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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 2013**

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 2013 (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 2013

		Six months ended	
		31 December	
		2013	2012
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$	HK\$
Turnover	5	156,976,260	7,138,631
Other income		256,073	15,366
Administrative expenses		(5,094,956)	(4,084,163)
Operating profit		152,137,377	3,069,834
Finance costs		(5,759,919)	(1,784,611)
Share of result of an associate		(60,573,119)	1,684,740
Profit before tax	7	85,804,339	2,969,963
Income tax	8	–	–
Profit for the Period and total comprehensive income for the Period attributable to equity holders of the Company		<u>85,804,339</u>	<u>2,969,963</u>
Dividend	9	–	–
			<i>(Restated)</i>
Earnings per share (<i>HK cents</i>)	10		
– basic		59.7	3.0
– diluted		N/A	N/A

There was no other comprehensive income during the six months ended 31 December 2013 and 2012.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

		31 December 2013 (unaudited) HK\$	30 June 2013 (audited) HK\$
	<i>Notes</i>		
NON-CURRENT ASSETS			
Plant and equipment	11	436,924	726,205
Interest in an associate	12	67,850,430	128,423,549
Available-for-sale investments	13	18,505,500	34,266,300
Amounts receivable on disposal of available-for-sale investments	14	24,500,000	44,500,000
		<hr/> 111,292,854	<hr/> 207,916,054
CURRENT ASSETS			
Financial assets at fair value through profit or loss	15	257,857,293	77,225,580
Loan receivable		140,023	10,896,948
Prepayments, deposits and other receivables		77,189,625	50,437,722
Amount due from an associate	12	86,379,179	61,317,583
Bank balances and cash		29,206,964	13,138,035
		<hr/> 450,773,084	<hr/> 213,015,868

		31 December 2013 (unaudited) <i>HK\$</i>	30 June 2013 (audited) <i>HK\$</i>
	<i>Notes</i>		
CURRENT LIABILITIES			
Other payables and accruals		37,802,755	16,939,169
Convertible bonds	16	20,790,434	17,743,134
Other unsecured loan		14,374,114	14,000,000
Obligations under finance leases – due within one year		–	73,090
		<u>72,967,303</u>	<u>48,755,393</u>
NET CURRENT ASSETS		<u>377,805,781</u>	<u>164,260,475</u>
		<u>489,098,635</u>	<u>372,176,529</u>
CAPITAL AND RESERVES			
Share capital	17	151,393	100,929
Reserves		488,947,242	372,075,600
		<u>489,098,635</u>	<u>372,176,529</u>
NET ASSET VALUE PER SHARE	18	<u>3.2307</u>	<u>3.6875</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2013

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 was Room 602, 6/F, New World Tower, 16-18 Queen’s Road Central and changed to Unit 2302, 23/F, New World Tower 1, 18 Queen’s Road Central, Hong Kong with effect from 7 February 2014. 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 2012/13 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 2013.

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 2013, 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 19 (As revised in 2011)	Employee benefits
HKAS 27 (As revised in 2011)	Separate financial statements
HKAS 28 (As revised in 2011)	Investments in associates and joint ventures
HKFRSs (Amendments)	Annual improvements to HKFRSs 2009-2011 cycle
HKFRS 1 (Amendments)	Government loans
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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.

HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities ¹
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets ¹
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting ¹
HKFRS 9	Financial instruments ²
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures ²
HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
HK(IFRIC) – INT 21	Levies ¹

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

² 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 2013.

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	
	2013	2012
	(unaudited)	(unaudited)
	HK\$	HK\$
Turnover		
Net profit on financial assets at FVTPL	160,470,719	5,061,003
Dividend income from investment in listed securities	32,138	–
Interest income	4,234,203	2,077,628
Loss on disposal of a subsidiary (<i>Note</i>)	(7,760,800)	–
	<u>156,976,260</u>	<u>7,138,631</u>

Note:

During the Period, the Group disposed of 100% equity interest in Long Surplus Investment Limited, which held approximately 3.98% of equity interest in 247 Capital Limited, at a consideration of HK\$8,000,000. 247 Capital Limited is principally engaged in investment holding which owns 100% equity interest in Go Markets Pty Limited and Go Markets Pty Limited carries on the business of online trading in Australia. The sales proceeds of HK\$8,000,000 have been fully collected subsequently in January 2014.

6. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular reports reviewed by the chief operating decision maker for decisions about resources allocated to the Group's business components and for their review of the performance of those components.

The principal activity of the Group is investing in listed and unlisted companies. The Group has identified the operating and reportable segments as follows.

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

For the six months ended 31 December 2013

	Investment in financial assets at FVTPL <i>HK\$</i>	Investment in available- for-sale investments <i>HK\$</i>	Investment in an associate <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	160,502,857	(6,289,889)	2,761,600	257,765	157,232,333
Administrative expenses	–	–	–	(5,094,956)	(5,094,956)
Segment result	<u>160,502,857</u>	<u>(6,289,889)</u>	<u>2,761,600</u>	<u>(4,837,191)</u>	<u>152,137,377</u>
Share of result of an associate	<u>–</u>	<u>–</u>	<u>(60,573,119)</u>	<u>–</u>	<u>(60,573,119)</u>

For the six months ended 31 December 2012

	Investment in financial assets at FVTPL <i>HK\$</i>	Investment in available- for-sale investments <i>HK\$</i>	Investment in an associate <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <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 result of an associate	<u>–</u>	<u>–</u>	<u>1,684,740</u>	<u>–</u>	<u>1,684,740</u>

7. PROFIT BEFORE TAX

Six months ended 31 December	
2013	2012
(unaudited)	(unaudited)
<i>HK\$</i>	<i>HK\$</i>

The Group's profit before tax has
been arrived at after charging:

Total staff costs (including directors' remuneration)	1,632,750	1,563,497
Depreciation on plant and equipment	289,281	288,146
Operating lease charges on rented premises	998,097	794,611
Interest on borrowings	5,759,919	1,375,972

8. INCOME TAX

At the end of the reporting period, the Group has unused tax losses of approximately HK\$32,590,000 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 (2012: Nil).

10. EARNINGS 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\$85,804,339 (2012: HK\$2,969,963).

The basic earnings per share is based on the weighted average number of 143,713,668 (2012 restated: 97,961,292) 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 2013 and 2012 as there were no dilutive shares outstanding during the six months ended 31 December 2013 and 2012.

11. PLANT AND EQUIPMENT

During the Period, the Group did not acquire or dispose of any plant and equipment.

12. INTEREST IN AN ASSOCIATE

	31 December 2013 (unaudited) HK\$	30 June 2013 (audited) HK\$
Cost of investment in an unlisted associate	4,500,000	4,500,000
Share of post-acquisition profit	63,350,430	123,923,549
	<u>67,850,430</u>	<u>128,423,549</u>
Amount due from an associate	<u>86,379,179</u>	<u>61,317,583</u>

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

As at 31 December 2013, 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

	31 December 2013 (unaudited) HK\$	30 June 2013 (audited) HK\$
Unlisted equity securities representing investments in private entities, at fair value	18,505,500	34,266,300

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

The amounts receivables include the three disposed available-for-sale investments as follow:

- (a) Pursuant to the agreements signed with the purchaser, the deal to sell IIN Network Education (BVI) Limited was completed on 30 December 2011. The remaining balance is interest-bearing at 5% per annum at 31 December 2013, and will be settled by 4 installments in which approximately HK\$22,508,000 will be settled on or before 31 December 2014, and approximately HK\$9,000,000 will be settled after 31 December 2014.
- (b) Pursuant to the agreements signed with the purchaser, the deal to sell UCCTV Holdings Limited was completed on 25 December 2011. The remaining balance interest-bearing at 5% per annum at 31 December 2013, and will be settled by 4 installments in which approximately HK\$21,598,000 will be settled on or before 31 December 2014 and approximately HK\$15,500,000 will be settled after 31 December 2014.
- (c) Pursuant to the agreement signed with the purchaser, the deal to sell Long Surplus Investment Limited was completed on 30 December 2013. The sales proceeds of HK\$8,000,000 have been collected subsequently in January 2014.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December	30 June
	2013	2013
	(unaudited)	(audited)
	HK\$	HK\$
Fair value		
Listed equity securities held for trading,		
– listed in Hong Kong	257,857,293	77,225,580

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.

16. CONVERTIBLE BONDS

On 27 March 2013, the Company issued convertible bonds with an aggregated principal amount of HK\$20,000,000 with a term of 1 year. The bonds are unsecured and carry 10% coupon interest rate. The bonds are convertible into ordinary shares of the Company at a conversion price of HK\$0.1 (before the capital reorganisation becoming effective (refer to note 17(a) for more details)) or HK\$1 (after capital reorganisation becoming effective) per conversion share during the conversion period.

At the initial recognition of 27 March 2013 which was the issue date of the convertible bonds, the fair value of the convertible bonds were determined by an independent professional valuer, LCH (Asia – Pacific) Surveyors Limited. The convertible bonds contain two components, equity and liability components. The equity component is presented in equity as convertible bonds reserve. The effective interest rate of the liability component on initial recognition is 34.61% per annum.

	The Group and Company		
	Equity	Liability	Total
	portion	portion	portion
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 July 2013	3,660,000	17,743,134	21,403,134
Interest charged to the consolidated statement of comprehensive income	–	1,000,000	1,000,000
Imputed interest charged to consolidated statement of comprehensive income	–	2,047,300	2,047,300
At 31 December 2013	3,660,000	20,790,434	24,450,434

17. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised		
At 1 July 2013 and 31 December 2013		
Ordinary shares of HK\$0.001 each (<i>Note a</i>)	200,000,000,000	200,000,000
At 1 July 2012 and 31 December 2012		
Ordinary shares of HK\$0.1 each (<i>Note a</i>)	2,000,000,000	200,000,000
Issued and fully paid		
At 1 July 2013		
Ordinary shares of HK\$0.001 each	100,928,683	100,929
Issue of shares by rights issue (<i>Note b</i>)	50,464,341	50,464
At 31 December 2013	151,393,024	151,393
At 1 July 2012		
Ordinary shares of HK\$0.1 each	925,286,831	92,528,683
Issue of shares by placement (<i>Note c</i>)	84,000,000	8,400,000
At 31 December 2012	1,009,286,831	100,928,683

Notes:

- (a) Pursuant to the passing of a special resolution at the extraordinary general meeting held on 8 February 2013, the capital reorganisation (“Capital Reorganisation”) had been effective with the following adjustments:
- (i) every ten issued shares of HK\$0.1 each had been consolidated into one consolidated share of HK\$1;
 - (ii) the paid-up capital of each consolidated share had been reduced from HK\$1 to HK\$0.001 by cancelling paid-up capital to the extent of HK\$0.999 on each consolidated share by way of a reduction of capital so as to form an adjusted share of HK\$0.001;
 - (iii) the credit arising from such capital reduction had been applied towards cancelling the accumulated deficit of the Company’s reserve with the balance to be transferred to the distributable capital reduction reserve account of the Company; and
 - (iv) each of the authorised but unissued shares of HK\$0.1 had been subdivided into one hundred adjusted shares of HK\$0.001 each.

- (b) Pursuant to the prospectus dated 4 July 2013, the Company issued rights shares on the basis of one right share for every two existing shares (the “Rights Issue”). Prior to the Rights Issue, the number of shares (“Shares”) of the Company in issue was 100,928,683. The number of Shares in issue immediately upon the Rights Issue is 151,393,024.
- (c) Pursuant to the placement agreement dated 23 August 2012, 84,000,000 ordinary shares of HK\$0.1 each were placed at a price of HK\$0.113 per share (before Capital Reorganisation taken place) on 4 September 2012.

18. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Group as at 31 December 2013 of HK\$489,098,635 (30 June 2013: HK\$372,176,529) and on the number of 151,393,024 (30 June 2013: 100,928,683) ordinary shares in issue as at 31 December 2013.

19. RELATED PARTY AND CONNECTED TRANSACTIONS

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

		Six months ended	
		31 December	
		2013	2012
		(unaudited)	(unaudited)
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Quidam Assets Limited (“Quidam”)			
Interest income	(i)	364,157	480,000
China Angel Fund Management (HK) Company Limited (“CAFM”)			
Investment management fee paid	(ii)	240,000	240,000
CNI Bullion Limited			
Interest income from	(iii)	2,761,600	1,597,524

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

		31 December	30 June
		2013	2013
		(unaudited)	(audited)
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Quidam			
Loan advance to	(i)	140,023	10,896,948
Interest receivable from	(i)	–	154,958

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

	Six months ended	
	31 December	
	2013	2012
	(unaudited)	(unaudited)
	HK\$	HK\$
Short-term benefits	1,140,000	972,472
Post-employment benefits	–	–
	1,140,000	972,472

Notes:

- (i) The Group had 18.25% equity interest in Quidam at 31 December 2013. The term loan is unsecured, bears interest at 8% per annum and repayable on demand.
- (ii) 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.
- (iii) The Group had 30% equity interest in CNI Bullion Limited at 31 December 2013. The term loan is unsecured, bears interest at 8% per annum and repayable on demand.

20. 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 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December	30 June
	2013	2013
	(unaudited)	(audited)
	HK\$	HK\$
Within one year	1,517,100	910,260
In the second to fifth years, inclusive	1,435,535	–
	2,952,635	910,260

21. PLEDGE OF ASSETS

The Group has pledged its financial assets at fair value through profit or loss, which are approximately HK\$251,493,429 (30 June 2013: HK\$77,225,580) to secure margin financing facilities obtained from regulated securities dealers.

22. CONTINGENT LIABILITIES

On 4 July 2013, the Company and an independent third party (the “Third Party”) jointly entered into a tenancy agreement with the landlord for the lease of office premises for a term of three years from 5 July 2013 to 4 July 2016 (the “Lease Period”).

Pursuant to a separate agreement dated 2 July 2013 between the Company, the Third Party and a guarantor, the Company is obligated to pay HK\$1 during the Lease Period and Third Party is obligated to pay the remaining lease payment.

According to the agreement above, the guarantor agreed to provide a guarantee to the Company to cover any loss incurred due to default in rental payment to the landlord and/or any damage or other expenses claimed by the landlord and/or other parties in relation to the premises. As at 31 December 2013, the maximum liabilities of rental and corresponding administrative charges of the Company due to default of payment of Third Party or the guarantor would be HK\$10,521,900.

23. EVENTS AFTER THE REPORTING PERIOD

On 27 January 2014, the Company proposed to raise not less than approximately HK\$151 million and not more than approximately HK\$171 million before expenses by issuing not less than 605,572,096 new Shares (“Offer Shares”) and not more than 685,572,096 Offer Shares by way of Open Offer at the subscription price of HK\$0.25 per Offer Share on the basis of four Offer Shares for every one existing Share held on the Record Date with the issue of bonus warrants on the basis of one bonus warrant for every four Offer Shares taken up under the Open Offer.

For further details of the Open Offer, please refer to the Company’s announcement and circular dated 27 January 2014 and 27 February 2014 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the six months ended 31 December 2013, the Group reported a turnover of approximately HK\$157.0 million (2012: HK\$7.1 million) and net profit attributable to equity holders of the Company of approximately HK\$85.8 million (2012: HK\$3.0 million). The significant changes in the Group’s turnover and the net profit are principally due to the outstanding performance of listed securities held by the Group. The Group recorded a net profit of listed securities of approximately HK\$160.5 million in the six months ended 31 December 2013 while only slim profit of approximately HK\$5.1 million was recognised in the six months ended 31 December 2012.

As at 31 December 2013, the net asset value (“NAV”) of the Group was approximately HK\$489.1 million (30 June 2013: HK\$372.2 million), a significant increase of approximately 31.4% over the Period. The NAV per share of the Group was HK\$3.2307 (30 June 2013: HK\$3.6875), which however decreased by approximately 12.4%

during the Period. During the Period, the Company has adopted a rights issue exercise, which was completed in July 2013, pursuant to which 50,464,341 new shares at the subscription price of HK\$0.65 each on the basis of one rights share for every two shares held on the record date. The decrease in NAV over the Period is principally resulted from the subscription price of rights shares of HK\$0.65 each significantly lower than the NAV of the Group of HK\$3.6875 per share as at 30 June 2013.

Business Review and Prospect

The second half of Year 2013 is an amazing time to investors holding securities listed in Hong Kong. Hang Seng Index increased from 20,803 at the end of June 2013 to 23,306 at 31 December 2013. The Group's portfolio of listed securities outperformed the Blue Chips. The prices of certain listed stocks held by the Group rose by more than 50% during the Period. Accordingly, the Group's turnover for the Period significantly improved as compared to the corresponding period of fiscal year 2012/13.

In contrast to the environment of low interest rate in years before, it is widely expected that, should economic performance in the US remain on track, the Federal Reserve will begin to remove excess liquidity gradually by tapering off Quantitative Easing sometime in the near future. Accordingly, US Dollars generally appreciated in the fiscal year 2013/14 and coming years, and the gold price lost momentum and maintained steady at a low level in the range of US\$1,200 per ounce and US\$1,400 per ounce. The disappointing performance of gold price led to the slowdown in its trading activities. Together with more competitors appearing in the market, the performance of the Group's associate – CNI Bullion Limited for the Period was not satisfactory. Loss of approximately HK\$60.6 million was shared to the Group, while profit of approximately HK\$1.7 million was shared in the corresponding period of last year.

In order to capture the chance of global investment market recovery and the hot wave of small-medium cap stocks in Hong Kong, the Group has successfully raised approximately HK\$32.8 million by way of rights issue in July 2013. The issue of new shares has contributed the resources to the Group in generating positive income from the Group's listed investments during the Period.

Looking forward, we expect the investment environment in the US and other advance economies will extend the uptick from the fiscal year of 2012/13. Anticipated mild and slow removal of excess liquidity will not cause significant influence of global investment market. In the East, as the China economy is maturing and a more sustainable development is desired, slower future growth levels are to be expected. During the last quarter of the fiscal year 2012/13, major economic indicators began to accelerate, allowing a carefully more optimistic outlook for the current year. To enjoy the on-going mild development of the global investment atmosphere, the Group proposed to raise not less than HK\$151 million by way of open offer, which is yet to be approved by shareholders of the Company in March 2014. The Directors will continue to adopt cautious measures to manage the Group's investment portfolio.

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

The Group's liquidity position improved significantly as compared to the situation as at 30 June 2013 and its bank balances as at 31 December 2013 amounted to approximately HK\$29.2 million (As at 30 June 2013: approximately HK\$13.1 million). As the result from the rights issue exercise in July 2013, the Group maintained more cash and bank balances as general working capital. Along with the satisfactory performance of investment in listed securities, the Group's current ratio (as defined by current assets/current liabilities) significantly increased from 4.4 as at 30 June 2013 to 6.2 as at 31 December 2013. The Board believes that the Group has sufficient resources to satisfy its working capital requirements.

During the Period, the Group maintained low level of gearing ratio (as defined by total liabilities/total assets) (31 December 2013: 13.0%; 30 June 2013: 11.6%), and the Group had no material commitment as at 31 December 2013. In connection with the contingent liabilities of the Group, please refer to note 22 to the Interim Financial Statements.

FOREIGN CURRENCY FLUCTUATION

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

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Period, the Group has disposed of its entire interest in Long Surplus Investment Limited, which held 3.98% interest in 247 Capital Limited. Please refer to note 5 to the Interim Results Statements for more details.

Save as disclosed above, the Company does not have any significant acquisition and disposal of subsidiaries during the period.

HUMAN RESOURCES

As at 31 December 2013, the Group had 5 employees, excluding the directors of the Company. Total staff costs excluding Directors' remuneration amounted to approximately HK\$0.7 million. They perform clerical, research, business development and administrative functions for the Group. The Group's remuneration policies are in line with the prevailing market practice and the staff remuneration is determined on the basis of the performance and experience of individual employees.

CAPITAL STRUCTURE

During the six months ended 31 December 2013, the Company issued 50,464,341 Shares at HK\$0.65 each per share by way of a rights issue exercise. The number of the Company's issued shares increased from 100,928,683 to 151,393,024 during the Period.

For further details of the rights issue exercise, please refer to the Company's prospectus dated 4 July 2013.

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 "Old Scheme"). During the Period, the Old Scheme has been expired and there was no share options were granted, cancelled, exercised or lapsed pursuant to the Old Scheme.

Pursuant to an ordinary resolution passed by shareholders of the Company at the annual general meeting on 10 December 2013, the Company adopted a new share option scheme (the "New Scheme"). Under the New Scheme, the directors of the Company may, at their absolute discretion, invite any employee (full-time or part-time), director, consultant or advisor of any member of the Group, or any substantial shareholder of any member of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, or any company wholly owned by one or more persons belonging to any of the above classes to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue on date of the aforesaid annual general meeting.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities during the six months ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Lam Kwan, Mr. Ong Chi King and Mr. Lee Ming Gin 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 2013.

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 CGP Code as described below:

CGP 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.

CGP 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 and the Company’s website at 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
Tang Tsz Tung
Executive Director

Hong Kong, 28 February 2014

As at the date of this announcement, the Board comprises Mr. Kong Fanpeng, Mr. Chan Cheong Yee and Mr. Tang Tsz Tung as executive directors; and Mr. Lam Kwan, Mr. Ong Chi King and Mr. Lee Ming Gin as independent non-executive directors.