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**CAPITAL  
VC LIMITED**

首都創投有限公司

**Capital VC Limited**  
**首都創投有限公司**

*(Incorporated in the Cayman Islands with limited liability  
and carrying on business in Hong Kong as CNI VC Limited)*  
**(Stock Code: 02324)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**INTERIM FINANCIAL STATEMENTS**

The board of directors (the “Board”) of Capital VC Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2012 (the “Period”). The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee (the “Audit Committee”).

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 31 December 2012*

|  |              | <b>Six months ended</b> |                            |
|--|--------------|-------------------------|----------------------------|
|  |              | <b>31 December</b>      |                            |
|  |              | <b>2012</b>             | 2011                       |
|  |              | <b>(unaudited)</b>      | (unaudited)                |
|  | <i>Notes</i> | <b>HK\$</b>             | <i>HK\$</i>                |
| Turnover   | 5            | <b>7,138,631</b>        | (107,004,330)              |
| Other income   |              | <b>15,366</b>           | 694,821                    |
| Administrative expenses  |              | <b>(4,084,163)</b>      | (7,112,407)                |
| Net gain on disposal of available-for-sale investments                     |              | –                       | 20,000,000                 |
| Operating profit/(loss)  |              | <b>3,069,834</b>        | (93,421,916)               |
| Finance costs  |              | <b>(1,784,611)</b>      | (3,964,267)                |
| Share of result of an associate  |              | <b>1,684,740</b>        | 30,897,651                 |
| Profit/(Loss) before tax   | 7            | <b>2,969,963</b>        | (66,488,532)               |
| Income tax   | 8            | –                       | –                          |
| Profit/(Loss) for the Period attributable to equity holders of the Company |              | <b><u>2,969,963</u></b> | <b><u>(66,488,532)</u></b> |
| Dividend   | 9            | –                       | –                          |
| Earnings/(Loss) per share ( <i>HK cents</i> )                              | 10           |                         |                            |
| – basic  |              | <b>0.30</b>             | (8.64)                     |
| – diluted  |              | <b>N/A</b>              | N/A                        |

There was no other comprehensive income during the Period.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

|  | <b>2012</b><br><b>(unaudited)</b><br><b>HK\$</b> | 2011<br>(unaudited)<br>HK\$ |
|--|--|-----------------------------|
| Profit/(loss) for the Period attributable to equity holders of the Company                 | <u>2,969,963</u>                                 | <u>(66,488,532)</u>         |
| Other comprehensive income   |  |                             |
| Transfer from investment revaluation reserve on disposal of available-for-sale investments | <u>–</u>   | <u>(20,000,000)</u>         |
| Other comprehensive income for the Period, net of tax                                      | <u>–</u>   | <u>(20,000,000)</u>         |
| Total comprehensive income for the Period attributable to equity holders of the Company    | <u><u>2,969,963</u></u>                          | <u><u>(86,488,532)</u></u>  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2012*

|  |              | 31 December<br>2012<br>(unaudited)<br><i>HK\$</i> | 30 June<br>2012<br>(audited)<br><i>HK\$</i> |
|--|--------------|---|---|
|  | <i>Notes</i> |   |   |
| <b>NON-CURRENT ASSETS</b>                                |              |   |   |
| Plant and equipment                                      | 11           | <b>1,005,018</b>                                  | 1,293,164                                   |
| Interest in an associate                                 | 12           | <b>141,771,841</b>                                | 140,087,101                                 |
| Available-for-sale investments                           | 13           | <b>21,000,000</b>                                 | 21,000,000                                  |
| Prepayments, deposits and other<br>receivables           |              | –   | 25,000,000                                  |
|  |              | <b>163,776,859</b>                                | 187,380,265                                 |
| <b>CURRENT ASSETS</b>                                    |              |   |   |
| Available-for-sale investments                           | 13           | <b>19,008,480</b>                                 | 19,008,480                                  |
| Financial assets at fair value through<br>profit or loss | 14           | <b>75,190,239</b>                                 | 76,039,014                                  |
| Loan receivables   |              | <b>12,000,000</b>                                 | 12,000,000                                  |
| Prepayments, deposits and other<br>receivables           |              | <b>97,910,357</b>                                 | 81,850,313                                  |
| Amount due from an associate                             | 12           | <b>47,975,619</b>                                 | 36,611,883                                  |
| Bank balances and cash                                   |              | <b>1,110,410</b>                                  | 724,736                                     |
|  |              | <b>253,195,105</b>                                | 226,234,426                                 |

|   |              | <b>31 December</b> | 30 June     |
|---|--------------|--------------------|-------------|
|   |              | <b>2012</b>        | 2012        |
|   |              | <b>(unaudited)</b> | (audited)   |
|   | <i>Notes</i> | <b>HK\$</b>        | <b>HK\$</b> |
| <b>CURRENT LIABILITIES</b>                                    |              |                    |             |
| Other payables and accruals                                   |              | <b>34,978,789</b>  | 41,306,161  |
| Amounts due to a director                                     |              | –                  | 2,305,960   |
| Obligations under finance leases<br>– due within one year     |              | <b>190,672</b>     | 209,260     |
|   |              | <b>35,169,461</b>  | 43,821,381  |
| <b>NET CURRENT ASSETS</b>                                     |              |                    |             |
|   |              | <b>218,025,644</b> | 182,413,045 |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                  |              |                    |             |
|   |              | <b>381,802,503</b> | 369,793,310 |
| <b>CAPITAL AND RESERVES</b>                                   |              |                    |             |
| Share capital   | 15           | <b>100,928,683</b> | 92,528,683  |
| Reserves  |              | <b>280,873,820</b> | 277,191,537 |
| Total equity attributable to equity holders<br>of the Company |              | <b>381,802,503</b> | 369,720,220 |
| <b>NON-CURRENT LIABILITIES</b>                                |              |                    |             |
| Obligations under finance leases<br>– due after one year      |              | –                  | 73,090      |
|   |              | <b>381,802,503</b> | 369,793,310 |
| Net asset value per share                                     |              | <b>0.3783</b>      | 0.3996      |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 31 December 2012*

|  | Share<br>capital<br><i>HK\$</i> | Share<br>premium<br><i>HK\$</i> | Share<br>option<br>reserve<br><i>HK\$</i> | Investments<br>revaluation<br>reserve<br><i>HK\$</i> | Retained<br>profits/<br>(Accumulated<br>losses)<br><i>HK\$</i> | Total equity<br>attributable<br>to equity<br>holders of the<br>Company<br><i>HK\$</i> |
|--|---------------------------------|---------------------------------|---|--|--|---|
| At 1 July 2012 (audited)   | 92,528,683                      | 347,428,825                     | 2,031,456                                 | 5,733,000  | (78,001,744)   | 369,720,220   |
| Total comprehensive<br>income for the Period   | -                               | -                               | -   | -  | 2,969,963  | 2,969,963   |
| Issue of ordinary shares<br>by placement   | 8,400,000                       | 1,092,000                       | -   | -  | -  | 9,492,000   |
| Share issue expenses   | -                               | (379,680)                       | -   | -  | -  | (379,680)   |
|  | <u>          </u>               | <u>          </u>               | <u>          </u>                         | <u>          </u>                                    | <u>          </u>  | <u>          </u>   |
| At 31 December 2012<br>(unaudited)   | <u>100,928,683</u>              | <u>348,141,145</u>              | <u>2,031,456</u>                          | <u>5,733,000</u>                                     | <u>(75,031,781)</u>  | <u>381,802,503</u>  |
| At 1 July 2011 (audited)   | 59,116,985                      | 289,415,045                     | 2,031,456                                 | 40,733,000   | 22,791,953   | 414,088,439   |
| Loss for the Period  | -                               | -                               | -   | -  | (66,488,532)   | (66,488,532)  |
| Transfer to consolidated<br>income statement on<br>disposal of available-for-sale<br>investments | -                               | -                               | -   | (20,000,000)   | -  | (20,000,000)  |
|  | <u>          </u>               | <u>          </u>               | <u>          </u>                         | <u>          </u>                                    | <u>          </u>  | <u>          </u>   |
| Total comprehensive income<br>for the Period   | -                               | -                               | -   | (20,000,000)   | (66,488,532)   | (86,488,532)  |
| Issue of ordinary shares<br>by placement   | 25,000,000                      | 50,000,000                      | -   | -  | -  | 75,000,000  |
| Share issue expenses   | -                               | (2,583,000)                     | -   | -  | -  | (2,583,000)   |
|  | <u>          </u>               | <u>          </u>               | <u>          </u>                         | <u>          </u>                                    | <u>          </u>  | <u>          </u>   |
| At 31 December 2011<br>(unaudited)   | <u>84,116,985</u>               | <u>336,832,045</u>              | <u>2,031,456</u>                          | <u>20,733,000</u>                                    | <u>(43,696,579)</u>  | <u>400,016,907</u>  |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2012

|  | Six months ended        |                         |
|--|-------------------------|-------------------------|
|  | 31 December             |                         |
|  | 2012                    | 2011                    |
|  | (unaudited)             | (unaudited)             |
|  | HK\$                    | HK\$                    |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES         | 2,728,768               | (99,575,273)            |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES         | (11,363,736)            | 20,516,810              |
| NET CASH FROM FINANCING ACTIVITIES                   | <u>9,020,642</u>        | <u>72,502,321</u>       |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 385,674                 | (6,556,142)             |
| CASH AND CASH EQUIVALENTS AT 1 JULY                  | <u>724,736</u>          | <u>14,486,942</u>       |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER             |                         |                         |
| Represented by                                       |                         |                         |
| Bank balances and cash                               | <u><u>1,110,410</u></u> | <u><u>7,930,800</u></u> |

## NOTES TO INTERIM FINANCIAL STATEMENTS

*For the six months ended 31 December 2012*

### 1. GENERAL INFORMATION

Capital VC Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 602, 6th Floor, New World Tower, 16-18 Queen’s Road Central, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). These condensed consolidated interim financial information are presented in Hong Kong dollars, unless otherwise stated.

### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements (“Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statements should be read in conjunction with the 2011/12 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2012.

### 3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2012, as described in those annual financial statements.

#### **Adoption of new and revised Hong Kong Financial Reporting Standard (HKFRSs)**

In the Period, the Group has applied the following new and revised HKFRs and interpretations issued by the HKICPA.

|                      |   |
|----------------------|---|
| HKAS 1 (Amendments)  | Presentation of Items of Other Comprehensive Income |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets         |

The application of the above new and revised HKFRSs in the Period has had no material effect on the amounts reported in Interim Financial Statements.



### **New and revised HKFRSs and interpretations issued but not yet effective**

The Group has not early applied the following new and revised HKFRSs, interpretations and amendments that have been issued but are not yet effective.

|                      |  |
|----------------------|--|
| HKFRS 1 (Amendments) | First-time Adoption of Hong Kong Financial Standards – Government Loans <sup>1</sup> |
| HKFRS 7 (Amendments) | Disclosures Offsetting Financial Assets and Financial Liabilities <sup>1</sup>       |
|                      | Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>          |
| HKFRS 9              | Financial Instruments <sup>3</sup>   |
| HKFRS 10             | Consolidated Financial Statements <sup>1</sup>                                       |
| HKFRS 11             | Joint Arrangements <sup>1</sup>  |
| HKFRS 12             | Disclosure of Interests in Other Entities <sup>1</sup>                               |
| HKFRS 13             | Fair Value Measurement <sup>1</sup>  |
| HKAS 19 (Revised)    | Employee Benefits <sup>1</sup>   |
| HKAS 27 (Revised)    | Separate Financial Statements <sup>1</sup>   |
| HKAS 28 (Revised)    | Investments in Associates and Joint Ventures <sup>1</sup>                            |
| HKAS 32 (Amendments) | Offsetting Financial Assets and Financial Liabilities <sup>2</sup>                   |
| HK (IFRIC) – INT 20  | Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>               |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

The directors anticipate that the application of these new and revised HKFRSs, Interpretations and Amendment will have no material financial impact on the Interim Financial Statements of the Group.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT**

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2012.

## 5. TURNOVER

Turnover represents the amounts received and receivable on investments and net gains on financial assets at fair value through profit or loss (“FVTPL”) during the Period as follows:

|  | Six months ended |                      |
|--|------------------|----------------------|
|  | 31 December      |                      |
|  | 2012             | 2011                 |
|  | (unaudited)      | (unaudited)          |
|  | HK\$             | HK\$                 |
| Turnover   |                  |                      |
| Net profit/(loss) on financial assets at FVTPL       | 5,061,003        | (111,057,909)        |
| Dividend income from investment in listed securities | –                | 74,270               |
| Interest income                                      | 2,077,628        | 3,979,309            |
|  | <u>7,138,631</u> | <u>(107,004,330)</u> |

## 6. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocated to the Group’s business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group’s major operations.

On adopting of HKFRS 8, the Group has identified the operating and reportable segments as follows.

|                                  |   |  |
|----------------------------------|---|--|
| Financial assets<br>at FVTPL     | – | Investments in securities listed on Hong Kong Stock<br>Exchange  |
| Available-for-sale<br>investment | – | Investments in unlisted securities   |
| Associate                        | – | Investments in an entity which the Group has significant influence<br>and that is neither a subsidiary nor an interest in a joint venture. |

**For the six months ended 31 December 2012**

|                                  | Investment<br>in financial<br>assets<br>at FVTPL<br><i>HK\$</i> | Investment<br>in available-<br>for-sale<br>investments<br><i>HK\$</i> | Investment<br>in an<br>associate<br><i>HK\$</i> | Unallocated<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|----------------------------------|---|---|---|----------------------------|----------------------|
| Segment revenue                  | 5,061,003   | 480,000   | 1,597,524                                       | 15,470                     | 7,153,997            |
| Administrative expenses          | –   | –   | –   | (4,084,163)                | (4,084,163)          |
| Segment result                   | <u>5,061,003</u>  | <u>480,000</u>  | <u>1,597,524</u>                                | <u>(4,068,693)</u>         | <u>3,069,834</u>     |
| Share of results of an associate | <u>–</u>  | <u>–</u>  | <u>1,684,740</u>                                | <u>–</u>                   | <u>1,684,740</u>     |

**For the six months ended 31 December 2011**

|                                  | Investment<br>in financial<br>assets<br>at FVTPL<br><i>HK\$</i> | Investment<br>in available-<br>for-sale<br>investments<br><i>HK\$</i> | Investment<br>in an<br>associate<br><i>HK\$</i> | Unallocated<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|----------------------------------|---|---|---|----------------------------|----------------------|
| Segment revenue                  | (110,983,639)   | 445,370   | 1,565,001                                       | 2,663,759                  | (106,309,509)        |
| Administrative expenses          | –   | –   | –   | (7,112,407)                | (7,112,407)          |
| Segment result                   | <u>(110,983,639)</u>  | <u>445,370</u>  | <u>1,565,001</u>                                | <u>(4,448,648)</u>         | <u>(113,421,916)</u> |
| Share of results of an associate | <u>–</u>  | <u>–</u>  | <u>30,897,651</u>                               | <u>–</u>                   | <u>30,897,651</u>    |

**7. PROFIT/(LOSS) BEFORE TAX**

| <b>Six months ended<br/>31 December</b> |                    |
|---|--------------------|
| <b>2012</b>                             | 2011               |
| <b>(unaudited)</b>                      | (unaudited)        |
| <b><i>HK\$</i></b>                      | <b><i>HK\$</i></b> |

The Group's profit/(loss) before tax has  
been arrived at after charging:

|   |                  |                |
|---|------------------|----------------|
| Total staff costs (including directors' remuneration) | <b>1,563,497</b> | 1,621,063      |
| Depreciation on plant and equipment                   | <b>288,146</b>   | 514,110        |
| Operating lease charges on rented premises            | <b>794,611</b>   | 702,960        |
| Interest on borrowings                                | <b>1,375,972</b> | 3,964,267      |
| Donation  | <u>–</u>         | <u>270,000</u> |

## 8. INCOME TAX

At the end of the reporting period, the Group has unused tax losses of approximately HK\$168,842,000 available to set off against future profits. No deferred tax asset in respect of tax losses has been recognized in the Interim Financial Statements of the Group due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

## 9. DIVIDEND

The directors did not recommend the payment of an interim dividend (2011: Nil).

## 10. EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings per share are based on the Group's profit attributable to the equity holders of the Company for the Period of HK\$2,969,963 (2011: loss of HK\$66,488,532).

The basic earnings per share is based on the weighted average number of 979,612,918 (2011: 769,158,976) ordinary shares in issue for the Period.

There was no dilution effect on the basic earnings per share for the six months ended 31 December 2012 and 2011 as there were no dilutive shares outstanding during the six months ended 31 December 2012 and 2011.

## 11. PLANT AND EQUIPMENT

During the Period, the Group did not acquire any plant and equipment. During the six months ended 31 December 2011, the Group acquired plant and equipment of HK\$285,358. The carrying value of assets held under finance leases included in the total carrying value of motor vehicles of the Group as at 31 December 2012 is nil (30 June 2012: nil).

## 12. INTEREST IN AN ASSOCIATE

|   | <b>31 December<br/>2012<br/>(unaudited)<br/>HK\$</b> | 30 June<br>2012<br>(audited)<br>HK\$ |
|---|--|--------------------------------------|
| Cost of investment in an unlisted associate | <b>4,500,000</b>                                     | 4,500,000                            |
| Share of post-acquisition profit            | <b>137,271,841</b>                                   | 135,587,101                          |
|   | <b><u>141,771,841</u></b>                            | <u>140,087,101</u>                   |
| Amount due from an associate                | <b><u>47,975,619</u></b>                             | <u>36,611,883</u>                    |

The amount due from an associate was unsecured, bearing interest at 8% per annum and repayable on demand.

As at 31 December 2012, the Group has interests in the following associate:

| Name of associate   | Form of business structure | Class of shares held | Place of incorporation and operations | Nominal value of issued share capital | Percentage of equity attributable to the Group | Principal activities  |
|---------------------|----------------------------|----------------------|---------------------------------------|---------------------------------------|--|---|
| CNI Bullion Limited | Incorporated               | Ordinary share       | Hong Kong                             | HK\$15,000,000                        | 30%  | Provision of services on trading of gold in Hong Kong gold market |

### 13. AVAILABLE-FOR-SALE INVESTMENTS

|   | <b>31 December<br/>2012<br/>(unaudited)<br/>HK\$</b> | 30 June<br>2012<br>(audited)<br>HK\$ |
|---|--|--------------------------------------|
| Unlisted equity securities, at fair value | <b>40,008,480</b>                                    | 40,008,480                           |
| Analyzed for reporting purposes as:       |  |                                      |
| Current                                   | <b>19,008,480</b>                                    | 19,008,480                           |
| Non-current                               | <b>21,000,000</b>                                    | 21,000,000                           |
|   | <b>40,008,480</b>                                    | 40,008,480                           |

The unlisted equity securities represent investments in private entities.

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | <b>31 December<br/>2012<br/>(unaudited)<br/>HK\$</b> | 30 June<br>2012<br>(audited)<br>HK\$ |
|---|--|--------------------------------------|
| Fair value  |  |                                      |
| Listed equity securities held for trading,<br>– listed in Hong Kong | <b>75,190,239</b>                                    | 76,039,014                           |

The fair value of the Group's equity investments at fair value through profit or loss was determined based on the quoted market bid prices available on the relevant exchanges.

## 15. SHARE CAPITAL

|   | Number of shares | Amount<br>HK\$ |
|---|------------------|----------------|
| Authorised  |                  |                |
| <b>At 1 July 2011, 31 December 2011,<br/>1 July 2012 and 31 December 2012</b> |                  |                |
| Ordinary shares of HK\$0.1 each   | 2,000,000,000    | 200,000,000    |
| Issued and fully paid   |                  |                |
| <b>At 1 July 2012</b>   |                  |                |
| Ordinary shares of HK\$0.1 each   | 925,286,831      | 92,528,683     |
| Issue of shares by placement ( <i>Note a</i> )                                | 84,000,000       | 8,400,000      |
| <b>At 31 December 2012</b>  | 1,009,286,831    | 100,928,683    |
| At 1 July 2011  |                  |                |
| Ordinary shares of HK\$0.1 each   | 591,169,846      | 59,116,985     |
| Issue of shares by placement ( <i>Note b</i> )                                | 250,000,000      | 25,000,000     |
| At 31 December 2011   | 841,169,846      | 84,116,985     |

*Notes:*

- (a) Pursuant to the placement agreement dated 23 August 2012 and an ordinary resolution passed at the annual general meeting held on 30 December 2011, placement of 84,000,000 ordinary shares of HK\$0.1 each was issued at a price of HK\$0.113 per share on 4 September 2012.
- (b) Pursuant to the placement agreement dated 9 June 2011 and an ordinary resolution passed at the extraordinary general meeting held on 12 August 2011, placement of 250,000,000 ordinary shares of HK\$0.1 each was issued at a price of HK\$0.3 per share on 23 August 2011.

## 16. RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) During the Period, significant transactions with related parties and connected parties are as follows:

|  |              | <b>Six months ended</b> |             |
|--|--------------|-------------------------|-------------|
|  |              | <b>31 December</b>      |             |
|  |              | <b>2012</b>             | 2011        |
|  |              | <b>(unaudited)</b>      | (unaudited) |
|  | <i>Notes</i> | <b>HK\$</b>             | <b>HK\$</b> |
| Quidam Assets Limited (“Quidam”)                         |              |                         |             |
| Interest income  | (i)          | <b>480,000</b>          | 445,370     |
| Tripod Management Limited (“Tripod”)                     |              |                         |             |
| Investment management fee paid                           | (ii)         | –                       | 240,000     |
| China Angel Fund Management (HK) Company Limited (“CAF”) |              |                         |             |
| Investment management fee paid                           | (iii)        | <b>240,000</b>          | –           |
| Fortel Solutions Limited                                 |              |                         |             |
| Professional service income                              | (iv)         | –                       | 120,000     |
| China Private Equity Investment Holdings Limited         |              |                         |             |
| Professional service income                              | (iv)         | –                       | 360,000     |
| CNI Bullion Limited                                      |              |                         |             |
| Interest income from                                     | (v)          | <b>1,597,524</b>        | –           |

- (b) Outstanding balances with related parties as at the end of the reporting period are as follows:

|   |              | <b>31 December</b> | 30 June     |
|---|--------------|--------------------|-------------|
|   |              | <b>2012</b>        | 2012        |
|   |              | <b>(unaudited)</b> | (audited)   |
|   | <i>Notes</i> | <b>HK\$</b>        | <b>HK\$</b> |
| Mr. Chui Tak Keung, Duncan (“Mr. Chui”),<br>an ex-executive director of the Company |              |                    |             |
| Amount due to   | (vi)         | –                  | 2,305,960   |
| Quidam  |              |                    |             |
| Loan advance to   | (i)          | <b>12,000,000</b>  | 12,000,000  |
| Interest receivable from  | (i)          | <b>1,139,667</b>   | 659,667     |

- (c) Compensation of key management personnel. The remuneration of directors and other members of key management during the Period was as follows:

|                          | <b>Six months ended</b> |                  |
|--------------------------|-------------------------|------------------|
|                          | <b>31 December</b>      |                  |
|                          | <b>2012</b>             | 2011             |
|                          | <b>(unaudited)</b>      | (unaudited)      |
|                          | <b>HK\$</b>             | <b>HK\$</b>      |
| Short-term benefits      | <b>972,472</b>          | 1,477,000        |
| Post-employment benefits | –                       | 12,000           |
|                          | <b>972,472</b>          | <b>1,489,000</b> |

*Notes:*

- (i) The Group had 18.25% equity interest in Quidam which holds 84% equity interest in Orbrich Finance at 31 December 2012. The loan is unsecured and bears interest at 8% per annum for the period from 1 July 2012 to 31 December 2012.
- (ii) Pursuant to an investment management agreement (“Tripod Agreement”) dated 17 May 2007 entered into between the Company and Tripod, Tripod agreed to provide the Company with investment management services (excluding general administrative services) commencing on 17 May 2007. Pursuant to its terms, Tripod Agreement is renewable automatically for successive periods of two years each upon expiry unless terminated by either the Company or Tripod serving not less than 3 months’ prior notice in writing on the other party. Tripod Agreement was automatically renewed on 17 May 2011 and terminated on 31 May 2012. During the period from 1 July 2011 to 31 May 2012, the monthly investment advisory fee is the lesser of (i) HK\$80,000; or (ii) 0.50% per annum of the net asset value (“NAV”) of the Company as at the Valuation Day (ie. the last dealing day of the Stock Exchange in each calendar month or such other dealing day as considered appropriate by the Board for the purpose of calculating the NAV) of the immediately preceding calendar month on the basis of the actual number of days in the relevant calendar month over a year of 365 days.
- (iii) Pursuant to an investment management agreement (“CAFM Agreement”) dated 31 May 2012 entered into between the Company and CAFM, CAFM agreed to provide the Company with investment management services (excluding general administrative services) commencing on 1 June 2012. Pursuant to its terms, CAFM Agreement is renewable automatically for successive periods of two years each upon expiry unless terminated by either the Company or CAFM serving not less than 3 months’ prior notice in writing on the other party. Currently the monthly investment advisory fee is HK\$40,000.
- (iv) Mr. Chui, who resigned as an executive director of the Company on 27 July 2012, had beneficial interests in these companies. Service income from these companies for the six months ended 31 December 2012 was charged at a negotiated value.



- (v) The Group had 30% equity interest in CNI Bullion at 31 December 2012. The term loan is unsecured, bears interest at 8% per annum and repayable on demand.
- (vi) The amount due to Mr. Chui as at 30 June 2012 was unsecured, interest-free and repayable on demand. The amount due to Mr. Chui as at 31 December 2012 of HK\$2,427,094 was included in other payables and accruals.

## 17. OPERATING LEASE COMMITMENTS

### The Group as lessee

The Group leases certain of its offices, directors' quarters and office equipment under operating lease arrangements. Leases are negotiated for a term ranging from one to three years.

As at 31 December 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|   | <b>31 December<br/>2012<br/>(unaudited)<br/>HK\$</b> | 30 June<br>2012<br>(audited)<br>HK\$ |
|---|--|--------------------------------------|
| Within one year                         | <b>2,425,603</b>                                     | 3,226,440                            |
| In the second to fifth years, inclusive | –  | 910,260                              |
|   | <b><u>2,425,603</u></b>                              | <b><u>4,136,700</u></b>              |

## 18. PLEDGE OF ASSETS

The Group has pledged its plant and equipment with carrying value of HK\$nil for the finance lease and financial assets at fair value through profit or loss, which are approximately HK\$75,165,249 (30 June 2012: HK\$76,017,594) to secure margin financing facilities obtained from regulated securities dealers.

## 19. CONTINGENT LIABILITIES

The Company and Longlife Group Holdings Limited have jointly entered into a tenancy agreement for the lease of office premises for a term of three years from 5 July 2010 to 4 July 2013. As at 31 December 2012, the maximum liabilities of rental and corresponding administrative charges of the Company due to default of payment of Longlife Group Holdings Limited would be HK\$702,960 (30 June 2012: HK\$1,405,920).

## **20. PENDING LITIGATION**

On 21 October 2011, the legal representative of the Company filed an Acknowledgement of Service of Writ of Summons on behalf of the Company in respect of a law suit HCA 1700/2011. The said law suit involves a dishonoured cheque for the amount of HK\$39,000,000 allegedly payable to the Plaintiff. Having thoroughly looked into the matter and taken full legal advice, the Company firmly believes that the Plaintiff's claim is totally without ground.

Save as disclosed above, so far as the Board is aware, there are no litigation or arbitration proceedings made or threatened to be made against the Company, which would have a significant impact on the business or operations of the Company. No provision has been made for the six months ended 31 December 2012.

## **21. EVENTS AFTER THE REPORTING PERIOD**

On 3 January 2013, the Company announced that the directors proposed to put forward to shareholders the proposal for capital reorganization which will involve in:

- (i) the share consolidation, whereby every ten (10) issued and unissued shares of HK\$0.10 each into one (1) consolidated share of HK\$1.00 each;
- (ii) the capital reduction, whereby the paid-up capital of the consolidated shares will be cancelled to the extent of HK\$0.999 per consolidated share so as to form a new share of HK\$0.001 ("Adjusted Share");
- (iii) the application of the credit arising from such reduction to cancel the accumulated deficit of the Company with the balance (if any) to be transferred to the distributable capital reduction reserve account of the Company; and
- (iv) the sub-division of each of the authorized but unissued shares of HK\$0.10 into one hundred (100) Adjusted Shares of HK\$0.001 each.

The capital reorganization has been approved by shareholders of the Company at the extraordinary general meeting held on 8 February 2013 but yet to be approved by the Grand Court of the Cayman Islands as of the date of this interim results announcement.

Subject to the aforesaid capital reorganization becoming effective, the Company proposed to raise approximately HK\$32.8 million to HK\$40.4 million before expenses by issuing not less than 50,464,341 Adjusted Shares and not more than 62,180,120 Adjusted Shares by way of the rights issue at a price of HK\$0.65 per rights share on the basis of one rights share for every two Adjusted Shares held on the record date, which was tentatively determined as 11 April 2013 (subject to change).

For further details of the aforesaid capital reorganization and the rights issue, please refer to the Company's announcement dated 3 January 2013 and circular dated 16 January 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Highlights**

For the six months ended 31 December 2012 (the “Period”), the Group recorded a turnover of HK\$7.1 million (2011: negative HK\$107.0 million) and a profit attributable to equity holders of the Company of HK\$3.0 million (2011: loss of HK\$66.5 million). The change in the result attributable to the equity holders of the Company from loss to profit is principally attributable to the improvement in the global investment atmosphere. Net profit on financial assets of HK\$5.1 million was recorded in the Period as compared to net loss of HK\$111.0 million recognised in the corresponding period of last year. There has been a slowdown in the growth of the Group’s associate, CNI Bullion Limited’s profit of only HK\$1.7 million (2011: HK\$30.9 million) was shared to the Group during the Period.

The net proceeds from a placement of HK\$9.1 million enlarged the capital base during the Period. After accounting for the placement and the result for the Period, the Group’s net asset value only increased from HK\$370.0 million as at 30 June 2012 to HK\$381.8 million as at 31 December 2012.

### **Business Review and Prospect**

As compared to the first half of 2011/12, in which a series of unfavourable events including European debt crisis and downgrade of US government credit rating happened, the performance of global investment market greatly improved in the current period. As benefited from the easing of monetary policies adopted by major central banks worldwide and the market’s expectation of China able to avoid a hard economic landing, the global investment atmosphere has turned optimistic since the third quarter of 2012. The Group’s investments also have a better performance in the current period and recorded a net profit on financial assets of approximately HK\$5.1 million, whereas a loss of approximately HK\$111.0 million was recorded in the corresponding period of last year.

Looking forward, we expect the US economy will return to a rate of historical growth in 2013 after a sluggish year – 2012. In the East, not only will the Chinese economy avoid a hard landing in 2012, but it could be on the cusp of worldwide economic development with very strong GDP growth in 2013. Together with the continuing easing of monetary policies adopted by major central banks, we believe the investment environment in 2013 will be favourable to equity investments. Even so, the directors will continue to adopt cautious measures to manage the portfolio of the Group’s investments.

## **LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**

The Group's liquidity position maintained stable as compared to the situation as at 30 June 2012 and its bank balances as at 31 December 2012 amounted to approximately HK\$1.1 million (As at 30 June 2012: approximately HK\$0.7 million) which represented approximately 0.4% (As at 30 June 2012: approximately 0.3%) of the Group's total current assets. Although the Group only held slim bank balance and cash, the Group's current assets of HK\$253.2 million, was adequate to settle all liabilities of HK\$35.2 million. The Board considered the Group still maintained a healthy financial position as at 31 December 2012.

As at 31 December 2012, the Group's gearing ratio, which is calculated on the Group's total liabilities divided by its total assets, improved from 10.6% as at 30 June 2012 to 8.4% as 31 December 2012. The Group had no material capital commitment as at 31 December 2012. In connection with the contingent liabilities of the Company, please refer to note 19 to the Interim Financial Statements.

## **FOREIGN CURRENCY EXPOSURE**

The Group has a number of investment projects in the PRC and may be subject to a certain degree of investment return risk. In spite of this, the Board believes that foreign exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

## **SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the Period, the Company had not made any significant acquisition and disposal of subsidiaries.

## **EMPLOYEES**

As at 31 December 2012, the Company had 5 employees, excluding directors. The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

## **CAPITAL STRUCTURE**

During the six months ended 31 December 2012, the Company placed 84,000,000 new shares at HK\$0.113 each per share. The number of the Company's issued shares increased from 925,286,831 to 1,009,286,831 during these six months.

## **SHARE OPTION SCHEME**

Pursuant to a written resolution passed by all of the then shareholders of the Company on 30 September 2003, the Company adopted a share option scheme (the “Scheme”). Under the Scheme, the directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive directors (including independent non-executive directors), any supplier of goods or services, any customer and any person or entity that provides research, development or other technological support to the Company to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders’ approval.

During the Period, no share options were granted, cancelled, exercised or lapsed pursuant to the Scheme.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has repurchased, redeemed or sold any of the Company’s listed securities during the six months ended 31 December 2012.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, namely, Mr. Lam Kwan, Mr. Ong Chi King and Mr. Cheung Kwok Yu with written terms of reference in compliance. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 December 2012.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non compliance with the Model Code during the Period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## **CODE OF CORPORATE GOVERNANCE PRACTICE**

During the Period, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the “CGP Code”) contained in Appendix 14 to the Listing Rules, except the deviations from the Code as described below:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Decisions of the Company are made collectively by the executive directors. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to reelection. Currently all non-executive directors, including independent non-executive directors, have no specific term of appointment but they are subject to retirement by rotation in accordance with the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.capital-vc.com](http://www.capital-vc.com). The interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the aforesaid websites in due course.

On behalf of the Board  
**Chan Cheong Yee**  
*Executive Director*

Hong Kong, 22 February 2013

*As at the date of this announcement, the Board comprises executive directors Mr. Kong Fanpeng and Mr. Chan Cheong Yee; non-executive director Mr. Hung Cho Sing; and independent non-executive directors Mr. Lam Kwan, Mr. Ong Chi King and Cheung Kwok Yu.*