (1) Sorrento Securities Limited is wholly-owned by Dillon Vision Limited which is in turn wholly-owned by Wong Hui Yeung.
- (2) The number of Shares included the maximum number of Rights Shares underwritten by Sorrento Securities Limited pursuant to the Underwriting Agreement. The approximate percentage of the total issued Shares was calculated based on the number of Shares which were expected to be issued upon completion of the Rights Issue as at the date of the Underwriting Agreement, being 2,066,161,872 Shares (on the assumption that none of Rights Shares would be taken up by the Qualifying Shareholders and no new Shares (other than Rights Shares) would be issued and no repurchase of Shares on or before the completion of the Rights Issue).

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 September 2016 (being the date to which the latest audited consolidated financial statements 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 5 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. Such application will be made in due course.

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 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 Prospectus, and are or may be material:

- (1) the underwriting agreement (“**2015 Underwriting Agreement**”) dated 13 March 2015 (as supplemented by a supplemental agreement entered by the parties to the 2015 Underwriting Agreement on 21 May 2015) entered into between the Company and SBI China Capital Financial Services Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the open offer of the Company completed on 21 July 2015;
- (2) the Investment Management Agreements; and
- (3) the Underwriting Agreement.

9. EXPERT AND CONSENT

The following is the name and the qualification of the professional adviser who have given opinion or advice which is contained or referred to in this document:

Name	Qualifications
Cheng & Cheng Limited ("Cheng & Cheng")	Certified Public Accountants

As at the Latest Practicable Date, Cheng & Cheng 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 September 2016, being the date to which the latest published annual report 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.

Cheng & Cheng has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its reports and/or its letters dated 20 February 2017 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 Rights Issue, including underwriting commission, printing, registration, legal, accounting and financial adviser fees, are estimated to be approximately HK\$7.6 million, and will be payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

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 Rights Issue	<i>As to Hong Kong law</i> Tang Tso & Lau Room 209, 2nd Floor China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Underwriter	Sorrento Securities Limited 11th Floor, The Wellington 198 Wellington Street Central, 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 48, 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 (now known as “Delta Wealth 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 25 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 53, 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 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 appointed as an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange, in May 2013. 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. Mr. Chan was appointed as an executive director of China Trends Holdings Limited (stock code: 8171), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange in February 2016.

Independent non-executive Directors

Mr. Lam Kwan (“**Mr. Lam**”), aged 48, 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 43, 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 20 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 an independent non-executive director of China Environmental Resources Group Limited (stock code: 1130), Hong Kong Education (Int’l) Investments Limited (stock code: 1082), Larry Jewelry International Company Limited (stock code: 8351), Wan Kei Group Holdings Limited (stock code: 1718) and WLS Holdings Limited (stock code: 8021), and an executive director of Deson Construction International Holdings Limited (stock code: 8268).

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 31, 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 DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed “Expert and Consent” in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

14. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

15. 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 20 February 2017, the date of this Prospectus up to and including 6 March 2017:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the fifteen months ended 30 September 2015 and year ended 30 September 2016;
- (c) the accountants’ report on the unaudited pro forma financial information of the Group set out in Appendix II to this Prospectus;
- (d) the letters of consent referred to under the paragraph headed “Expert and Consent” in this Appendix;
- (e) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (f) the Circular; and
- (g) this Prospectus.

16. 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 Prospectus 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.

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 minimise 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 realise any of such investments in any specific period or by any specific date. Nevertheless, the Directors will from time to time realise 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

Based on the investment management agreement entered into between the Company and the Investment Manager dated 17 October 2014, the Investment Manager is entitled to a monthly investment management fee of HK\$50,000 from 21 October 2014 to 20 October 2016. The Company and the Investment Manager then signed an extension letter dated 11 October 2016 to extend the investment management service to 16 October 2018. The investment management fee for the period ending 16 October 2018 maintains at HK\$50,000 per month.

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

RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading.

INVESTMENT PORTFOLIO

The follows are the details of the ten largest investments of the Group as at 30 September 2016, which include all listed investments and all other investments with a value of more than 5% of the Group's gross assets as at 30 September 2016. 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 30 September 2016.

Note	Name of investee company	Stock code	Number of shares held	Effective shareholding interest (Approx.)	Cost as at 30 September 2016 (Approx.) HK\$'000	Market value/ Fair value as at 30 September 2016 (Approx.) HK\$'000	Accumulated unrealised holding gain (loss) arising on revaluation (Approx.) HK\$'000	Net asset value attributable to the Group (Approx.) HK\$'000	Profit/(Loss) attributable to the Group for the period (Approx.) HK\$'000	Dividend received/ receivable during the period HK\$'000	% of gross assets of the Company as at 30 September 2016
Listed equity securities											
(i)	WLS Holdings Limited	8021	511,610,000	4.01%	41,764	153,483	111,719	33,664	(730)	-	12.48%
(ii)	LEAP Holdings Group Limited	1499	115,680,000	4.40%	62,522	77,506	14,984	15,250	1,285	-	6.30%
(iii)	Master Glory Limited	275	167,800,000	3.32%	44,868	76,349	31,481	175,392	(4,509)	-	6.21%
(iv)	Sunrise (China) Technology Group Limited	8226	305,263,157	22.36%	116,000	46,705	(69,295)	19,051	(52,367)	-	3.80%
(v)	RCG Holdings Limited	802	67,500,000	4.43%	26,218	45,225	19,007	26,589	6,933	-	3.68%
(vi)	Luen Wong Group Holdings Limited	8217	2,150,000	0.17%	10,958	38,915	27,957	142	14	-	3.16%
(vii)	GreaterChina Professional Services Limited	8193	37,350,000	0.77%	28,610	31,748	3,138	4,016	(27)	-	2.58%
Unlisted equity securities											
(viii)	Gold Medal Hong Kong Limited	N/A	-	-	54,000	54,100	100	-	-	-	4.40%
(ix)	Rich Circle Investments Limited	N/A	-	-	52,000	52,200	200	-	-	-	4.24%
(x)	Merit Advisory Limited	N/A	28	28.00%	25,750	39,760	14,010	7,196	4,312	-	3.23%

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

- (i) WLS Holdings Limited (stock code: 8021) (“WLS”) and its subsidiaries are principally engaged in provision of scaffolding and fitting out services, management contracting services, and other services for construction and buildings work, money lending business and securities investment business. Net loss attributable to equity holders of approximately HK\$18.2 million was recognized for the year ended 30 April 2016. According to the latest published financial statements of WLS as at 31 October 2016, its net asset value attributable to equity holders was approximately HK\$839.5 million.

- (ii) LEAP Holdings Group Limited (stock code: 1499) (“Leap”) and its subsidiaries are principally engaged in provision of foundation works and ancillary services; and construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong. Net profit attributable to equity holders of approximately HK\$29.2 million was recognized for the year ended 31 March 2016. According to the latest published financial statements of Leap as at 30 September 2016, its net asset value attributable to equity holders was approximately HK\$346.6 million.
- (iii) Master Glory Limited (stock code: 275) (“Master Glory”) and its subsidiaries are principally engaged in trading of securities, industrial water supply business, property development and trading and other strategic investments. Net loss attributable to equity holders of approximately HK\$135.8 million was recognized for the year ended 31 March 2016. According to the latest published financial statements of Master Glory as at 30 September 2016, its net asset value attributable to equity holders was approximately HK\$5,282.9 million.
- (iv) Sunrise (China) Technology Group Limited (stock code: 8226) (“Sunrise”) and its subsidiaries are principally engaged in manufacturing and sales of straw briquettes, trading of commodities, trading of garment accessories, manufacturing and trading of LED digital display products, and investment in securities. Net loss attributable to equity holders of approximately HK\$234.2 million was recognized for the year ended 31 December 2015. According to the latest published financial statements of Sunrise as at 30 June 2016, its net asset value attributable to equity holders was approximately HK\$85.2 million.
- (v) RCG Holdings Ltd (stock code: 802) (“RCG”) and its subsidiaries are principally engaged in provision of biometric and RFID products and solution services. Net profit attributable to equity holders of approximately HK\$156.5 million was recognized for the year ended 31 December 2015. According to the latest published financial statements of RCG as at 30 June 2016, its net asset value attributable to equity holders was approximately HK\$600.2 million.
- (vi) Luen Wong Group Holdings Limited (stock code: 8217) (“Luen Wong”) and its subsidiaries are principally engaged in provision of civil engineering works and investment holding. Net profit attributable to equity holders of approximately HK\$8.4 million was recognized for the year ended 31 March 2016. According to the latest published financial statements of Luen Wong as at 30 September 2016, its net asset value attributable to equity holders was approximately HK\$83.6 million.

- (vii) GreaterChina Professional Services Limited (stock code: 8193) (“GreaterChina”) and its subsidiaries are principally engaged in asset advisory services and asset appraisal, corporate services and consultancy, media advertising and financial services. Net loss attributable to equity holders of approximately HK\$3.5 million was recognized for the year ended 31 March 2016. According to the latest published financial statements of GreaterChina as at 30 September 2016, its net asset value attributable to equity holders was approximately HK\$521.5 million.
- (viii) A 2-year convertible bond issued by Gold Medal Hong Kong Limited, a wholly-owned subsidiary of WLS Holdings Limited (stock code: 8021), was acquired at a face value of HK\$54,000,000 during the year ended 30 September 2016, with date of maturity on 11 September 2018.
- (ix) A 2-year convertible bond issued by Rich Circle Investments Limited, a wholly-owned subsidiary of Lerado Financial Group Company Limited (stock code: 1225), was acquired at a face value of HK\$52,000,000 during the year ended 30 September 2016, with date of maturity on 25 August 2018.
- (x) Merit Advisory Limited is a private company and its subsidiaries are principally engaged in the provision of consulting services on investor and public relations, corporate services, business and industry analysis. For the financial year ended 30 June 2016, the unaudited consolidated profit attributable to equity holders and the consolidated net assets attributable to the equity holders was approximately HK\$15.4 million and HK\$25.7 million respectively.

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 30 September 2016, the Group does not aware any provision should be made for those investments.