

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in Crosby Capital Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is not and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 circular 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 in this circular misleading.

**CROSBY**  
**CROSBY CAPITAL LIMITED**  
**(高誠資本有限公司)\***  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8088)**

- (1) DISCLOSEABLE TRANSACTION – ACQUISITION OF INTEREST IN  
A COMPANY AND SUBSCRIPTION OF SHARES IN THE COMPANY;  
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;  
(3) PROPOSED PLACING OF NEW SHARES, ISSUE OF BONUS  
WARRANTS AND GRANTING OF OVER-ALLOTMENT OPTION  
UNDER SPECIFIC MANDATE;  
(4) REFRESHMENT OF GENERAL MANDATE  
AND  
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**Placing Agent**



A notice convening the extraordinary general meeting of the Company to be held at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong on 14 February 2014 at 10:00 a.m., is set out on pages 51 to 55 of this circular. Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the extraordinary general meeting in accordance with the instructions printed thereon and return the same to the principal place of business of Crosby Capital Limited at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

## CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“Acquisition Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors or a duly authorised committee thereof
“Bonus Warrants”	an aggregate of 32,050,000 unlisted bonus warrants, being 19,230,000 unlisted bonus warrants issued to the Placees on the basis of one (1) bonus warrant for every two (2) Placing Shares placed to them upon completion of the Placing and 12,820,000 unlisted bonus warrants issued to the subscribers of the Over-allotment Shares on the basis of one (1) bonus warrant for every two (2) Over-allotment Shares upon exercise of the Over-allotment Option, conferring rights to subscribe HK\$25,640,000 in aggregate for the Shares, equivalent to the aggregate subscription price for a total of 32,050,000 Shares on the basis of an initial subscription price of HK\$0.80 per Share (subject to adjustment), during the three (3)-year period commencing from the date of issue of the Bonus Warrants proposed to be issued in accordance with the terms of the Placing Agreement
“BVI”	British Virgin Islands
“Company”	Crosby Capital Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	HK\$46,800,000
“Consideration Shares”	60,000,000 Shares to be allotted and issued by the Company to satisfy the Consideration

## DEFINITIONS

“Directors”	the directors of the Company and each a “Director”
“EGM”	a extraordinary general meeting of the Company to be held at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong, on 14 February 2014 at 10:00 a.m.
“Enlarged Group”	the Group and the Target Group
“Exercise Period”	in relation to the Bonus Warrants, the period from the date of issue of the Bonus Warrants to the date falling on the third (3rd) anniversary of the issue of the Bonus Warrants
“Existing General Mandate”	the general mandate granted to the Directors to allot, issue and deal with 27,555,841 new Shares by a resolution of the shareholders passed at the annual general meeting of the Company held on 10 May 2013
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HMV Asia”	HMV Asia Limited, a company incorporated in the BVI with limited liability
“HMV eShop”	Raise Best Group Limited was renamed as HMV eShop Limited on 12 December 2013
“HMV HK”	HMV Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“HMV Master Quality Sound”	Merit Century Group Limited was renamed as HMV Master Quality Sound Limited on 12 December 2013
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board to be formed and comprised of Mr. Shi Jinsheng, Mr. Sin Hendrick and Mr. Yuen Kwok On, all of whom are independent non-executive Directors, to advise the Independent Shareholders on the Refreshment of General Mandate

## DEFINITIONS

“Independent Shareholders”	Shareholders other than those who are required by the GEM Listing Rules to abstain from voting in favour of the resolution for the Refreshment of General Mandate at the EGM
“Instrument”	the instrument constituting the Bonus Warrants
“Issue Mandate”	the general mandate to be granted to the Directors by the Shareholders at a general meeting of the Company to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of such general meeting
“Issue Price”	the price of HK\$0.78 per Consideration Share
“Latest Practicable Date”	24 January 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Mr. Wu”	Mr. Wu King Shiu, Kelvin
“Ms. Butt”	Ms. Butt, Emily Oy-Fong
“Ms. Wong”	Ms. Wong Nga Fan
“Over-allotment Exercise Period”	from the date falling on the last day of the Placing Period and will expire on the date which is five (5) Business Days from such last day of the Placing Period
“Over-allotment Option”	the option granted by the Company to the Placing Agent to require the Company to issue and allot up to the Over-allotment Shares pursuant to the Placing Agreement
“Over-allotment Price”	HK\$0.78 per Over-allotment Share
“Over-allotment Shares”	up to an aggregate of 25,640,000 additional Shares which the Company may be required to issue and allot at the Over-allotment Price pursuant to the Over-allotment Option
“Placee(s)”	any professional, institutional and other investor whom the Placing Agent have procured to subscribe for the Placing Shares on the terms and subject to the conditions set out in the Placing Agreement

## DEFINITIONS

“Placing”	the Placing, on a best effort basis, of up to 38,460,000 Placing Shares with entitlement to the Bonus Warrants on the basis of one (1) Bonus Warrant to every two (2) Placing Shares placed pursuant to the terms of the Placing Agreement
“Placing Agent”	Great Roc Capital Securities Limited, an exchange participant of the Stock Exchange and a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 20 December 2013 entered into between the Company and the Placing Agent in relation to the Placing, Over-allotment Option and Bonus Warrants
“Placing Completion”	completion of the Placing and where applicable, the completion of the subscription for the Over-allotment Shares (subject to exercise of the Over-allotment Option)
“Placing Completion Date”	the Placing Completion shall take place within five (5) Business Days after the Placing Agreement having become unconditional or such other date as the Company and the Placing Agent may mutually agree in writing
“Placing Period”	the period commencing immediately after the date of the EGM and expiring at 5:00 p.m. on the fifth (5th) Business Day from the date of EGM approving the Placing and the Specific Mandate (Placing) (or such later time and date as the parties may agree in writing)
“Placing Price”	HK\$0.78 per Placing Share
“Placing Share(s)”	up to 38,460,000 new Shares to be placed under the Placing
“Purchaser”	Action Key Investments Limited, a company incorporated in Samoa with limited liability and a wholly owned subsidiary of the Company

## DEFINITIONS

“Quam Capital” or “Independent Financial Adviser”	Quam Capital Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate
“Refreshment of General Mandate”	the proposal to refresh the Issue Mandate at the EGM
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 December 2013 and entered into amongst, the Company, the Purchaser and the Sellers in relation to the sale and purchase of the Sale Shares
“Sale Shares”	4,680 shares of US\$1.00 each in the capital of the Target Company
“Sellers”	HMV Asia, Ms. Wong, Ms. Butt and Mr. Wu
“SFO”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of US\$0.01 each in the issued share capital of the Company
“Shareholders”	registered holders of the Shares
“Specific Mandate (Consideration Shares)”	a specific mandate to be sought from Shareholders at the EGM for the issue and allotment of the Consideration Shares
“Specific Mandate (Placing)”	a specific mandate to be sought from Shareholders at the EGM to allot and issue the Placing Shares, the Over-allotment Shares and the Subscription Shares upon the exercise of the Subscription Rights by the Warrantholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	an initial subscription price of HK\$0.80 per Subscription Share (subject to standard adjustment clauses in the Instrument, at which the Warrantholders may subscribe for the Subscription Shares(s))



## DEFINITIONS

“Subscription Rights”	the rights attached to the Bonus Warrants to subscribe for Subscription Shares as provided under the Instrument
“Subscription Shares”	Shares to be issued upon the exercise of the Subscription Rights attaching to the Bonus Warrants
“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Subscription”	the subscription of the Target Subscription Shares by the Purchaser pursuant to the Target Subscription Agreement
“Target Subscription Agreement”	the subscription agreement dated 10 December 2013 and entered into between the Purchaser and the Target Company in relation to the subscription of the Target Subscription Shares
“Target Subscription Price”	the aggregate price of HK\$10,000,000 for the Target Subscription Shares
“Target Subscription Shares”	1,000 new shares of US\$1.00 each in the capital of the Target Company
“Target Company”	Billion Merit Investments Limited was renamed as HMV Ideal Limited on 6 January 2014
“Target Group”	the Target Company and its subsidiaries, HMV Master Quality Sound, HMV eShop, HMV Marketing Limited, VS Media Co Limited, VS Media Limited, Vissible Co & Limited and Viss Me Co & Limited
“Transactions”	the Acquisition and the Target Subscription
“Warrantholders”	the holder(s) of the Bonus Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

# CROSBY

## CROSBY CAPITAL LIMITED

(高誠資本有限公司)\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8088)

*Executive Directors:*

Clive Ng Cheang Neng (*Chairman*)

Liu Guang He

Stephen Shiu Junior

Nelson Tong Naiyi

*Independent non-executive Directors:*

Shi Jinsheng

Sin Hendrick

Yuen Kwok On

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Principal Office:*

Unit 502, 5th Floor

AXA Centre

151 Gloucester Road

Wanchai

Hong Kong

28 January 2014

*To Shareholders of the Company*

Dear Sir or Madam,

- (1) DISCLOSEABLE TRANSACTION – ACQUISITION OF INTEREST IN  
A COMPANY AND SUBSCRIPTION OF SHARES IN THE COMPANY;  
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;  
(3) PROPOSED PLACING OF NEW SHARES, ISSUE OF BONUS  
WARRANTS AND GRANTING OF OVER-ALLOTMENT OPTION  
UNDER SPECIFIC MANDATE;  
(4) REFRESHMENT OF GENERAL MANDATE  
AND  
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

### INTRODUCTION

Reference is made to the announcement dated 10 December 2013 made by the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, the issue of Consideration Shares under Specific Mandate (Consideration Shares) and the Refreshment of General Mandate; and the announcement dated 22 December 2013 made by the Company in relation to the Placing, issue of Bonus Warrants, granting of Over-allotment Option and delay in despatch of this circular.

\* For identification purpose only

## LETTER FROM THE BOARD

The purpose of this circular is (i) to provide Shareholders with further details in relation to the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement, and the Specific Mandate (Consideration Shares) for the allotment and issue of the Consideration Shares; (ii) to set out further details of the Placing Agreement and the transactions contemplated thereunder including the issue of Bonus Warrants, Over-allotment Option and grant of the Specific Mandate (Placing); (iii) to provide you with information on the granting of the General Mandate; (iv) to set out the recommendations of the Independent Board Committee to the Independent Shareholders on the granting of the Issue Mandate; (v) to set out the recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Refreshment of General Mandate; and (vi) to give notice of the EGM.

### **PART A – THE ACQUISITION**

#### **1. THE SALE AND PURCHASE AGREEMENT**

On 10 December 2013 (after trading hours), the Purchaser and the Sellers entered into the Sale and Purchase Agreement in relation to the sale and purchase of the Sale Shares for a consideration of HK\$46,800,000 to be satisfied by the issued and allotment of an aggregate of 60,000,000 Consideration Shares by the Company.

#### **Date**

10 December 2013

#### **Parties**

The Company

Purchaser: Action Key Investments Limited, a wholly-owned subsidiary of the Company

Sellers:     HMV Asia  
              Ms. Wong  
              Ms. Butt  
              Mr. Wu

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Sellers or its ultimate beneficial owners (in case where the Seller is a body corporate) are third parties independent of the Company and its connected persons.

As of the Latest Practicable Date, each of the Sellers is interested in 40.77%, 40.77%, 3.55% and 3.55% of the issued share capital of the Target Company as enlarged by the Target Subscription Shares issued and allotted on 10 December 2013 pursuant to the Target Subscription Agreement, respectively.

## LETTER FROM THE BOARD

HMV Asia is a company incorporated in the BVI with limited liability. Through its subsidiaries, HMV Asia operates retail stores selling music, movie and television series related contents and products. HMV Asia also operate an HMV Kafé and an HMV Kid Center in Hong Kong. Mr. Wu is deemed to be interested in 93.75% of the equity in HMV Asia due to family holdings.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to purchase an aggregate of 60% of the existing issued share capital of the Target Company from the Sellers.

The Target Company is an investment holding company incorporated in BVI with limited liability. The Target Company directly or indirectly owns 100% of each of HMV Master Quality Sound, HMV eShop, HMV Marketing Limited, VS Media Co Limited, VS Media Limited, Vissible Co & Limited and Viss Me Co & Limited. Further details of the Target Group is set out in the paragraph headed "Information on the Target Group".

### **Consideration**

The Consideration for the Acquisition is HK\$46,800,000. The Consideration was arrived at after arm's length negotiations between the Sellers and the Purchaser, having considered (i) the brand name "HMV", which is owned by HMV (IP) Limited, a third party independent of the Sellers, and exclusively licenced to HMV HK within the territory of the PRC, Hong Kong, Macau, Taiwan and Singapore, is a well-known brand name in Asia; (ii) the Central Retail Shop (as defined in the section headed "Information on the Target Group") is located at a prime location which is familiar to its customers, and the lease for this prime location was previously secured at a favourable rental as compared to current market rent in the vicinity, which will be beneficial in reducing rental costs and hence the overall operating costs of the Central Retail Shop, and is for a term until 2016, with the option to renew for a further two years; (iii) the experience of the core management team of the Target Group, biographical details of which are set out in the paragraph headed "Information on the Target Group"; and (iii) the growth and development prospects of the Target Group, details of which are set out in the section headed "INFORMATION ON THE TARGET GROUP".

The Consideration will be satisfied by the Company by way of allotment and issue of 60,000,000 Consideration Shares to the Sellers or their nominees in proportion to their respective interest in the Sale Shares, at the Issue Price of HK\$0.78 per Consideration Share at Acquisition Completion. Upon completion of the Acquisition, each of HMV Asia, Ms. Wong, Ms. Butt and Mr. Wu will be issued and allotted with 27,600,000, 27,600,000, 2,400,000 and 2,400,000 Consideration Shares, representing approximately 6.21%, 6.21%, 0.54% and 0.54% of the issued share capital of the Company as enlarged by the Consideration Shares, respectively, assuming the Placing has not taken place and the Over-allotment Option and the Subscription Rights have not been exercised.

Having considered the factors taken into account by the parties in arriving at the Consideration as mentioned in this sub-paragraph headed "Consideration", the Directors are of the view that the Consideration is fair and reasonable.

## LETTER FROM THE BOARD

### **The Consideration Shares and lock-up undertaking**

The Consideration Shares will be issued under the Specific Mandate (Consideration Shares) to be approved by the Shareholders at the EGM. The Consideration Shares represents approximately 15.60% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 13.50% of the issued share capital of the Company as enlarged by the Consideration Shares, assuming the Placing has not taken place and the Over-allotment Option and the Subscription Rights have not been exercised.

The Consideration Shares will, upon issue and credited as fully paid, rank pari passu in all respect with all the existing Shares then in issue. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Pursuant to the Sale and Purchase Agreement, each of the Sellers has undertaken to the Company that it shall not, and shall procure that their respective nominees shall not offer, sell, contract to sell, transfer, pledge, create any rights of pre-emption, options, liens, claims, equities, mortgages, charges, encumbrances, defects, adverse interests or third-party rights of any nature or otherwise dispose of, directly or indirectly, the Consideration Shares, enter into transaction(s) which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Consideration Shares for a period of 12 months commencing immediately after the date of the Acquisition Completion.

### **Issue Price**

The Issue Price of the Consideration Shares at HK\$0.78 per Share represents:

- (a) a premium of approximately 8.33% to the closing price of HK\$0.720 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 3.70% to the closing price of HK\$0.810 per Share as quoted on the Stock Exchange on 10 December 2013, the date of the Sale and Purchase Agreement; and
- (c) a discount of approximately 2.26% over the average closing price of approximately HK\$0.798 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

### **Conditions Precedent**

The Acquisition Completion is conditional upon fulfillment of the following conditions:

- (a) the passing by the requisite majority of Shareholders at the EGM of all resolutions required under the GEM Listing Rules (if any) to approve the transactions contemplated under the Sale and Purchase Agreement, including without limitation the grant of the Specific Mandate (Consideration Shares);

## LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares, which has not been revoked as at Acquisition Completion;
- (c) all the required approvals, authorizations, consents having been obtained from and all the required registrations and filing having been completed with (if applicable) the governmental authorities or regulatory bodies or any relevant third party in connection with the transactions contemplated under the Sale and Purchase Agreement;
- (d) the due diligence and investigation of the Target Group to be carried out having been completed to the satisfaction of the Purchaser in its sole discretion;
- (e) the Purchaser having obtained a BVI legal opinion (in form and substance satisfactory to the Purchaser) issued by a BVI lawyer, covering matters including but not limited to the due incorporation and valid existence of the BVI-incorporated members of the Target Group and whether the entering into of the Sale and Purchase Agreement and the transactions contemplated therein is in compliance with the constitutional documents of the Target Company;
- (f) the Purchaser having obtained confirmations from the Sellers confirming that as at Acquisition Completion, (i) they are not aware of any matter or thing which is in breach or inconsistent with any of the warranties set out in the Sale and Purchase Agreement; and (ii) there was no material adverse change or effect in respect of the financial or trading position of any member of the Target Group since the date of the Sale and Purchase Agreement;
- (g) no litigation or claim having arisen in respect of any member of the Target Group prior to Acquisition Completion;
- (h) the Purchaser having received confirmation from the Sellers that at completion of the Acquisition all issued shares of the subsidiaries of the Target Company, assets and undertakings of the Target Group are free from rights of pre-emption, options, liens, claims, equities, mortgages, charges, encumbrances, defects, adverse interests or third-party rights of any nature; and
- (i) the delivery of the disclosure letter by the Sellers to the Purchaser within 15 Business Days after the date of the Sale and Purchase Agreement, but shall not in any event be delivered later than five (5) Business Days prior to the issuance of the circular by the Company to the Shareholders as required under the GEM Listing Rules in respect of the transactions under the Sale and Purchase Agreement and contents of the disclosure letter are reasonably agreed by the Purchaser.

## LETTER FROM THE BOARD

The Sale and Purchase Agreement shall automatically cease and terminate if the above condition remain unfulfilled (or waived in respect of the conditions set out in (c), (d), (e), (f), (g), (h) and (i)) at or before 4:00 p.m. on 1 March 2014 or such later date as may be agreed between the Purchaser and the Sellers in writing and in such event all obligations of the Purchasers and Sellers shall cease and determine and none of the parties thereto shall have any claim against the other in relation thereto.

### **Acquisition Completion**

Acquisition Completion shall take place on or before the third (3rd) Business Day after the date that the conditions precedent are fulfilled or waived.

## **2. THE TARGET SUBSCRIPTION AGREEMENT**

### **Date**

10 December 2013

### **Parties**

Issuer: the Target Company

Subscriber: the Purchaser

### **Target Subscription**

Pursuant to the Target Subscription Agreement, the Subscriber agreed to subscribe 1,000 new shares of the Target Company, representing approximately 12.82% of the issued share capital of the Target Company as at the date of the Target Subscription Agreement and approximately 11.36% of the existing issued share capital of the Target Company as at the Latest Practicable Date as enlarged by the Target Subscription Shares.

The Target Subscription Price of HK\$10,000 for each Target Subscription Share is equivalent to the price of HK\$10,000 for each Sale Share. The Target Subscription Price was provided out of the internal funds of the Group, which was derived from the proceeds generated from the placing of 27,552,000 Shares under the Existing General Mandate (please refer to the section headed "PART D – FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS" for further information).

### **Completion**

The Target Subscription Agreement has completed on same day as the signing of the Target Subscription Agreement, i.e. 10 December 2013.

As at the date of Acquisition Completion, the Purchaser is interested in approximately 64.54% of the issued share capital of the Target Company as enlarged by the Target Subscription Shares.

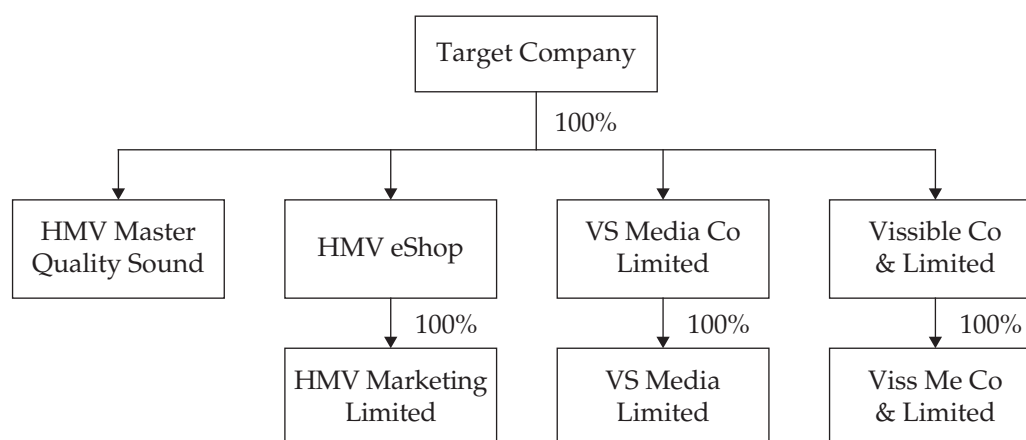
## LETTER FROM THE BOARD

### 3. INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI with limited liability on 22 August 2013. The business of the Target Group is to capitalise on the HMV brand and develop an online and offline ecosystem of music, video entertainment and lifestyle. Details of the business of each of the subsidiaries of the Target Company are set out below.

Upon the Acquisition Completion, the Company and each of the Sellers will be interested in 64.54%, 16.31%, 16.31%, 1.42% and 1.42% of the existing issued share capital of the Target Company as enlarged by the Target Subscription Shares, respectively. The Target Company will be accounted for as a subsidiary and will be consolidated in the financial statement of the Company.

Set out below is the corporate chart of the Target Group:



HMV Master Quality Sound is incorporated in the BVI with limited liability on 8 August 2013. It owns the domain [www.hdhmv.com](http://www.hdhmv.com) and is in the preparation of launching a web and mobile based application software for downloading and streaming of music from CD quality to Super Audio CD quality even to Direct Stream Digital quality. The site of [www.hdhmv.com](http://www.hdhmv.com) is expected to be launch on or about 31 March 2014.

HMV eShop is incorporated in the BVI with limited liability on 8 May 2013. HMV eShop acquired HMV Marketing Limited from the Target Company on 18 December 2013, upon which HMV eShop has become a holding company and operates through its operating subsidiary, HMV Marketing Limited. HMV Marketing Limited is incorporated in Hong Kong with limited liability on 11 December 2013. The principal business of HMV Marketing Limited is in ecommerce business operating under the domain [www.hmv.com.hk](http://www.hmv.com.hk) with effect from 1 January, 2014 and management, for HMV HK, of the retail shop located on the 3rd and 4th Floor Entertainment Building, 30 Queen's Road Central, Hong Kong ("**Central Retail Shop**") effective from 1 January 2014.



## LETTER FROM THE BOARD

HMV eShop and HMV HK have entered into the operation management agreement on 10 December 2013 (“**Operation Management Agreement**”), pursuant to which HMV HK agreed to engage HMV eShop to operate and manage the Central Retail Shop for a term of 30 years commencing from 1 January 2014. On 20 December 2013, HMV eShop, HMV HK and HMV Marketing Limited entered into a deed of novation, pursuant to which HMV eShop novated all its rights, benefits and obligations under the Operation Management Agreement to HMV Marketing Limited. HMV HK is a limited liability company incorporated in Hong Kong is principally engaged in the retailing of musical recordings, compact discs, digital versatile discs, blu-ray discs and other entertainment related products and the operation of HMV Kafé and HMV Kid Center in Hong Kong and is a wholly owned subsidiary of HMV Asia. Upon completion of the Acquisition, Mr. Wu will become a connected person of the Company and HMV HK will be an associate of Mr. Wu. Therefore, the transactions contemplated under the Operation Management Agreement constitute continuing connected transactions of the Group. Please refer to the section headed “LISTING RULES IMPLICATIONS” for further details regarding the implication of the GEM Listing Rules on the transactions contemplated under the Operation Management Agreement.

The scope of operation management of the Central Retail Shop by HMV Marketing Limited includes: (a) conducting the day-to-day business operations; (b) formulating and deciding the operation principles, marketing, administrative, public relations and management strategies; (c) bearing all capital expenditure and all costs and expenses of maintaining and conducting the operation; (d) the provision of administrative and operational support for the operation; (e) recruitment of retail and cafe personnel; (f) maintaining public liability insurance; (g) establishing and supervising all advertising, public relations and promotional policies; (h) obtaining, maintaining and keeping all applicable food and beverage licences and such other license and authorisations as may be necessary for the continuous operation of the Central Retail Shop; (i) sourcing all equipment and ingredients and operating supplies and purchasing and maintaining inventory of goods, food and monitoring the product quality control and service standards; (j) training of staff; and (k) maintaining all accounting documents and records.

Pursuant to the Operation Management Agreement:

- HMV HK will transfer all the assets and liabilities of the ecommerce business operating under the domain [www.hmv.com.hk](http://www.hmv.com.hk) to HMV Marketing Limited effective from 1 January 2014 in order to facilitate HMV Marketing Limited to carry out its obligations and responsibilities to operate and manage the Central Retail Shop under the Operation Management Agreement.
- HMV HK has granted HMV Marketing Limited a non-transferable, royalty-free, licence at a consideration of HK\$1.00 with rights to use the intellectual properties for a perpetual term subject to the parties’ respective rights to terminate and termination upon termination of the licence granted by HMV (IP) Limited to HMV HK in respect of the operations operate by it under the Operation Management Agreement, which includes the use of the brand name “HMV” and specified trademarks in connection with the brand name “HMV” and the exclusive use of the domain [www.hmv.com.hk](http://www.hmv.com.hk).

## LETTER FROM THE BOARD

- HMV Marketing Limited is entitled to all revenue and income derived from the operation of the Central Retail Shop, and in the event that the net profit from the operation of the Central Retail Shop exceeds HK\$200,000,000 in any calendar year, HMV HK will be entitled to a 25% share of the excess of such net profit over HK\$200,000,000.

The abovementioned threshold of HK\$200,000,000 was determined with reference to the estimation of the net profit from the operation of the Central Retail Shop for the 3 years from the commencement of the Operation Management Agreement. The said estimation of net profit was based on the assumption that the productive capacity of the Central Retail Shop will be at its maximum, taking into account the expected gross margin of existing and new products, product sales, employment growth, increase in rental of the renewed lease upon expiry of the current lease, inflation, capital expenditure depreciation. The annual net profit from the operation of the Central Retail Shop at its maximum productive capacity is estimated to be under and close to HK\$200,000,000 by December 2016. As such, the estimated annual cap for the consideration payable by HMV Marketing Limited to HMV HK for the year ending 31 December 2014 is nil. The abovementioned entitlement of HMV HK to a 25% share of the excess of net profit over HK\$200,000,000 was derived from the percentage that the revenue of the Central Retail Shop constitutes of the total revenue of all the HMV shops operated by HMV Asia, which is approximately 25%. No guarantee or security is required to be provided by HMV Marketing Limited under the Operation Management Agreement. To the best knowledge and belief of the Directors, the Operation Management Agreement was entered into on normal commercial terms and are no less favourable to the Company than terms available to or from independent third parties. The independent non-executive Directors are of the view that the terms of the Operation Management are fair and reasonable.

As it is essential for online commerce and lifestyle companies to have reality shops for users to experience the products and participating in events, it is expected that the Central Retail Shop will become a lifestyle retailer and an event venue for customers. The Central Retail Shop will be renovated to contain more technology and ecommerce compatibility to align with the lifestyle retailer and event venue concept of the shop and at the same time, merchandise offerings will be enhanced and the scope of which will be broadened. HMV Marketing Limited expects to have events such as fashion shows and live music for promotional and recreational purposes held at the Central Retail Shop and the Central Retail Shop is also expected to be a music recording venue. The Directors expect that with the abovementioned enhancement to the Central Retail Shop coupled with its prime location at a favourable rent, both foot traffic of customers and sales of the Central Retail Shop will increase once the renovations are completed.

VS Media Co Limited is incorporated in the BVI with limited liability on 22 August 2013. On 10 December 2013, the Target Company acquired the entire issued share capital of VS Media Co Limited from a third party independent of the Company and its connected persons at the relevant time. VS Media Co Limited is a holding company and operates through its operating subsidiary, VS Media Limited which it acquired on 2 October 2013. The principal businesses of VS Media Limited are (i) signing up independent content creators; (ii) providing product facilities and support to content creators to produce

## LETTER FROM THE BOARD

premium content; and (iii) helping content creators to generate revenue via advertisement, subscription and content licensing. On 20 June 2013, VS Media Limited, the directly wholly owned subsidiary of VS Media Co Limited, which is incorporated in Hong Kong with limited liability on 7 June 2013, entered into a partnership agreement with one of the world's biggest internet technology and content providers to form a multi-channel network for content creators on Youtube and sell Youtube advertising solutions globally. VS Media Limited expects that in providing support to content creators, it will be able to utilise the Central Retail Shop as a music recording venue.

Vissible Co & Limited is incorporated in the BVI with limited liability on 3 April 2012. On 16 October 2013, Vissible Co & Limited acquired the entire issued share capital of Viss Me Co & Limited from a third party independent of the Company and its connected persons at the relevant time. It owns the domain [www.vissible.com](http://www.vissible.com); <http://viss.me> and mobile application "VISS" on iOS and Android operated smartphones to provide technology and online platforms for its users to share information of fashion and lifestyle products. "VISS" is a social media and ecommerce platform focus on fashion and style. The principal businesses of Viss Me Co & Limited are (i) mobile and web advertising and promotion; and (ii) mobile and web based ecommerce services. VISS had 3,800,000 users as of 30 November 2013 and 21,000,000 page views in the month of November 2013 based on Google Analytics. Viss Me Co & Limited expects to hold events such as fashion shows for promotional and recreational purposes, which are intended to be held at the Central Retail Shop.

VISS aims to bridge curated user generated contents, mainstream media, and commerce. VISS enables users to share their looks by snapping and tagging their apparel items, discover fashionable styles, and shop the looks directly on mobile and website.

HMV Master Quality Sound has yet to commence operation.

The unaudited loss before taxation of VS Media Limited, the operating subsidiary of VS Media Co Limited, for the period from 7 June 2013 (date of incorporation) to 30 September 2013 is HK\$1,225,078. The unaudited net liabilities of VS Media Limited as at 30 September 2013 is HK\$1,225,077.

## LETTER FROM THE BOARD

Set out below is the audited/ unaudited financial information of each of Vissible Co & Limited and Viss Me Co & Limited, the operating subsidiary of Vissible Co & Limited for the period ended 31 March 2013 and the six months ended 30 September 2013:

	Vissible Co & Limited		Viss Me Co & Limited	
	For the period from 3 April 2012 (date of incorporation) to 31 March 2013 (unaudited) HK\$	For the six months ended 30 September 2013 (unaudited) HK\$	For the period from 17 April 2012 (date of incorporation) to 31 March 2013 (audited) HK\$	For the six months ended 30 September 2013 (unaudited) HK\$
Net loss before taxation	0	0	3,548,247	2,896,495
Net loss after taxation	0	0	3,548,247	2,896,495
Net assets/(liabilities)	78,000	78,000	(3,538,247)	(6,434,741)

The subsidiaries of the Target Company were only acquired after 30 September 2013, accordingly, as at 30 September 2013, the unaudited net asset value of the Target Company is HK\$60,840.

Set out below are the biographical details of the members of the core management team of the Target Group:

Ms. Butt, aged 51, has over 20 years experience working with fast moving consumer goods. Ms. Butt is currently the Managing Director of the HMV operations in Hong Kong and Singapore and the Chief Executive Officer of HMV Asia. Under her leadership, She successfully brought the business back to profitability following the outbreak of the severe acute respiratory syndrome in 2003, transforming the business from a “CD Shop” into the retail entertainment powerhouse HMV represents today. Ms. Butt instigated the development of hmv.com.hk, the only profitable ecommerce platform of HMV Retail Ltd. (a British entertainment retailing company operating in the United Kingdom) and hmv.com.sg for Singapore. Other initiatives include spearheading the changes to the HMV Group’s product mix to include headphones, electronic gadgets and entertainment related accessories and advising HMV operations in the United Kingdom with changes to its store layout and design. Prior to joining HMV in 1999 she was the Corporate PR Manager for San Miguel Brewery HK Limited, a position she held for five (5) years. Ms. Butt is an experienced marketer having worked in the advertising field prior to moving to Hong Kong. She graduated from Simon Fraser University with a BBA double-major in Marketing and Organizational Behavior and also holds a Certificate in Advertising Layout and Design from George Brown College, Toronto.

Ms. Wong, aged 40, has over 17 years of experience in the digital and media industries. She is the founder and Chief Executive Officer of Vissible Co & Limited and VS Media Co Limited. Prior to that, Ms. Wong had led the convergence of two major traditional media companies into top digital media in Asia. She was formerly the Chief

## LETTER FROM THE BOARD

Executive Officer of Next Mobile Limited (subsidiary of Next Media Limited. HK Stock Code: 00282) from 2011 to 2013 focusing on growing the group's mobile business. She also served as the Chief Operating Officer of TVB.COM Limited (subsidiary of Television Broadcasts Limited. HK Stock Code: 00511) from 2007 to 2011. She successfully turned TVB.com from a simple information website into a powerhouse streaming portal on web and mobile with the big success of myTV and global artists community. With over 7 million unique users, tvb.com became the #1 global Chinese Entertainment Portal in 2010. She joined Yahoo! in year 1998 as the 1st Employee of Yahoo! HK building its business and the overall HK digital media business from scratch to scale. She was then promoted as Senior Director of Global Sales, responsible for building the global infrastructure to take Asia-based multinationals onto the global stage. Her sales team had successfully created and delivered online marketing solutions to the top marketers in the region. She graduated from University of Toronto, Canada with a bachelor degree of Commerce major in International Economic and Marketing.

#### 4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is engaged in the business of asset management and direct investment. The Directors believe that in the coming few years, there are challenges and changes in the investment environment in Hong Kong and the world as a whole. China experienced slower GDP growth amid economic uncertainties in Europe and mild recovery in the United States of America. Thus, it is in the interest of the Company to identify investments which are less elastic to the global macro economy.

As the internet deepens its penetration into users' daily lives and the value chains of different business sectors, business opportunities available on the internet continued to broaden. The Directors are of the view that investing in the internet sector has a potential for making attractive returns for the Shareholders.

During the last couple of years, there was a significant shift in user activity from personal computer to mobile, driven by rapid expansion of mobile internet user base, enhanced capabilities of smartphones and increased adoption of compelling mobile applications. Offering a revolutionary user experience, the mobile internet is reshaping existing business models and the industry value chain.

With the leading technologies developed by Viss Me Co & Limited and leveraging on the goodwill of the HMV brand and the experience of the core management team, the Directors believe that the business model of the Target Group will enable the Group to build an integrated online and offline business ecology in the entertainment and lifestyle sector.

The Directors believe that the terms of the Transactions are fair and reasonable and the Transactions are in the interest of the Company and expect such investment to provide attractive returns to the Shareholders as a whole.

## LETTER FROM THE BOARD

### 5. LISTING RULES IMPLICATIONS

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Transactions exceeded 5% but are less than 25%, the Transactions constitute a discloseable transaction under Rule 19.34 of the GEM Listing Rules.

Upon completion of the Acquisition, HMV Asia will continue to be a substantial shareholder of the Target Company and Mr. Wu will continue to be a director of the Target Company and is deemed to be interested in 93.75% of the equity in HMV Asia due to family holdings. Accordingly, Mr. Wu is a connected person of the Company and as Mr. Wu is a substantial shareholder of HMV Asia, interested in more than 30% of the issued share capital of HMV Asia, HMV HK will be an associate of Mr. Wu. Therefore, the transactions contemplated under the Operation Management Agreement constitute continuing connected transactions of the Group.

Based on the historical records of the revenue derived from the operation of the Central Retail Shop in previous years and taking into account the estimation of the net profit from the operation of the Central Retail Shop for the 3 years from the commencement of the Operation Management Agreement, as further detailed in the section headed "INFORMATION ON THE TARGET GROUP", the parties to the Operation Management Agreement envisage that it is unlikely that the net profit from the operation of the Central Retail Shop for 2014 will exceed the net profit of HK\$200,000,000, and hence it is expected that no distribution is payable to HMV HK under the Operation Management Agreement for 2014. Accordingly, the annual aggregate transaction amount of the continuing connected transactions under the Operation Management Agreement for the financial year ending 31 December 2014 is expected to be less than 0.1% under the applicable percentage ratios (other than the profits ratio). Accordingly, pursuant to Rule 20.33 of the GEM Listing Rules, the transactions contemplated under the Operation Management Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements. The Company will assess the circumstances towards the end of 2014 based on the information that will be available then and if the net profit from the operation of the Central Retail Shop exceeds HK\$200,000,000 and distribution is payable to HMV HK pursuant to the Operation Management Agreement, the Company will take appropriate actions to comply with all requirements of the GEM Listing Rules, including the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, and the independent financial adviser of the Company shall explain why a period longer than 3 years for the Operation Management Agreement is required and confirm whether it is normal business practice for agreements of this type to be of such duration.

The EGM will be convened for the Shareholders to consider and, if thought fit, among others, to approve the granting of the Specific Mandate (Consideration Shares). As none of the Sellers or their associates holds any interest in the Shares, all Shareholders can vote on the resolution for approving the grant of the Specific Mandate (Consideration Shares).

## LETTER FROM THE BOARD

### **PART B – PROPOSED PLACING, ISSUE OF BONUS WARRANTS AND GRANTING OF OVER-ALLOTMENT OPTION**

#### **1. PLACING AGREEMENT**

##### **Date**

20 December 2013

##### **Parties**

Issuer: the Company

##### **Placing Agent**

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

##### **The Placing**

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed on a best effort basis during the Placing Period to procure Placees to subscribe for up to 38,460,000 Placing Shares with the entitlement to the Bonus Warrants at nil consideration on the basis of one (1) Bonus Warrant for every two (2) Placing Shares placed upon Placing Completion. The Directors are of the view that the terms of the Placing are fair and reasonable based on current market conditions.

##### **The Over-allotment Option**

Pursuant to the Placing Agreement, the Company has granted an Over-allotment Option to the Placing Agent to require the Company to issue and allot up to a further 25,640,000 Over-allotment Shares together with entitlement to Bonus Warrants at nil consideration on the basis of one (1) Bonus Warrant to every two (2) Over-allotment Shares issued to the subscribers of the Over-allotment Shares upon Placing Completion, to such subscriber or subscribers as the Placing Agent shall direct at the Placing Price.

The Over-allotment Option shall be exercisable for any Over-allotment Shares against the Company, and will be exercisable during the Over-allotment Exercise Period, but, subject thereto, may be exercised in whole or in part from time to time for the purpose of covering over-allotments which may be made in connection with the Placing of the Placing Shares.

##### **Subscribers**

The Placing Shares together with the Over-allotment Shares will be placed to not less than six (6) subscribers for such new Shares who and whose ultimate beneficial owners (i) are not connected persons of the Company; and (ii) independent of and not

## LETTER FROM THE BOARD

connected nor acting in concert (as defined in the Takeovers Code) with the Company or any members of the Group, their respective directors, chief executive or substantial shareholders or any of their respective associates. It is expected that none of such subscribers will become a substantial shareholder immediately after the Placing and exercise of the Over-allotment Option. In the event any of such subscribers becomes a substantial shareholder after the Placing Completion, further announcement will be made by the Company.

### **Number of Placing Shares and the Over-allotment Shares**

The maximum number of 38,460,000 Placing Shares under the Placing represents:

- (i) approximately 10.00% of the existing issued share capital of the Company of 384,561,967 Shares as at the Latest Practicable Date;
- (ii) approximately 9.09% of the then issued share capital of 423,021,967 Shares as enlarged by the Placing, assuming the Over-allotment Option and the Subscription Rights have not been exercised and the Consideration Shares have not been issued;
- (iii) approximately 8.70% of the then issued share capital of 442,251,967 Shares as enlarged by the Placing and the full exercise of the Subscription Rights attached thereto, assuming the Over-allotment Option and the Subscription Rights attached thereto have not been exercised and the Consideration Shares have not been issued;



## LETTER FROM THE BOARD

- (iv) approximately 8.57% of the then issued share capital of 448,661,967 Shares as enlarged by the Placing and the full exercise of the Over-allotment Option, assuming the Subscription Rights have not been exercised and the Consideration Shares have not been issued;
- (v) approximately 8.00% of the then issued share capital of 480,711,967 Shares as enlarged by the Placing, and the full exercise of the Over-allotment Option and the Subscription Rights and the Consideration Shares have not been issued; and
- (vi) approximately 7.11% of the then issued share capital of 540,711,967 Shares as enlarged by the Placing, the full exercise of the Over-allotment Option and the Subscription Rights and the issue of the Consideration Shares.

The maximum number of 25,640,000 Over-allotment Shares represents:

- (i) approximately 6.67% of the existing issued share capital of the Company of 384,561,967 Shares as at the Latest Practicable Date;
- (ii) approximately 6.06% of the then issued share capital of 423,021,967 Shares as enlarged by the Placing, assuming the Over-allotment Option and the Subscription Rights have not been exercised and the Consideration Shares have not been issued;
- (iii) approximately 5.80% of the then issued share capital of 442,251,967 Shares as enlarged by the Placing and the full exercise of the Subscription Rights attached thereto, assuming the Over-allotment Option and the Subscription Rights attached thereto have not been exercised and the Consideration Shares have not been issued;
- (iv) approximately 5.71% of the then issued share capital of 448,661,967 Shares as enlarged by the Placing and the full exercise of the Over-allotment Option, assuming the Subscription Rights have not been exercised and the Consideration Shares have not been issued;
- (v) approximately 5.33% of the then issued share capital of 480,711,967 Shares as enlarged by the Placing, and the full exercise of the Over-allotment Option and the Subscription Rights and the Consideration Shares have not been issued; and
- (vi) approximately 4.74% of the then issued share capital of 540,711,967 Shares as enlarged by the Placing, the full exercise of the Over-allotment Option and the Subscription Rights and the issue of the Consideration Shares.

## LETTER FROM THE BOARD

### Ranking of Placing Shares and the Over-allotment Shares

The Placing Shares and the Over-allotment Shares will rank, upon issue, *pari passu* in all respects with the Shares as at the Placing Completion Date and the date on which the Subscription Shares are issued pursuant to the Instrument, respectively.

### Placing Price and Over-allotment Price

The Placing Price of HK\$0.78 per Placing Share represents:

- (i) a premium of approximately 8.33% over the closing price of HK\$0.720 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 8.33% to the closing price of HK\$0.720 per Share as quoted on the Stock Exchange on 20 December 2013, being the date of the Placing Agreement; and
- (iii) a premium of approximately 0.26% to the average closing price of approximately HK\$0.778 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Placing Agreement.

The Over-allotment Price of HK\$0.78 per Over-allotment Share represents:

- (i) a premium of approximately 8.33% to the closing price of the Shares of HK\$0.720 quoted on Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 8.33% to the closing price of HK\$0.720 per Share as quoted on the Stock Exchange on 20 December 2013, being the date of the Placing Agreement; and
- (iii) a premium of approximately 0.26% to the average closing price of HK\$0.778 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price and Over-allotment Price were determined with reference to the prevailing market price of the Shares and were negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing and the Over-allotment Option are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Placing and Over-allotment Option are in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### Conditions Precedent

The Placing is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Placing and the Specific Mandate (Placing) at the EGM;
- (ii) the Listing Committee granting approval for the listing of, and permission to deal in, the Placing Shares, the Over-allotment Shares and the Subscription Shares upon the exercise of the Subscription Rights by the Warrantholders on GEM of the Stock Exchange; and
- (iii) the Company's representations and warranties made pursuant to the Placing Agreement being true and accurate and not misleading as of the date of the Placing Agreement and the Placing Completion Date.

The Placing Agreement shall automatically cease and terminate if the above conditions remain unfulfilled at or before 4:00 p.m. on 28 February 2014 or such later date as may be agreed between the Company and the Placing Agent in writing and in such event all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the parties thereto shall have any claim against the other in relation thereto.

### Bonus Warrants

A total number of 32,050,000 Bonus Warrants are proposed to be issued at nil consideration (i) on the basis of one (1) Bonus Warrant to every two (2) Placing Shares and (ii) on the basis of one (1) Bonus Warrant to every two (2) Over-allotment Shares.

Each Bonus Warrant carries the right to subscribe for one (1) Subscription Share at the Subscription Price (subject to adjustment).

The Subscription Rights attaching to the Bonus Warrants can be exercised at any time during a period of three (3) years commencing from the date of issue of the Bonus Warrants.

The Subscription Shares, when fully paid and allotted, will rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue of the relevant Subscription Shares and among themselves.

The Placing Agreement provides that the Bonus Warrants are to be issued to the Placees and the subscribers of the Over-allotment Shares upon Placing Completion in registered form and constituted by the Instrument, substantially in the form of the draft set out in a schedule to the Placing Agreement. The Bonus Warrants will rank *pari passu* in all respects among themselves.

## LETTER FROM THE BOARD

The principal terms of the Instrument and the Bonus Warrants are summarized below:

Minimum subscription:	any subscription for the Subscription Shares must be in integral multiples of 2,000 Bonus Warrants
Exercise Period:	the period of three (3) years commencing from the date of issue of the Bonus Warrants
Subscription Price:	HK\$0.80, being the initial subscription price per Subscription Share but subject to standard adjustment clauses including consolidation or subdivision of the Shares, capitalisation of profits or reserves, capital distributions, issue of shares and other securities by way of rights and issue of new Shares at a price which is less than 90% of the then market price of the Shares
Transferability:	the Bonus Warrants shall be transferable in integral multiples of 2,000 Bonus Warrants by instrument of transfer in any usual or common form or such other form as may be approved by the Directors
Ranking:	The Bonus Warrants will rank pari passu among themselves. The Subscription Shares, when fully paid and allotted, will rank pari passu in all respects with the Shares then in issue on the date of allotment and issue of the relevant Subscription Shares and among themselves

### **Number of Subscription Shares**

Upon full exercise of the Subscription Rights attaching to the Bonus Warrants, the Company will issue an aggregate of 32,050,000 Subscription Shares, representing:

- (i) approximately 8.33% of the existing issued share capital of the Company of 384,561,967 Shares as at the Latest Practicable Date;
- (ii) approximately 7.58% of the then issued share capital of 423,021,967 Shares as enlarged by the Placing, assuming the Over-allotment Option and the Subscription Rights have not been exercised;
- (iii) approximately 7.25% of the then issued share capital of 442,251,967 Shares as enlarged by the Placing and the full exercise of the Subscription Rights attached thereto, assuming the Over-allotment Option and the Subscription Rights attached thereto have not been exercised; and

## LETTER FROM THE BOARD

- (iv) approximately 6.67% of the then issued share capital of 480,711,967 Shares as enlarged by the Placing and the full exercise of the Over-allotment Option and the Subscription Rights.

As at the Latest Practicable Date, the Company does not have any equity securities which remain to be issued on exercise of any other subscription rights as described in Rule 21.02(1) of the Listing Rules. Therefore, if the Subscription Rights are immediately exercised, such exercise will not exceed 20% of the issued equity capital of the Company at the time such Subscription Shares are issued.

### **Subscription Price of the Bonus Warrants**

The Subscription Price of HK\$0.80 per Subscription Share represents:

- (i) a premium of approximately 11.11% to the closing price of HK\$0.720 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 11.11% to the closing price of HK\$0.720 per Share as quoted on the Stock Exchange on 20 December 2013, being the date of the Placing Agreement; and
- (iii) a premium of approximately 2.83% to the average closing prices of HK\$0.778 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Placing Agreement.

The Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Bonus Warrants are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Bonus Warrants are in the interest of the Company and the Shareholders as a whole.

### **Commission**

In consideration of the services of the Placing Agent in relation to the Placing, the Company shall pay to the Placing Agent the fee and commission of 0.5 per cent. of the amount equal to the Placing Price multiplied by the number of the Placing Shares which the Placing Agent has successfully procured subscribers for at the end of the Placing Period. The Directors are of the view that the placing fee reflects a market rate and is fair and reasonable.

### **Placing Completion**

The Placing Completion shall take place within five (5) Business Days after the Placing Agreement having become unconditional or such other date as the Company and the Placing Agent may mutually agree in writing.

## LETTER FROM THE BOARD

Shareholders and potential investors should note that the Placing Completion is subject to the satisfaction of the conditions precedent under the Placing Agreement. As the Placing may or may not proceed and the Over-allotment Option may or may not be exercised, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

### Termination

The Placing Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date of Placing Completion Date, there occurs:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise in the sole and absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (d) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (e) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate in any respect or would in any respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its reasonable

## LETTER FROM THE BOARD

opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing.

### **Specific mandate to allot and issue the Placing Shares, the Over-allotment Shares and the Subscription Shares**

The Placing Shares, the Over-allotment Shares and the Subscription Shares will be issued and allotted pursuant to the Specific Mandate (Placing) to be sought at the EGM.

### **Application for listing of the Placing Shares, the Over-allotment Shares and the Subscription Shares**

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares, the Over-allotment Shares and the Subscription Shares.

## **2. REASONS FOR THE PLACING AND GRANTING OF OVER-ALLOTMENT OPTION AND USE OF PROCEEDS**

The Group is engaged in the business of asset management and direct investment.

The maximum gross proceeds from the Placing and the full exercise of the Over-allotment Option will be approximately HK\$30,000,000 and HK\$20,000,000, respectively. The net proceeds from the Placing and the full exercise of the Over-allotment Option will amount to approximately HK\$29,500,000 and HK\$19,800,000, respectively, which is intended to be used for its working capital requirements, which includes the operation of the Central Retail Shop, renovations to the Central Retail Shop to align with the lifestyle retailer and event venue concept of the shop, the anticipated music licence rights fees that will be payable to music records companies in relation to the business that HMV Master Quality Sound will operate, as well as for strengthening the general working capital base of the Group and for any potential investment opportunities in the future. The net price raised per Placing Share and Over-allotment Share will be approximately HK\$0.767 per Share and HK\$0.772 per Share, respectively.

As at 30 November 2013, the unaudited cash and cash equivalent position of the Group was approximately HK\$11 million and the remaining amount of approximately HK\$7.6 million from the placing of 27,552,000 Shares under the Existing General Mandate in November 2013. Having considered the existing cash balance of the Group, the Directors are of the view that the Group has sufficient working capital to meet its present operational requirement.

The Company intends to apply the net proceeds from the Placing and the exercise of the Subscription Rights in the following manner:

- (a) approximately HK\$5 million for the operation of the Central Retail Shop;
- (b) approximately HK\$5 million for the renovations to the Central Retail Shop;

## LETTER FROM THE BOARD

- (c) approximately HK\$3 million for the anticipated music licence rights fees that will be payable to music records companies in relation to the business that HMV Master Quality Sound will operate; and
- (d) approximately HK\$3 million for the operation of the on-line business; and
- (e) the remaining balance for the general working capital of the Group.

Assuming the full exercise of the Subscription Rights, it is expected that additional net proceeds of up to approximately HK\$25,500,000 can be raised. However, it is uncertain whether any Subscription Rights will be exercised when granted or will be exercised at all or when they will be exercised. As such, it is uncertain when such net proceeds can be raised or whether any net proceeds can be raised. If and when such net proceeds is raised from the exercise of the Subscription Rights, the Company intends to apply it to the working capital of the Group and for any potential investment opportunities in the future that may arise at such time.

The Board is of the view that the Placing and the grant of the Over-allotment Option will strengthen the financial position of the Group. Considering the uncertainties in the global financial market, the Directors are of the view that it is reasonable for the Company to enhance the capital base by the Placing and granting of the Over-allotment Option with a view to create more buffers for the Company to mitigate the business and financial risk and to enhance the financial flexibility of the Group. In addition, as the Company is actively exploring business opportunities, sufficient cash reserve is crucial for the development of the Group. Thus, the Board considers raising extra fund for project investments would be able to enhance the return and maximize the wealth of the Shareholders. As at the Latest Practicable Date, save as disclosed in this circular, there are no business developments of the Group to be disclosed and the Group has not yet identified any such business opportunity.

The Directors have considered various alternative ways of raising funds including rights issue, open offer and debt financing. However, the Directors hold the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the then prevailing market condition, such alternative may be subject to lengthy due diligence, negotiations with banks, lengthy procedures and high documentation preparation costs. Given that the gearing ratio of the Group was approximately 2.6 times as at 30 September 2013, the Group may not be able to obtain debt financing on favourable terms. In contrast, the placing of new Shares to obtain additional funding is interest and security free by nature and can be completed within a short period of time. The Directors also hold the view that pro-rata equity financing such as rights issue or open offer is more time consuming and often attracts a steeper discount to its then market price than the placing of new Shares. Further, as the Group has current bank borrowings, to obtain further borrowings will increase its gearing ratio. Taking into consideration that the Placing can improve the gearing ratio and strengthen the financial position of the Group and provide working capital to meet any future development and obligations; and the shareholding of all the existing Shareholders will be diluted proportionally to their respective shareholding upon Placing Completion, we consider



## LETTER FROM THE BOARD

that such potential dilution to the shareholdings of the Shareholders to be justifiable. Please refer to the section headed “PART E – EFFECT OF ISSUE AND ALLOTMENT OF THE CONSIDERATION SHARES AND THE PLACING SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” for details of the potential dilution effect on the shareholdings of the Shareholders.

The Directors consider that the Placing represents a good opportunity for the Company to raise necessary fund to meet additional cash requirements for the operation and renovation of the Central Retail Shop, business of HMV Master Quality Sound and any future development and obligations, while broadening its Shareholder and capital base without having to resort to borrowing from financial institutions which will result in financial costs to the Group and increase in its gearing ratio. Having assessed the costs and benefits of such alternatives, the Directors hold the view that the Placing is the preferred means of fund raising. Accordingly, the Directors are of the view that the Placing is in the best interest of the Company and its Shareholders as a whole.

### **PART C – PROPOSED REFRESHMENT OF GENERAL MANDATE**

#### **1. PROPOSED REFRESHMENT OF GENERAL MANDATE**

The Existing General Mandate was granted at the last annual general meeting of the Company held on 10 May 2013 and has been almost fully utilized as a result of the placing of 27,552,000 new Shares at HK\$0.68 per Share on 5 December 2013 as set out in the Company’s announcements dated 8 November 2013 and 12 November 2013. The net proceeds of approximately HK\$18,500,000 was intended for general working capital of the Group and for any potential investment opportunities in the future. As at the Latest Practicable Date, the said proceeds have been used in the manner set out in the section headed “Part D – Fund Raising Activities in the Past Twelve Months”.

As at the Latest Practicable Date, the issued share capital of the Company consisted of 384,561,967 Shares. An ordinary resolution will be proposed to the Independent Shareholders to approve the granting of the Issue Mandate to authorise the Directors to allot, issue and deal with 76,912,393 new Shares, being the number of shares not exceeding 20% of the issued share capital of the Company on the date of the EGM for passing such resolution, assuming that there being no further issue or repurchase of Shares between the Latest Practicable Date and the date of the EGM. Fortune Building Limited, a company wholly owned by Mr. Clive Ng Cheang Neng, the Chairman and an executive Director, which holds 3,300,000 Shares, will abstain from voting on the resolution for the Refreshment of the General Mandate at the EGM.

#### **2. REASONS FOR THE REFRESHMENT OF GENERAL MANDATE**

The Directors have considered the uncertainties in the world financial market, and are of the view that the instability of the global financial market will persist in the foreseeable future, which might have a negative impact on the business of the Group. Therefore, the possible fund raising activities that may be pursued upon the Refreshment of the General Mandate will be for the benefit of the Company as it can enhance the financial flexibility of the Company during the global financial downturn.

## LETTER FROM THE BOARD

Therefore, the Directors are of the view that the granting of the Issue Mandate to the Directors is an appropriate decision as fund raising opportunities may lapse in a short window of time. The Refreshment of General Mandate will enable the Company to have additional alternative and enhance flexibility in raising capital for the Group in the future to capture the window of opportunity to carry out the fund raising activity promptly for the future development of the Group as and when the opportunities arise.

The Directors have considered other pre-emptive fund raising methods such as rights issue and open offer. However such fund raising activities are more costly and time consuming. Given the volatility of the equity market, the Issue Mandate has the advantage over such pre-emptive fund raising methods in enabling the Company to capture a favourable equity market condition by conducting equity financing in a timely manner. In addition, such pre-emptive fund raising methods are usually required to be conducted on a fully underwritten basis and it may not be possible for the Company to procure underwriters for such fund raising activities on acceptable terms under the prevailing market conditions and in a timely manner to capture the window of opportunity to carry out the fund raising activity. However the Company also notes that pre-emptive fund raising methods enables all Shareholders to participate to avoid the potential dilution effect to Shareholders. In any event, the Company will balance the pros and cons of the various fund raising methods and to conduct such fund raising which is most appropriate under the circumstances.

Taking into consideration the applications of the net proceeds from the placing of 27,552,000 Shares under the Existing General Mandate in November 2013, the net proceeds from the Placing and the exercise of the Over-allotment Option and the uncertainty as to whether any and when the Subscription Rights will be exercised, the Directors consider that there is no certainty that the Group's internal cash resources will be adequate for its future working capital requirements. Further, as mentioned above, given that the gearing ratio of the Group was approximately 2.6 times as at 30 September 2013, the Group may not be able to obtain debt financing on favourable terms and in a timely manner. Therefore, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to grant the Issue Mandate in order to maintain the financial flexibility necessary for the Company to raise funds through the issue of new securities for its general working capital and/or business development as and when the Directors consider appropriate in the future. The Directors will in any event exercise due and careful consideration when choosing the best method of financing for the Group.

The Company has no arrangement, understanding or negotiation for any possible fund raising exercise as at the Latest Practicable Date. The Company intends to utilize the General Mandate as and when appropriate after the same has been granted.

As the refreshment of the Existing General Mandate is prior to the next annual general meeting of the Company, the granting of the Issue Mandate is subject to the Independent Shareholders' approval in the EGM which will be taken on a poll.

## LETTER FROM THE BOARD

### PART D – FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following are the equity fund raising activities of the Company in the past twelve months:

Date of announcement	Event	Approximate net proceeds	Intended use of net proceeds	Actual use of proceeds
8 November 2013 and 12 November 2013	Placing of 27,552,000 shares under the Existing General Mandate	HK\$18,500,000	General working capital of the Group and for any potential investment opportunities in the future	<p>(i) HK\$10 million has been used to satisfy the Target Subscription Price for the Target Subscription Shares;</p> <p>(ii) approximately HK\$0.9 million has been used for the general working capital of the Group; and</p> <p>(iii) the remaining amount of approximately HK\$7.6 million is deposited in the bank account of the Company.</p>

# LETTER FROM THE BOARD

## PART E – EFFECT OF ISSUE AND ALLOTMENT OF THE CONSIDERATION SHARES AND THE PLACING SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date and up to the Acquisition Completion and the Placing Completion, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) as it would be immediately after the issue of Consideration Shares assuming the Placing has not taken place and the Over-allotment Option and the Subscription Rights have not been exercised; (iii) as it would be immediately after completion of the Placing assuming the Over-allotment Option and the Subscription Rights have not been exercised and the Consideration Shares have not been issued; (iv) as it would be immediately after completion of the Placing and the full exercise of the Subscription Rights attached thereto, assuming the Over-allotment Option and the Subscription Rights attached thereto have not been exercised and the Consideration Shares have not been issued; (v) as it would be immediately after completion of the Placing and the full exercise of the Over-allotment Option, assuming the Subscription Rights have not been exercised and the Consideration Shares have not been issued; (vi) as it would be immediately after completion of the Placing and the full exercise of the Over-allotment Option and the Subscription Rights, assuming the Consideration Shares have not been issued; (vii) as it would be immediately after the issue of the Consideration Shares, completion of the Placing and the full exercise of the Over-allotment Option and the Subscription Rights and (viii) as it would be immediately after the issue of the Consideration Shares, completion of the Placing, the full exercise of the Over-allotment Option and the Subscription Rights and the full utilisation of the Issue Mandate.

	(i) As at the Latest Practicable Date			(ii) Immediately after the issue of Consideration Shares assuming the Placing has not taken place and the Over-allotment Option and the Subscription Rights have not been exercised			(iii) Immediately after the issue of the Placing and the full exercise of the Over-allotment Option and the Subscription Rights attached thereto have not been exercised and the Consideration Shares have not been issued			(iv) Immediately after the completion of the Placing and the full exercise of the Subscription Rights assuming the Over-allotment Option and the Subscription Rights have not been exercised and the Consideration Shares have not been issued			(v) Immediately after the completion of the Placing and the full exercise of the Over-allotment Option, assuming the Subscription Rights have not been exercised and the Consideration Shares have not been issued			(vi) Immediately after the completion of the Placing and the full exercise of the Over-allotment Option and the Subscription Rights			(vii) Immediately after the issue of the Consideration Shares, completion of the Placing and the full exercise of the Over-allotment Option and the Subscription Rights and the full utilisation of the Issue Mandate			(viii) Immediately after the issue of the Consideration Shares, completion of the Placing and the full exercise of the Over-allotment Option and the Subscription Rights and the full utilisation of the Issue Mandate													
	No. of Shares	Approx. %	(Note 1)	No. of Shares	Approx. %	(Note 2)	No. of Shares	Approx. %	(Note 1)	No. of Shares	Approx. %	(Note 2)	No. of Shares	Approx. %	(Note 1)	No. of Shares	Approx. %	(Note 2)	No. of Shares	Approx. %	(Note 1)	No. of Shares	Approx. %	(Note 2)	No. of Shares	Approx. %	(Note 1)	No. of Shares	Approx. %	(Note 2)					
Legend Vantage Limited (Note 3)	57,874,051	15.05		57,874,051	13.02		57,874,051	8.19		57,874,051	13.08		57,874,051	8.22		57,874,051	8.14		57,874,051	12.04		57,874,051	7.79		57,874,051	10.71		57,874,051	7.21		57,874,051	9.37		57,874,051	6.58
Abk Supreme Management Limited (Note 4)	45,818,745	11.91		45,818,745	10.31		45,818,745	23.90		45,818,745	10.36		45,818,745	23.98		45,818,745	10.21		45,818,745	9.53		45,818,745	22.74		45,818,745	8.48		45,818,745	21.04		45,818,745	7.42		45,818,745	19.20
Yang Shengrong	31,719,717	8.25		31,719,717	7.13		31,719,717	4.49		31,719,717	7.17		31,719,717	4.50		31,719,717	7.07		31,719,717	4.47		31,719,717	4.27		31,719,717	5.87		31,719,717	3.95		31,719,717	5.14		31,719,717	3.61
Main Wealth Enterprises Limited (Note 5)	74,620,421	19.40		74,620,421	16.78		74,620,421	10.56		74,620,421	16.87		74,620,421	10.60		74,620,421	16.63		74,620,421	10.50		74,620,421	15.52		74,620,421	13.80		74,620,421	9.30		74,620,421	12.08		74,620,421	8.48
Fortune Builder Limited (Note 6)	3,300,000	0.86		3,300,000	0.74		3,300,000	2.90		3,300,000	0.75		3,300,000	2.92		3,300,000	0.74		3,300,000	2.89		3,300,000	0.69		3,300,000	0.61		3,300,000	0.53		3,300,000	0.34		3,300,000	0.24
Unlimited Creativity Holdings Limited	24,338,974	6.34		24,338,974	5.48		24,338,974	3.45		24,338,974	5.51		24,338,974	3.46		24,338,974	5.43		24,338,974	3.43		24,338,974	5.07		24,338,974	4.51		24,338,974	3.03		24,338,974	3.94		24,338,974	2.77
HMV Asia	-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-	-	
Ms. Wong	-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-	-	
Ms. Butt	-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-	-	
Mr. Wu	-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-	-	
The Places	-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-	-	
Holders of Over-allotment Shares	-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-	-	
Holders of Subscription Shares	-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-	-	
Maximum number of new Shares that can be issued under the New Issue Mandate	-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-		-	-	-	-	-	-	-	
Other public Shareholders	146,870,059	38.19		146,870,059	33.04		146,870,059	38.01		146,870,059	33.21		146,870,059	33.21		146,870,059	32.74		146,870,059	33.79		146,870,059	30.55		146,870,059	27.16		146,870,059	23.78		146,870,059	23.78		146,870,059	30.54
Total	384,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00		444,561,967	100.00

## LETTER FROM THE BOARD

*Notes:*

1. Assuming no exercise of share options or warrants, or conversion of redeemable convertible preference shares or convertible bonds.
2. Assuming all share options and warrants are fully exercised and all redeemable convertible preference shares and convertible bonds are converted in full.
3. Legend Vantage Limited ("**Legend Vantage**") owns 57,874,051 ordinary shares of the Company. Mr. Li Guangrong is deemed to be interest in these shares through his 100% interests in Legend Vantage.
4. Able Supreme Management Limited ("**Able Supreme**") held 45,818,745 ordinary shares and 123,037,778 ordinary shares will be allotted and issued upon full conversion of 6,388,500 RCPS at conversion price of HK\$0.81 per share (reset on 5 December 2013). The entire issued share capital of Able Supreme is held by Billion Pine International Limited, which in turn is beneficially wholly owned by Mr. Hu Yin. Accordingly, he is deemed to be interest in these shares through his 100% indirect interests in Able Supreme.
5. Main Wealth Enterprises Limited ("**Main Wealth**") owns 74,620,421 ordinary shares of the Company. The entire issued share capital of Main Wealth is held by Proven Bravo Limited, which in turn is beneficially wholly owned by Mr. Feng Yuantao. Accordingly, he is deemed to be interested in these shares through his 100% indirect interest in Main Wealth.
6. Fortune Builder Limited ("**Fortune Builder**") owns 3,300,000 Shares interests and 895,900 RCPS of the Company which can be convertible into 17,254,370 Shares at conversion price of HK\$0.81 per Share (reset on 5 December 2013) upon full conversion Mr. Clive Ng Cheang Neng, the Chairman and Executive Director of the Company is deemed to be interest in these shares through his 100% interests in Fortune Builder.

### **PART F – EGM**

The EGM will be convened and held to consider and, if thought fit, approve, among other matters, (i) the granting of the Specific Mandate (Consideration Shares); (ii) the Placing; (iii) the granting of the Specific Mandate (Placing) for the allotment and issue of the Placing Shares, the Over-allotment Shares and the Subscription Shares upon exercise of the Subscription Rights by the Warrantholders; and (iv) the granting of the Issue Mandate.

A notice convening the EGM is set out on pages 51 to 55 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to principal place of business of Crosby Capital Limited at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the transactions contemplated under the Sale and Purchase Agreement and the Placing Agreement. As such, no Shareholder will be required to abstain from voting at the EGM on the relevant resolutions to approve (i) the granting of the Specific Mandate (Consideration Shares); (ii) the Placing; and (iii) the granting of the Specific Mandate (Placing).

## LETTER FROM THE BOARD

Pursuant to Rule 17.42A of the GEM Listing Rules, the Refreshment of General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executives and their respective associates shall abstain from voting in favour of the resolution approving the Refreshment of General Mandate. As there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the Refreshment of General Mandate at the EGM.

As at the Latest Practicable Date, Mr. Clive Ng Cheang Neng, the chairman of the Board and executive Director was interested in 3,300,000 shares, representing approximately 0.86% of the total issued share capital of the Company as at the Latest Practicable Date. Therefore Mr. Clive Ng Cheang Neng and his associates will abstain from voting in favour of the relevant resolution to approve the Refreshment of General Mandate at the EGM. Other than Mr. Clive Ng Cheang Neng and his associates, no other Shareholders are required to abstain from voting in favour of the relevant resolution to approve the Refreshment of General Mandate at the EGM. As at the Latest Practicable Date, Mr. Clive Ng Cheang Neng and his associates had indicated that they have no intention to vote against the resolution to approve the Refreshment of General Mandate at the EGM.

An Independent Board Committee comprising Mr. Shi Jinsheng, Mr. Sin Hendrick and Mr. Yuen Kwok On, all of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Refreshment of General Mandate.

Quam Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate.

### **PART G – RECOMMENDATIONS**

The Independent Board Committee has been appointed to advise the Independent Shareholders in connection with the granting of the Issue Mandate.

Quam Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Refreshment of General Mandate and consider that the granting of the Issue Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

Your attention is drawn to the letter of advice from Quam Capital containing its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation are set out in this circular.

## LETTER FROM THE BOARD

The Independent Board Committee, having taken the advice of Quam Capital into account, considers the Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution relating to the granting of the Issue Mandate. The full text of the letter from the Independent Board Committee is set out in this circular.

The Directors (including the independent non-executive directors) are of the opinion that (i) the Acquisition and the allotment and issue of the Consideration Shares as contemplated under the Sale and Purchase Agreement and the granting of the Issue Mandate are in the interests of the Company and the Shareholders as a whole; and (ii) the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the relevant parties and are fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM.

### **PART H – ADDITIONAL INFORMATION**

Your attention is also drawn to the general information set out in the appendix of this circular.

Yours faithfully,  
On Behalf of the Board  
**Nelson Tong Naiyi**  
*Executive Director*

*The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.*

**CROSBY**  
**CROSBY CAPITAL LIMITED**  
**(高誠資本有限公司)\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8088)**

28 January 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE**

We refer to the circular (the “Circular”) dated 28 January 2014 issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires. We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Refreshment of General Mandate, details of which are described in the letter from the Board as set out in the Circular.

We also draw your attention to the advice of Quam Capital, the independent financial adviser appointed in respect of the Refreshment of General Mandate, as set out on pages 38 to 44 to the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the Refreshment of General Mandate.

We have also considered the key factors taken into account by Quam Capital in arriving at its opinion regarding the Refreshment of General Mandate, as set out in the letter from Quam Capital in the Circular, which we urge you to read carefully.

Having taken into account, amongst other things, the advice of Quam Capital, we consider that the Refreshment of General Mandate, as described in the letter from the Board as set out in the Circular are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,

**Shi Jinsheng**  
*Independent  
non-executive  
Director*

**Sin Hendrick**  
*Independent  
non-executive  
Director*

**Yuen Kwok On**  
*Independent  
non-executive  
Director*

\* For identification purpose only



## LETTER FROM QUAM CAPITAL

*The following is the full text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate.*



**Quam Capital Limited**

A Member of The Quam Group

28 January 2014

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

### **REFRESHMENT OF GENERAL MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate. Details of the Refreshment of General Mandate are set out in the "Letter from the Board" contained in the circular dated 28 January 2014 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular, unless the context otherwise requires.

Mr. Shi Jinsheng, Mr. Sin Hendrick and Mr. Yuen Kwok On, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether the terms of the Refreshment of General Mandate are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

Quam Capital is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Refreshment of the General Mandate.

In formulating our recommendation, we have relied on the information and facts supplied by the Company, and the opinions expressed by and the representations of the Directors and the management of the Company. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at

## LETTER FROM QUAM CAPITAL

the time that they were made and continue to be true until the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the management of the Company, and the Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

#### **(a) Background of and reasons for the Refreshment of General Mandate**

At the annual general meeting of the Company held on 10 May 2013, the Shareholders passed, among others, an ordinary resolution to grant the Directors the Existing General Mandate to allot, issue and deal with a maximum of 27,555,841 new Shares, representing 20% of the issued share capital of the Company as at the date of passing such resolution. Since then, the Company has not refreshed the Issue Mandate.

On 8 November 2013, the Company entered into a placing agreement (as supplemented by a side letter dated 12 November 2013) in respect of the placing of a maximum of 27,552,000 Shares. The 27,552,000 Shares were issued and allotted under the Existing General Mandate on 5 December 2013. Upon completion of this placing, the number of Shares that can be issued under the Existing General Mandate was reduced to 3,841 Shares, less than a board lot of 4,000 Shares traded on the Stock Exchange.

As advised by the Company, the next annual general meeting will not be held until around May 2014, which is around four months away from the Latest Practicable Date. In order to provide the Company with maximum financial flexibility for the Group to issue new Shares before the next annual general meeting, the Board proposed to seek approval from the Independent Shareholders at the EGM in respect of the Refreshment of General Mandate.

As stated in the "Letter from the Board", the Directors believe that the granting of the Issue Mandate to the Directors is an appropriate decision as fund raising opportunities may lapse in a short window of time. The Refreshment of General Mandate will enable the Company to have additional alternative and enhance flexibility in raising capital for the Group in the future to capture the window of opportunity to carry out the fund raising activity promptly for the future development of the Group as and when the opportunities arise.

## LETTER FROM QUAM CAPITAL

### **(b) Terms of the Refreshment of General Mandate**

Terms of the Refreshment of General Mandate are set out in a resolution contained in the notice of EGM.

#### *Maximum number of new Shares to be issued*

The Directors shall be granted the authority to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

As at the Latest Practicable Date, the total number of issued Shares was 384,561,967 Shares. For illustrative purpose, subject to the passing of the resolution for granting of the Issue Mandate and on the assumption that there will be no change in the issued share capital of the Company from the Latest Practicable Date to the date of the EGM (both dates inclusive), the Board will be allowed to issue a maximum of 76,912,393 Shares upon exercise of the Issue Mandate in full.

#### *Effective period*

The Issue Mandate if approved by the Independent Shareholders at the EGM will be in force from the date of EGM until the earliest of (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed as an ordinary resolution of the Shareholders in general meeting.

We have reviewed the resolution relating to the Refreshment of General Mandate contained in the Notice of EGM. We consider that the terms are normal. Accordingly, we are of the view that the terms of the Refreshment of General Mandate are fair and reasonable.

### **(c) Financial position of the Group**

The Group incurred losses for each of the five years ended 31 December 2012 and recorded unaudited losses of approximately US\$6.6 million for the nine months ended 30 September 2013. Net cash outflow from operating activities were approximately US\$3.8 million and US\$3.4 million for year ended 31 December 2012 and the six months ended 30 June 2013 respectively.

The Group had unaudited net current liabilities and cash and cash equivalents of approximately US\$29.8 million and US\$1.1 million as at 30 June 2013. The Company intends to apply net proceeds from the placing of 27,552,000 Shares under the Existing General Mandate in November 2013 of approximately HK\$18.5 million (equivalent to approximately US\$2.4 million) for general working capital of the Group and for any potential investment opportunities in the future.

Taking into consideration of the aforesaid, we consider that the Group's internal cash resources may or may not be adequate for its future working capital requirements.

**(d) Financial flexibility and efficiency**

As stated in the “Letter from the Board”, taking into consideration (i) the applications of the net proceeds from the placing of 27,552,000 Shares under the Existing General Mandate in November 2013; (ii) the applications of the net proceeds from the Placing and the exercise of the Over-allotment Option, which the Company intends to apply on the operation of the Central Retail Shop, the renovations to the Central Retail Shop, the anticipated music licence rights fees that will be payable to music records companies in relation to the business that HMV Master Quality Sound will operate, the operation of the on-line business, and the Group’s general working capital; and (iii) the uncertainty as to whether any and when the Subscription Rights will be exercised, the Directors consider that there is no certainty that the Group’s internal cash resources will be adequate for its future working capital requirements. Given the financial position of the Group as discussed above, the Group may require financings to meet its working capital needs in the future for its operations and development. Furthermore, the Company is actively exploring business opportunities, sufficient cash reserve is crucial for the development of the Group. In the event that the Group identifies suitable investment opportunities and does not have sufficient cash on hand, and it fails to obtain debt financing on terms which the Directors consider acceptable to the Group, or it cannot find other alternatives to finance such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favourable investment. As at the Latest Practicable Date, the Group has not yet identified any such business opportunity.

We note that the Group’s gearing ratio was about 2.6 times as at 30 September 2013. Given the high gearing ratio, the Group may not be able to obtain debt financing on favourable terms. Furthermore, the ability of the Group to obtain bank financing in the future will depend on the Group’s then profitability, financial position and the availability of securities to be provided to banks. Bank financing may also be subject to lengthy negotiations with banks, lengthy procedures and high documentation preparation costs. In contrast, equity financing is interest and security free by nature. Issue of securities for cash consideration under the Issue Mandate such as placing can be completed within a short period of time.

As stated in the “Letter from the Board”, the Directors have considered the uncertainties in the world financial market, and are of the view that the instability of the global financial market will persist in the foreseeable future, which might have a negative impact on the business of the Group. Therefore, the possible fund raising activities that may be pursued upon the Refreshment of the General Mandate will be for the benefit of the Company as it can enhance the financial flexibility of the Company during the global financial downturn. If the issuance of new Shares for fund raising is required and a specific mandate is sought, the Directors consider that it is uncertain whether the requisite approval from the Shareholders could be obtained in a timely manner so as to capture the window of opportunity to carry out the fund raising activity. Besides, the Directors have also considered other pre-emptive fund raising methods such as rights issue and open offer. However, such fund raising activities are more costly and time consuming. Given the volatility of the equity market, the Issue Mandate has the advantage over such pre-emptive fund raising methods in enabling the Company to capture a favourable equity market condition by conducting equity financing in a timely manner. In addition,

## LETTER FROM QUAM CAPITAL

such pre-emptive fund raising methods are usually required to be conducted on a fully underwritten basis and it may not be possible for the Company to procure underwriters for such fund raising activities on acceptable terms under the prevailing market conditions and in a timely manner to capture the window of opportunity to carry out the fund raising activity. However the Company also notes that pre-emptive fund raising methods enable all Shareholders to participate to avoid the potential dilution effect to Shareholders. In any event, the Company will balance the pros and cons of the various fund raising methods and to conduct such fund raising which is most appropriate under the circumstances.

The Refreshment of General Mandate will offer the Group flexibility to raise equity financing for its working capital requirements in a timely manner. Furthermore, the Group will have the flexibility to capture investment opportunities which may arise at any time and also lapse in a short window of time, and require prompt investment decision by the Group.

Given the financial flexibility and efficiency available to the Company as discussed above, we consider that the Refreshment of General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

### **(e) Fund raising activity in the past twelve months**

Set out below is the equity fund raising activity conducted by the Company in the past twelve months prior to the Latest Practicable Date.

Date of announcement	Event	Approximate net proceeds	Intended use of net proceeds	Actual use of proceeds
8 November 2013 and 12 November 2013	Placing of 27,552,000 Shares under the Existing General Mandate	HK\$18,500,000	General working capital of the Group and for any potential investment opportunities in the future	(i) HK\$10 million has been used to satisfy the Target Subscription Price for the Target Subscription Shares;  (ii) approximately HK\$0.9 million has been used for the general working capital of the Group; and  (iii) the remaining amount of approximately HK\$7.6 million is deposited in the bank account of the Company.

*Note:* On 20 December 2013, the Company entered into a conditional placing agreement with the Placing Agent in respect of the Placing (on the best effort basis), the Over-allotment Option and Bonus Warrants. The Placing and the Specific Mandate (Placing) are subject to, among other things, the approval from the Shareholders at the EGM. The Placing Completion shall take place within five Business Days after the Placing Agreement having become unconditional or such other date as the parties may mutually agree in writing. The proceeds are intended to be used for general working capital of the Group and for any potential investment opportunities in the future. Please refer to the section headed "Part B – Proposed Placing, issue of Bonus Warrants and granting of Over-allotment Option" in the "Letter from the Board" for details.

## LETTER FROM QUAM CAPITAL

Save as disclosed above, the Company has not conducted any other capital raising activities in the past twelve months immediately preceding the Latest Practicable Date.

### (f) Potential dilution to shareholdings of the Shareholders

For illustrative purpose, the table below sets out the maximum potential dilution effect on the shareholding of the Company assuming that the Issue Mandate is fully utilised immediately after the approval of the Refreshment of General Mandate.

	As at		Upon full	
	the Latest Practicable Date		utilisation of	
	the Latest Practicable Date		the Issue Mandate	
	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>
	<i>Shares</i>	<i>% of issued</i>	<i>Shares</i>	<i>% of issued</i>
		<i>share capital</i>		<i>share capital</i>
			immediately after the	
			approval of the Refreshment	
			of General Mandate (Note 1)	
Legend Vantage Limited (Note 2)	57,874,051	15.05	57,874,051	12.54
Able Supreme Management Limited (Note 3)	45,818,745	11.91	45,818,745	9.93
Yang Shengrong Main Wealth Enterprises Limited (Note 4)	31,719,717	8.25	31,719,717	6.87
Fortune Builder Limited (Note 5)	74,620,421	19.40	74,620,421	16.17
Unlimited Creativity Holdings Limited	3,300,000	0.86	3,300,000	0.72
Other public Shareholders	24,358,974	6.34	24,358,974	5.28
146,870,059	146,870,059	38.19	146,870,059	31.82
Holdings of Shares to be issued under the Issue Mandate	–	–	76,912,393	16.67
<b>Total</b>	<b>384,561,967</b>	<b>100.00</b>	<b>461,474,360</b>	<b>100.00</b>

#### Notes:

- Assuming that no change in the issued share capital of the Company from the Latest Practicable Date to the date of the EGM.

The impacts of the issue of the Consideration Shares, the Placing, the exercise of the Over-allotment Option and the Subscription Right on the shareholding structure are illustrated in the section headed “Part E-Effect of issue and allotment of the Consideration Shares and the Placing Shares on the shareholding structure of the Company” in the “Letter of the Board”.

- Legend Vantage Limited (“**Legend Vantage**”) owns 57,874,051 Shares. Mr. Li Guangrong is deemed to be interested in these Shares through his 100% interests in Legend Vantage.

## LETTER FROM QUAM CAPITAL

3. Able Supreme Management Limited (“**Able Supreme**”) owns 45,818,745 Shares and 123,037,778 Shares will be allotted and issued upon full conversion of 6,388,500 unlisted redeemable convertible preference shares (“**RCPS**”) at conversion price of HK\$0.81 per Share (reset on 5 December 2013). The entire issued share capital of Able Supreme is held by Billion Pine International Limited, which in turn is beneficially wholly owned by Mr. Hu Yin. Accordingly, he is deemed to be interested in these Shares through his 100% indirect interests in Able Supreme.
4. Main Wealth Enterprises Limited (“**Main Wealth**”) owns 74,620,421 Shares. The entire issued share capital of Main Wealth is held by Proven Bravo Limited, which in turn is beneficially wholly owned by Mr. Feng Yuantao. Accordingly, he is deemed to be interested in these Shares through his 100% indirect interest in Main Wealth.
5. Fortune Builder Limited (“**Fortune Builder**”) owns 3,300,000 Shares and 17,254,370 Shares will be allotted and issued upon full conversion of 895,900 RCPS at conversion price of HK\$0.81 per Share (reset on 5 December 2013). Mr. Clive Ng Cheang Neng, the chairman and executive Director of the Company is deemed to be interested in these Shares through his 100% interests in Fortune Builder.

Based on the above shareholding table, upon full utilisation of the Issue Mandate, 76,912,393 new Shares can be allotted and issued, representing approximately 20% and 16.67% of the total issued share capital of the Company as at the Latest Practicable Date and the then enlarged issued share capital of the Company respectively. The aggregate shareholding of the existing public Shareholders upon full utilisation of the Issue Mandate will, therefore, decrease from approximately 38.19% to approximately 31.82%, representing a potential maximum dilution of approximately 16.67%.

Taking into consideration that (i) the Issue Mandate will provide an additional option to the Group to raise funds for improving its financial position and for its business developments and/or investments; and (ii) the shareholding of all the existing Shareholders will be diluted proportionally to their respective shareholding upon utilisation of the Issue Mandate, we consider that such potential dilution to the shareholdings of the Shareholders to be justifiable.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Refreshment of General Mandate are fair and reasonable and the grant of the Issue Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution approving the Refreshment of General Mandate at the EGM.

Yours faithfully  
For and on behalf of  
**Quam Capital Limited**  
**Noelle Hung**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 circular 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares of the Company, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as 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 were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

### Long positions in the Shares

Name of Directors	Capacity/Nature of interest	Number of Shares and/or underlying Shares held	Approximate Percentage of the issued share capital of the Company
Clive Ng Cheang Neng	Interest in controlled corporation ( <i>Note</i> )	20,554,370	5.34

*Note:* Fortune Builder Limited (“**Fortune Builder**”) owns 3,300,000 Shares interests and 895,900 RCPS of the Company which can be convertible into 17,254,370 Shares at conversion price of HK\$0.81 per Share (reset on 5 December 2013) upon full conversion. Mr. Clive Ng Cheang Neng, the Chairman and Executive Director of the Company is deemed to be interest in these shares through his 100% interests in Fortune Builder.

Save as disclosed above, as at the Latest Practicable Date, there are no short positions of the Directors (including proposed Directors) and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



### 3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had interest or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO, or, who was, directly or indirectly, 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 other member of the Group.

#### Interest and short positions of substantial shareholders in the Shares and underlying Shares

Name of the substantial Shareholder	Capacity/Nature of Interest	No. of Shares and/or underlying Shares held	Approximate Percentage of the shareholding
Legend Vantage Limited	Beneficial owner (Note 1)	57,874,051	15.05
Able Supreme Management Limited	Beneficial owner (Note 2)	168,856,523	43.91
Main Wealth Enterprises Limited	Beneficial owner (Note 3)	74,620,421	19.40
Greyhound International Limited	Beneficial owner (Note 4)	51,948,051	13.51

*Notes:*

- Legend Vantage Limited ("**Legend Vantage**") owns 57,874,051 Shares. Mr. Li Guangrong is deemed to be interest in these shares through his 100% interests in Legend Vantage.
- Able Supreme Management Limited ("**Able Supreme**") held 45,818,745 Shares and 123,037,778 Shares will be allotted and issued upon full conversion of 6,388,500 RCPS at conversion price of HK\$0.81 per share (reset on 5 December 2013). The entire issued share capital of Able Supreme is held by Billion Pine International Limited, which in turn is beneficially wholly owned by Mr. Hu Yin. Accordingly, he is deemed to be interest in these shares through his 100% indirect interests in Able Supreme.

3. MainWealth Enterprises Limited (“**MainWealth**”) owns 74,620,421 ordinary shares of the Company. The entire issued share capital of Main Wealth is held by Proven Bravo Limited, which in turn is beneficially wholly owned by Mr. Feng Yuantao. Accordingly, he is deemed to be interested in these shares through his 100% indirect interest in Main Wealth.
4. Greyhound International Limited (“Greyhound International”) owns 51,948,051 underlying shares which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK\$40,000,000 at conversion price of HK\$0.77 per share (reset on 5 December 2013). Mr. James Wu Ting Fai is deemed to be interested in these shares through his 100% interests in Greyhound International.

Save as disclosed above, the Directors of the Company are not aware, as at the Latest Practicable Date, of any person (not being a Director or chief executive of the Company) who had interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO, or were 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 the Company or any other member of the Group.

#### 4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Enlarged Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### 5. EXPERT AND CONSENT

The following are the qualifications of the expert whose opinions or advice are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Quam Capital Limited	a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Quam Capital had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name included herein in the form and context in which it appears.

As at the Latest Practicable Date, Quam Capital was not interested in any shareholding in any member of the Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and had no direct or indirect interest in any assets which have been or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up.

**6. DIRECTORS' INTERESTS IN ASSETS' CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in any assets which since 31 December 2012, the date to which the latest published audited consolidated accounts of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group. Save as disclosed in previous sections in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the businesses of the Enlarged Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change, actual or potential, in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated accounts of the Group were made up.

**8. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong, during normal business hours on any weekday (except Saturdays, Sundays and public holidays) for a period of 14 days from the date of this circular:

- (a) the letter from the Independent Board Committee as set out on page 37 of this circular;
- (b) the letter from Quam Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 38 to 44 of this circular;
- (c) the Sale and Purchase Agreement;
- (d) the Target Subscription Agreement;
- (e) Placing Agreement; and
- (f) this circular.

**10. CORPORATE INFORMATION****Company Secretary**

Chan Suet Ngan

**Registered Office**

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

**Principal place of business in Hong Kong**

Unit 502, 5th Floor  
AXA Centre  
151 Gloucester Road  
Wanchai  
Hong Kong

**Share registrar and transfer office in Hong Kong**

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
No. 183 Queen's Road East  
Wanchai  
Hong Kong

**Auditors**

BDO Limited

**Authorised Representatives**

Mr. Clive Ng Cheang Neng

Mr. Nelson Tong Naiyi

**Solicitors**

Troutman Sanders Solicitors and International lawyers

**Compliance officer**

Mr. Nelson Tong Naiyi

**Principal Banker**

DBS Bank (Hong Kong) Limited

**11. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

# CROSBY

## CROSBY CAPITAL LIMITED

(高誠資本有限公司)\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8088)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Crosby Capital Limited (the “Company”) will be held at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong, on 14 February 2014 at 10:00 a.m., to consider and, if thought fit, to pass with or without amendments, the following resolutions:

### ORDINARY RESOLUTIONS

1. “THAT:
  - (a) the conditional sale and purchase agreement dated 10 December 2013 (the “**Sale and Purchase Agreement**”, details of which are disclosed in the circular of the Company dated 28 January 2014 (the “**Circular**”)) entered into amongst (i) Action Key Investments Limited as purchaser (the “**Purchaser**”), a wholly-owned subsidiary of Crosby Capital Limited (the “**Company**”); (ii) the Company; and (iii) HMV Asia Limited, Wong Nga Fan (“**Ms. Wong**”), Butt, Emily Oy-Fong (“**Ms. Butt**”) and Wu King Shiu, Kelvin (“**Mr. Wu**”) as the vendors (collectively, the “**Sellers**”), in relation to the sale and purchase of an aggregate of 60% of the existing issued share capital of HMV Ideal Limited (the “**Acquisition**”), at a consideration of HK\$46,800,000 (a copy of Sale and Purchase Agreement has been produced at the meeting marked “A” and signed by the chairman of the meeting for identification purpose), be and is hereby approved, confirmed and ratified, and **THAT** all the transactions contemplated under the Sale and Purchase Agreement be and are hereby approved (including but not limited to the allotment and issue to each of HMV Asia Limited, Ms. Wong, Ms. Butt and Mr. Wu (or the nominee(s) as they may direct) of 27,600,000, 27,600,000, 2,400,000 and 2,400,000 ordinary shares of US\$0.01 each in the share capital of the Company, respectively, at the issue price of HK\$0.78 each credited as fully paid up and ranking pari passu with the existing issued shares of the Company (“**Consideration Shares**”) pursuant to the Sale and Purchase Agreement);
  - (b) subject to the fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the

\* For identification purpose only

## NOTICE OF EXTRAORDINARY GENERAL MEETING

Directors be and are hereby specifically authorised to allot and issue the Consideration Shares, credited as fully paid, to the Sellers in accordance with the terms and conditions of the Sale and Purchase Agreement; and

- (c) any one of the Directors be and is hereby authorised to do all such acts and things and execute all such documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, the Sale and Purchase Agreement and to implement the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of the Sale and Purchase Agreement.”

2. **“THAT,**

subject to the fulfillment of the terms and conditions set out in the placing agreement dated 20 December 2013 (the **“Placing Agreement”**) entered into between the Company and Great Roc Capital Securities Limited (the **“Placing Agent”**), pursuant to which (i) the Placing Agent has conditionally agreed on a best effort basis during the Placing Period (as defined in the Circular) to procure Placees (as defined in the Circular) to subscribe for up to 38,460,000 new ordinary shares of US\$0.01 each in the share capital of the Company (the **“Placing Shares”**) at the placing price of HK\$0.78 (the **“Placing Price”**) with the entitlement to warrants (the **“Bonus Warrants”**) at nil consideration on the basis of one Bonus Warrant for every two Placing Shares placed with the subscription price of HK\$0.80 (subject to adjustments) (the **“Subscription Price”**) per Subscription Share (as defined below) (the **“Placing”**), and (ii) the Company has granted an option to the Placing Agent to require the Company to issue and allot up to a further 25,640,000 new ordinary shares of US\$0.01 each in the share capital of the Company (the **“Over-allotment Shares”**) together with entitlement to Bonus Warrants at nil consideration on the basis of one Bonus Warrant to every two Over-allotment Shares issued to the subscribers of the Over-allotment Shares, to such subscriber or subscribers as the Placing Agent shall direct at the Placing Price (the **“Over-allotment Option”**):

- (a) the Placing Agreement in relation to the Placing and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the placing of the Placing Shares to the Placee(s) (as defined in the Circular) pursuant to the Placing Agreement be and is hereby approved and the Directors be and are hereby authorised to allot and issue the Placing Shares pursuant to the Placing Agreement;
- (c) the issuance and allotment of up to a maximum number of 25,640,000 Over-allotment Shares credited as fully paid at the Placing Price which may fall to be issued upon the exercise of the Over-allotment Option be and are hereby approved;
- (d) the creation and issuance of the Bonus Warrants by the Company in accordance with the terms and conditions of the Placing Agreement and the terms and conditions of the Instrument (as defined in the Circular) as set out in the Placing Agreement be and are hereby approved;
- (e) the issuance and allotment of up to a maximum number of 32,050,000 new ordinary shares of US\$0.01 each in the share capital of the Company (the “**Subscription Shares**”) credited as fully paid at the Subscription Price which may fall to be issued upon the exercise of the subscription rights attached to the Bonus Warrants be and are hereby approved;
- (f) all the transactions contemplated under the Placing Agreement in connection with the issue of the Bonus Warrants be and are hereby approved;
- (g) any one of the directors of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the board of directors of the Company may think necessary, appropriate, desirable or expedient to implement and, or, give effect to the terms of, or the transactions contemplated by the Placing Agreement and to agree to such variation, amendments or waiver or matters relating thereto that are of administrative nature and ancillary to the implementation of the Placing Agreement; and
- (h) the directors of the Company be and are hereby afforded a specific mandate to exercise all the powers of the Company to allot and issue the Placing Shares, Over-allotment Shares and Subscription Shares, subject to and in accordance with the terms and conditions set out in the Placing Agreement.”



## NOTICE OF EXTRAORDINARY GENERAL MEETING

3. **“THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to allot, issue or deal with additional shares in the share capital of the Company or securities convertible into such shares or options, warrants or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements, and options which might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any ordinary share option scheme adopted by the Company, or (iii) an issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company (the **“Articles of Association”**), shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and this approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

**“Relevant Period”** means the period from passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association or any applicable laws of the Cayman Islands to be held; and
- (iii) the date on which the authority given under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

## NOTICE OF EXTRAORDINARY GENERAL MEETING

“**Rights Issue**” means an offer of shares of the Company open for a period fixed by the Company or the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangement as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or such stock exchange in any territory outside Hong Kong).”

By Order of the Board  
**Crosby Capital Limited**  
**Nelson Tong Naiyi**  
*Executive Director*

Hong Kong, 28 January 2014

*Registered Office:*

Unit 502, 5th Floor  
AXA Centre  
151 Gloucester Road  
Wanchai, Hong Kong

*Notes:*

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead at the meeting in accordance with the Articles of Association of the Company. A proxy need not be a Shareholder but must be present in person to represent the shareholder.
2. To be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a certified copy thereof must be deposited with principal place of business of Crosby Capital Limited at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong at least 48 hours before the time appointed for holding the meeting or any adjournment thereof as the case may be and in default thereof the form of proxy and such power or authority shall not be treated as valid.
3. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.

*As at the date of this notice, the Board comprises four (4) executive Directors, namely, Liu Guang He, Clive Ng Cheang Neng, Stephen Shiu Junior and Nelson Tong Naiyi; and three (3) independent non-executive Directors, namely, Shi Jinsheng, Sin Hendrick and Yuen Kwok On.*

*This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 notice is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.*