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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.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8088)

CONNECTED TRANSACTION
RELATING TO
THE ISSUE OF CONVERTIBLE BONDS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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 16 May 2014 at 9:30 a.m., is set out on pages 53 to 54 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:

“Abundant Star”	Abundant Star Ventures Limited 星滿創投有限公司, a company incorporated in Samoa
“Acting in Concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors or a duly authorised committee thereof
“Bondholders”	holders of the Convertible Bonds from time to time
“Business Day”	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Central Retail Shop”	the retail shop located on the 3rd and 4th Floor Entertainment Building, 30 Queen’s Road Central, Hong Kong and managed by HMV Marketing Limited, an indirectly wholly owned subsidiary of HMV Ideal
“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
“Conversion Price”	the initial conversion price of HK\$0.80 (subject to adjustment) per Conversion Share upon conversion of the Convertible Bonds
“Conversion Share(s)”	the Share(s) which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds

DEFINITIONS

“Convertible Bonds”	the convertible bonds in principal amount of HK\$175,000,000 bearing a compound interest rate of 5% per annum to be issued by the Company to the Subscribers pursuant to the Subscription Agreement
“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 16 May 2014 at 9:30 a.m.
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HMV Ideal”	HMV Ideal Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly owned by the Company as to 64.54%
“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 as to fairness and reasonableness of the issue of the Convertible Bonds, the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Wu and his associates
“Instrument”	the instrument constituting the Convertible Bonds
“Latest Practicable Date”	16 April 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing

DEFINITIONS

“Maturity Date”	the third (3rd) anniversary of the date of issue of the Convertible Bonds, which is subject to extensions in accordance with the terms and conditions of the Instrument
“Mr. Wu”	Mr. Wu King Shiu, Kelvin
“Prohibited Transferee(s)”	any person who (i) is not independent of the Company (and its Subsidiaries) or its connected person(s), or (ii) is a party Acting in Concert with any person(s) or shareholder(s) of the Company to the effect that any transfer of the Convertible Bond(s) to such transferee(s) and/or the exercise by such transferee(s) of any Conversion Right attaching to the Convertible Bond(s) subject to such transfer will trigger the mandatory offer obligation under the Takeovers Code
“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 respect of the Subscription Agreement and the transactions contemplated thereunder
“RCPS”	redeemable convertible preference shares of the Company
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	each of Abundant Star and Vantage Edge
“Subscription”	the subscription for the Convertible Bonds by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 1 April 2014 entered into between the Company and the Subscribers in relation to the Subscription

DEFINITIONS

“Subscription Agreement (Dec 2013)”	the subscription agreement dated 10 December 2013 and entered into between Action Key Investments Limited (a wholly owned subsidiary of the Company) and HMV Ideal in relation to the subscription of 1,000 shares in HMV Ideal
“Subsidiaries”	the subsidiaries of the Company for the time being and from time to time and the term “Subsidiary” shall be construed accordingly
“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vantage Edge”	Vantage Edge Limited, a company incorporated in Samoa
“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:

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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

24 April 2014

To Shareholders of the Company

Dear Sir or Madam,

CONNECTED TRANSACTION
RELATING TO
THE ISSUE OF CONVERTIBLE BONDS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement dated 1 April 2014 made by the Company in respect of the issue of the Convertible Bonds in the principal aggregate amount of HK\$175,000,000. Details of the Subscription Agreement and the terms of the Convertible Bonds are described below.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Subscription Agreement and the proposed issue of Convertible Bonds; (ii) the letter of recommendation from the Independent Board Committee on the terms of the Subscription Agreement and the proposed issue of Convertible Bonds; (iii) the letter from the Independent Financial Adviser containing its advice to the

* *For identification purpose only*

LETTER FROM THE BOARD

Independent Board Committee and Independent Shareholders regarding the terms of the Subscription Agreement and the proposed issue of Convertible Bonds; and (iv) the notice of EGM.

PART A – THE SUBSCRIPTION

THE SUBSCRIPTION AGREEMENT

Date: 1 April 2014 (after trading hours)

Issuer: the Company

Subscribers: (1) Abundant Star; and

(2) Vantage Edge

Subject to fulfilment of the conditions precedent set out below, the Subscribers shall subscribe for the Convertible Bonds in the aggregate principal amount of HK\$175,000,000 and the said amount shall be satisfied in cash.

The Convertible Bonds will be subscribed by the Subscribers in the following proportion:

Subscribers	Amount (HK\$)	Number of Conversion Shares (subject to adjustment)
Abundant Star	100,000,000	125,000,000
Vantage Edge	75,000,000	93,750,000
Total	175,000,000	218,750,000

Abundant Star is a company incorporated in Samoa with limited liability and is an investment holding Company. Vantage Edge is a company incorporated in Samoa with limited liability and is an investment holding Company. The Subscribers are both directly wholly and beneficially owned by AID Partners Capital II, L.P.. AID Partners Capital II, L.P. is controlled by AID Partners GP2, Ltd., which is ultimately controlled by Mr. Wu. As at the Latest Practicable Date, Mr. Wu is the legal and beneficial owner of 2,400,000 Shares (representing 0.54% of the entire issued share capital of the Company) and is deemed to be interested in 27,600,000 Shares (representing 6.21% of the entire issued share capital of the Company) held by HMV Asia Limited (a substantial shareholder of HMV Ideal) through his deemed interest in 93.75% of the equity interest in HMV Asia Limited due to family holdings. Mr. Wu is also a director of each of HMV Ideal and HMV Asia Limited. As Mr. Wu is a director of HMV Ideal, a non-wholly owned subsidiary of the Company, Mr. Wu is therefore a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon the fulfillment of, among other things, the following conditions:

- (a) to the extent not waived or consented to by or the requisite approval or ruling not obtained from the relevant regulatory or governmental authorities, compliance by each of the Company and the Subscribers of all applicable laws and regulations, including but not limited to those under the GEM Listing Rules, (if applicable) the Takeovers Code, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the laws and regulations of each of the Company and the Subscribers' jurisdiction of incorporation;
- (b) the passing by the requisite majority of Independent Shareholders at the EGM to approve the Subscription Agreement, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares in accordance with the requirements of the GEM Listing Rules and applicable laws and regulations;
- (c) the Listing Committee granting the listing of, and permission to deal in, the Conversion Shares;
- (d) all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including the Stock Exchange, the Securities and Futures Commission of Hong Kong or any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for the Subscription and all matters contemplated thereunder having been obtained or made, if any;
- (e) all the representations and warranties contained in the Subscription Agreement in relation to the Company and each of the Subscribers remain true, accurate in all material respects and not misleading when made, and being true, accurate in all material respects and not misleading on and as of the Completion Date; and
- (f) no material adverse change having occurred in respect of the business, assets, financial position, performance, operations, properties or conditions (financial or otherwise) of the Group.

LETTER FROM THE BOARD

The conditions set out in paragraphs (e) (in respect of the Company) and (f) above may be waived by the Subscribers (in whole or in part) and the conditions in paragraph (e) above (in respect of the Subscribers) may be waived by the Company (in whole or in part). No other conditions may be unilaterally waived by any party to the Subscription Agreement.

If any of the above conditions are not fulfilled on or before 30 May 2014 or such other date as the Company and the Subscribers may agree, the Subscription Agreement will cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Subscription Agreement, save in respect of any antecedent breach of any obligation thereof.

Completion

Subject to the fulfillment of the above conditions precedent, Completion shall take place on the fifth (5th) Business Day following the date on which all of the conditions precedent are fulfilled.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Company and the Subscribers and are summarised as follows:

Principal amount:	HK\$175,000,000
Issue price:	100%
Denomination:	The Convertible Bonds will be issued in registered form and in the denomination of HK\$1,000,000 each and integral multiples thereof.
Interest rate:	A compound interest rate of 5% per annum, payable on the Maturity Date. In the event that the Maturity Date is extended in accordance with the Instrument, interest at the rate of 5% per annum shall be in respect of each extended term of one (1) year and payable on the date of maturity of each extended term of one (1) year (as the case may be).
Maturity date and redemption:	Unless previously redeemed and cancelled or purchased or otherwise acquired and (at the election of the Company) cancelled, any outstanding Convertible Bonds shall be redeemed on the Maturity Date.

LETTER FROM THE BOARD

- Extension of Maturity date: The Bondholders may by written notice to the Company no later than one (1) month's prior to the Maturity Date elect to extend the term of the Convertible Bonds then outstanding, in whole or in part, for a term of one (1) year and thereafter for a further one (1) year.
- Ranking: The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and at all times ranks pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other unsecured and unsubordinated obligations of the Company.
- Conversion: No Bondholder and parties Acting in Concert with it shall exercise any conversion rights under the Convertible Bonds in the event that the issuance of the Conversion Shares pursuant to the exercise of any conversion rights under the Convertible Bonds by the Bondholder will result in:
- (a) any mandatory offer obligation under Rule 26.1 of the Takeovers Code being triggered by the Bondholder and/or parties Acting in Concert with such Bondholder; and
 - (b) the Company being in breach of any provision of the GEM Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public.
- Conversion price: The initial Conversion Price is HK\$0.80 per Conversion Share, which is subject to adjustment events set out below.
- Adjustment events: The events leading to adjustment to the Conversion Price include the following:
- (a) any alteration of the nominal amount of a Share by reason of any consolidation or subdivision;

LETTER FROM THE BOARD

- (b) an issue by the Company of Shares (other than Shares issued in lieu of the whole or any part of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received in cash) credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (c) a capital distribution being made by the Company (whether on a reduction of capital or otherwise except pursuant to any purchase by the Company of its Shares which is permitted by law and, for so long as the Convertible Bonds are listed on the Stock Exchange, by the GEM Listing Rules and in accordance with the provisions of the Company's memorandum and articles of association) to Shareholders (in their capacity as such) or a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries;
- (d) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe new Shares being made by the Company to Shareholders (in their capacity as such) at a price which is less than 90% of the market price on the date of the announcement of the terms of the offer or grant;
- (e) an issue wholly for cash being made by the Company or any of its subsidiary of securities convertible into or exchangeable for or carrying rights of conversion for new Shares and the total effective consideration per new Share receivable for such securities is less than 90% of the market price on the date of the announcement of the terms of the issue of such securities;
- (f) an issue of Shares wholly for cash at a price per Share which is less than 90% of the market price on the date of the announcement of the terms of such issue; or

LETTER FROM THE BOARD

- (g) offer or invitation to Shareholders to tender for sale to the Company any Shares or the repurchase of any Shares or securities convertible into Shares or any rights to acquire Shares by the Company, details terms of and arrangements under such adjustment events are set out in the Instrument.

If more than one of the above adjustment events (a) to (g) occurs, the first of the applicable adjustment event shall apply to the exclusion of the remaining applicable adjustment event(s).

Conversion period: The Bondholders shall have the right to convert such Convertible Bonds into Conversion Shares on any Business Day during the period commencing from the date of issue of the Convertible Bonds up to and including the date falling seven (7) days prior to the Maturity Date.

Voting: The Bondholders will not be entitled to attend or vote at any meeting of the Company by reason only of them being the holders of the Convertible Bonds.

Early Redemption and Purchase: Redemption:
Unless previously redeemed and cancelled or purchased or otherwise acquired and cancelled as, in each case, herein provided, each Convertible Bond may be redeemed by the Company, in whole or in part, at any time prior to the Maturity Date at a premium of 10% above the outstanding principal amount of the Convertible Bonds to be redeemed, subject to the Bondholder agreeing with such redemption.

The Company may, having given not less than thirty (30) days' notice (which notices shall be irrevocable) to the Bondholders, redeem the Convertible Bonds then outstanding in integral multiples of HK\$1,000,000 on the date specified in the said notice at the outstanding principal amount of the Convertible Bonds to be redeemed at any time prior to the Maturity Date.

LETTER FROM THE BOARD

Purchases:

The Company or any of its Subsidiaries may at any time and from time to time purchase or otherwise acquire Convertible Bonds from any of the Bondholders. Certificates with respect to the Convertible Bonds purchased or acquired by the Company or any of its Subsidiaries as aforesaid, will forthwith be cancelled.

Transfer:

With the prior notification to the Company, the Convertible Bonds may be transferable in integral multiples of HK\$1,000,000. No transfer of the Convertible Bond(s) to the Prohibited Transferee(s) will be permissible and in the case of any transfer to a connected person of the Company, such transfer will be permitted if the prior written consent of the Company is to be obtained.

Events of default:

If any of the following events occurs and is continuing, if so requested in writing by a Bondholder or a group of Bondholders in aggregate holding not less than 66% of the outstanding principal amount of the Convertible Bonds, any Bondholder shall, give notice to the Company that the Convertible Bonds are, and they shall accordingly thereby forthwith become, immediately due and payable if:

- (a) *Non-payment*: the Company fails to pay the principal or premium (if any) on any of the Convertible Bonds when due and such failure continues for a period of fourteen (14) days; or
- (b) *Breach of Other Obligations*: the Company fails to perform or comply with any of its other obligations under the Convertible Bonds or the Instrument which default is not remedied within thirty (30) days after notice requiring the same to be remedied is served by the Bondholder at the request of any Bondholder or group of Bondholders holding not less than 66% of the outstanding principal amounts of the Convertible Bonds or a Bondholder or a group of Bondholders holding not less than 66% of the outstanding principal amount of the Convertible Bonds (as the case may be) on the Company; or

LETTER FROM THE BOARD

- (c) *Cross-Default*: (i) any other present or future indebtedness of the Company or any Subsidiary for or in respect of moneys borrowed or raised is declared or becomes due and payable prior to its stated maturity by reason of an event of default (however called or described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company or any Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; provided that any single amount or the aggregate amount of the indebtedness becoming due and payable under (i) above, and/or any single amount or aggregate amount of the indebtedness not paid when due, or as the case may be, within any applicable grace period under (ii) above and/or any single amount or the aggregate amount not paid when due under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised under (iii) above, equals or exceeds HK\$5,000,000 and HK\$10,000,000 respectively; or
- (d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process (the “**Actions**”) is levied, enforced or sued out on or against the whole or any part of the property, assets or revenues of the Company or any Subsidiary which, in the reasonable opinion of the Bondholders, has or would have a material adverse effect on the Company or such Subsidiary and is not discharged or stayed within 45 days (or such longer period as the Bondholders may consider to be reasonably appropriate) unless, but only so long as, the Bondholders are satisfied that the Actions are being contested in good faith, diligently and with a reasonable prospect of success. For the avoidance of doubt, the reference to the opinion or decision of the Bondholders above refers to the opinion or decision of the Bondholders duly resolved at the meeting of the Bondholders; or

LETTER FROM THE BOARD

- (e) *Insolvency*: the Company or any Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or insolvent or unable to pay its debts as and when they fall due; stops, suspends or threatens to stop or suspend payment of all or substantially all of its debts; makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due); or

- (f) *Winding-up*: an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration (or equivalent procedure) of the Company or any Subsidiary, or the directors of the Company or any Subsidiary request any person to appoint an administrator (or equivalent person), or the Company ceases or threatens to cease to carry on all or a material part of its business or operations; except in any case, however, for the purpose of or in connection with a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms previously approved by a resolution passed at a meeting of the Bondholder(s) by a majority of not less than three-fourths of the votes cast on poll, or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred or distributed to or otherwise vested in the Company or another one or more of its Subsidiaries, or by way of a voluntary winding up or dissolution where there are surplus assets in such Subsidiary and such surplus assets which are attributable to the Company and/or any other Subsidiaries are distributed to the Company and/or such other Subsidiaries; or

LETTER FROM THE BOARD

- (g) *Appointment of Receiver*: an administrative or other receiver or any manager (or equivalent person) is duly appointed of the Company or any Subsidiary or the directors of the Company or any Subsidiary request any person to appoint such an administrative or other receiver or manager (or equivalent person) over either of them or any of their respective assets or properties, unless it is in the opinion of the Bondholders (which shall be duly resolved at the meeting of the Bondholders) that, in the case only of such action having been commenced by a creditor of the Company or any Subsidiary, as the case may be, it is discharged within thirty (30) days of the commencement of such proceedings or the appointment as aforesaid; or
- (h) *Suspended Trading*: the listing of the Company on the Stock Exchange is at any time terminated, or its Shares suspended for trading for a period of more than twenty (20) consecutive trading days and the Company is unable to provide a reason therefor.

For the purpose of the above provisions relating to events of default, references to “Subsidiary” or “Subsidiaries” means any Subsidiary whose turnover constitutes 30% or more of the turnover of the Group in accordance with the latest audited financial statements of the Group.

The interest rate of the Convertible Bonds was negotiated on an arm’s length basis between the Company and the Subscribers with reference to the prevailing market rate and the Directors are of the view that the interest rate of the Convertible Bonds is comparatively favourable to the Company and the Shareholders as a whole and are fair and reasonable.

Based on the conversion price of HK\$0.80 per Conversion Share, a maximum number of 218,750,000 Conversion Shares may fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 49.21% of the existing issued share capital of the Company as at the date hereof, and (ii) approximately 32.98% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full (assuming there is no other change in the existing shareholding of the Company, no exercise of share options or warrants, or conversion of RCPS or convertible bonds).

LETTER FROM THE BOARD

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Company will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Conversion Shares.

The initial Conversion Price is HK\$0.80 per Conversion Share. The Conversion Price represents:

- (i) a discount of approximately 15.79% to the closing price of HK\$0.95 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 12.68% to the closing price of HK\$0.710 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (iii) a premium of approximately 11.73% to the average closing price of HK\$0.716 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding the date of the Subscription Agreement;
- (iv) a premium of approximately 9.74% to the average closing price of HK\$0.729 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately preceding the date of the Subscription Agreement; and
- (v) a premium of approximately 10.19% to the average closing price of HK\$0.726 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately preceding the date of the Subscription Agreement.

The Conversion Price of the Conversion Shares was negotiated on an arm's length basis between the Company and the Subscribers with reference to the recent market prices and performance of the Shares, the current market conditions and the business prospects of the Group.

LETTER FROM THE BOARD

REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

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

The net proceeds from the issue of Convertible Bonds, after deducting professional fees and other related expenses, is estimated to be approximately HK\$174,400,000. The Company intends to apply the net proceeds arising from the issue of Convertible Bonds in the following manner:

- (i) approximately HK\$5 million for the operation of the Central Retail Shop;
- (ii) approximately HK\$5 million for the renovations to the Central Retail Shop;
- (iii) 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 Limited (a wholly owned subsidiary of HMV Ideal) will operate;
- (iv) approximately HK\$3 million for the operation of the online business;
- (v) approximately HK\$3 million for marketing and public relations;
- (vi) approximately HK\$100 million for potential investment opportunities, as the Company intends to expand its business to, among others, investment in O2O (online to offline) lifestyle and mobile entertainment sectors, by way of acquisition of and/or collaboration with:
 - (a) online music content provider;
 - (b) video on demand service provider;
 - (c) mobile/web games publisher(s) and developer(s); and
 - (d) online fashion social media and e-commerce platform,

which are currently estimated to be approximately HK\$25 million each, subject to negotiations. Based on the initial feasibility study of the Company, the Company considers that the strategy to acquire high growth and medium sized businesses to be in the best interests of the Shareholders and the Company as a whole and the acquisition of or collaboration with three to four such businesses will be likely to achieve the integrated online and offline business ecology in the entertainment and lifestyle sector that the Group intends to build in the short to medium run. Based on the initial feasibility study, controlling stakes in high growth and medium sized businesses in the aforementioned sectors would cost not less than approximately HK\$25 million. Accordingly, an aggregate of not less than HK\$100 million is estimated to be required to acquire four such businesses of each nature as listed in (a) to (d) above, in order for the Company to expand its business as aforementioned; and

LETTER FROM THE BOARD

(vii) the remaining balance for the general working capital of the Group.

Reference is made to the section headed “Reasons and Benefits of the Transactions” set out in the circular of the Company dated 28 January 2014. The Directors consider that it is in the interest of the Company to identify investments which are less elastic to the global macro economy. As the internet continues to deepen its penetration into the users’ daily lives and the value chains of different business sectors, the business opportunities available in the internet sector, continues to broaden. The Directors are of the view that, given that the Group is engaged in the business of asset management and direct investment, investing in the internet-related sectors, including, but not limited to, O2O lifestyle and e-commerce business by way of acquisition(s) and collaboration(s) referred to in paragraph (vi) above, has a potential for making attractive returns for the Shareholders as well as providing synergetic value to the existing businesses of the Group and is in line with the general nature of business of the Group. The Group has been indentifying and exploring possible investment opportunities. However, at the Latest Practicable Date, the Group has not yet reached any decision regarding any such investment opportunity.

The objective of issuing the Convertible Bonds is to raise additional funds for the Group with a view to strengthen the Group’s cashflow position and to provide flexibility to the Group to manage its liquidity and financing needs in relation to possible future investments of the Group.

The Directors have considered other means of financing to raise additional capital of the Group. Given the Group’s current financing position, the Directors consider that the Group will have difficulties to obtain further loans from financial institutions or other sources on favourable terms to the Group such as at relatively low interest rates as compared to the Convertible Bonds. For equity financing, the Directors consider that, in view of the Group’s current loss making position, the Company is unlikely to be able to procure underwriter(s) in open offer or right issue exercises or attract sufficient Shareholders or independent investors to take part in open offer, right issues, placement of new Shares or subscription of new convertible bonds unless with a substantial discount on the relevant placing or conversion price as compared to the trading prices of the Shares. The Directors also consider that issue of the Convertible Bonds is relatively simple and less time consuming and will not have an immediate dilution effect on the shareholding of the existing Shareholders, and are of the view that issue of the Convertible Bonds is an appropriate fund raising method available to the Group.

The Directors (excluding the independent non-executive Directors who will form their view after considering advice from an independent financial adviser in respect of the Subscription) are of the view that the Subscription Agreement (including the Conversion Price of the Conversion Shares) have been entered into on normal commercial terms that are fair and reasonable and is in the interests of the Company and the Shareholders as a whole. As the Directors are confident about the prevailing and future business development of the Group, the Directors believe that the issue of Convertible Bonds will allow the Company to raise the necessary funds at a reasonable cost to meet additional cash requirements for its operation and future development.

LETTER FROM THE BOARD

PART B – EFFECTS ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 444,561,967 Shares in issue. The shareholding structure of the Company as at the Latest Practicable Date and immediately after the full conversion of the Convertible Bonds (assuming there is no other change in the issued share capital of and the shareholding of the Company) is as follows:

	(i) As at the Latest Practicable Date				(ii) Immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bonds			
	(Note 1)		(Note 2)		(Note 1)		(Note 2)	
	Approx. No. of Shares	%	Approx. No. of Shares	%	Approx. No. of Shares	%	Approx. No. of Shares	%
Legend Vantage Limited (Note 3)	57,874,051	13.02	57,874,051	8.12	57,874,051	8.73	57,874,051	6.22
Able Supreme Management Limited (Note 4)	45,818,745	10.31	171,971,403	24.15	45,818,745	6.91	171,971,403	18.47
Yang Shengrong	31,719,717	7.13	31,719,717	4.45	31,719,717	4.78	31,719,717	3.41
Main Wealth Enterprises Limited (Note 5)	74,620,421	16.78	74,620,421	10.48	74,620,421	11.25	74,620,421	8.02
Fortune Builder Limited (Note 6)	3,300,000	0.74	20,991,189	2.94	3,300,000	0.50	20,991,189	2.25
Other public Shareholders	201,229,033	45.27	325,011,371	45.64	201,229,033	30.33	325,011,371	34.91
Sub-total	<u>414,561,967</u>	<u>93.25</u>	<u>682,188,152</u>	<u>95.78</u>	<u>414,561,967</u>	<u>62.5</u>	<u>682,188,152</u>	<u>73.28</u>
HMV Asia (Note 7)	27,600,000	6.21	27,600,000	3.88	27,600,000	4.16	27,600,000	2.96
Mr. Wu (Note 7)	2,400,000	0.54	2,400,000	0.34	2,400,000	0.36	2,400,000	0.26
Holder of Conversion Shares (Notes 7 and 8)	-	-	-	-	218,750,000	32.98	218,750,000	23.50
Sub-total	<u>30,000,000</u>	<u>6.75</u>	<u>30,000,000</u>	<u>4.22</u>	<u>248,750,000</u>	<u>37.5</u>	<u>248,750,000</u>	<u>26.72</u>
Total	<u><u>444,561,967</u></u>	<u><u>100.00</u></u>	<u><u>712,188,152</u></u>	<u><u>100.00</u></u>	<u><u>663,311,967</u></u>	<u><u>100.00</u></u>	<u><u>930,938,152</u></u>	<u><u>100.00</u></u>

Notes:

- Assuming no exercise of share options or warrants, or conversion of RCPS or convertible bonds.
- Assuming all share options and warrants are fully exercised and all RCPS and convertible bonds are converted in full.
- 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 THE BOARD

4. Able Supreme Management Limited (“**Able Supreme**”) held 45,818,745 Shares and 126,152,658 Shares will be allotted and issued upon full conversion of 6,388,500 RCPS at conversion price of HK\$0.79 per Share (reset on 14 March 2014). 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.
5. 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.
6. Fortune Builder Limited (“**Fortune Builder**”) owns 3,300,000 Shares and 17,691,189 Shares will be allotted and issued upon full conversion of 895,900 RCPS at conversion price of HK\$0.79 per Share (reset on 14 March 2014). Mr. Clive Ng Cheang Neng, the Chairman and executive Director is deemed to be interested in these Shares through his 100% interests in Fortune Builder.
7. Mr. Wu owns 2,400,000 Shares. Mr. Wu is also deemed to be interested in 27,600,000 Shares held by HMV Asia Limited through his deemed interest in 93.75% of the equity in HMV Asia Limited due to family holdings and is interested in 14,700,000 underlying Shares.
8. The information set out in this row is solely for illustration purposes. The Bondholders shall exercise their conversion rights under the Convertible Bonds in accordance with the Instrument, the principal terms of which are summarised on pages 8 to 15 of this circular.

PART C – FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following are the equity fund raising activities of the Company in the past twelve (12) months immediately 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 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 price of HK\$10 million for the subscription of 1,000 shares in HMV Ideal pursuant to the Subscription Agreement (Dec 2013); (ii) approximately HK\$6.2 million has been used for the general working capital of the Group; and (iii) the remaining amount of approximately HK\$2.3 million is deposited in the bank account of the Company.

LETTER FROM THE BOARD

PART D – IMPLICATIONS UNDER THE GEM LISTING RULES

The Subscribers are both directly wholly and beneficially owned by AID Partners Capital II, L.P. AID Partners Capital II, L.P. is controlled by AID Partners GP2, Ltd., which is ultimately controlled by Mr. Wu. As at the Latest Practicable Date, Mr. Wu is the legal and beneficial owner of 2,400,000 Shares (representing 0.54% of the entire issued share capital of the Company) and is deemed to be interested in 27,600,000 Shares (representing 6.21% of the entire issued share capital of the Company) held by HMV Asia Limited (a substantial shareholder of HMV Ideal) through his deemed interest in 93.75% of the equity interest in HMV Asia Limited due to family holdings. Mr. Wu is also a director of each of HMV Ideal and HMV Asia Limited. As Mr. Wu is a director of HMV Ideal, a non-wholly owned subsidiary of the Company, Mr. Wu is therefore a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the GEM Listing Rules.

PART E – EGM

The EGM will be convened at which a resolution will be proposed to seek approval of the Independent Shareholders on the Subscription Agreement, the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds. Pursuant to the GEM Listing Rules, Mr. Wu and his associates are required to abstain from voting on the resolution to be proposed at the EGM for approving the Subscription, the Subscription Agreement and the transactions contemplated thereby. To the best of the Directors' information, belief and knowledge, no other Shareholders are required to abstain from voting at the EGM.

A notice convening the EGM is set out on pages 53 to 54 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 the Company 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.

The resolution to approve the Subscription Agreement, the issue of the Convertible Bonds and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

LETTER FROM THE BOARD

PART F – GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the issue of the Convertible Bonds to the Subscribers. Quam Capital, an independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

No Director has a material interest in the Subscription Agreement and the transactions contemplated thereunder. No Director was required to abstain from voting on the meeting of the Board for, amongst others, approving the Subscription Agreement and the transactions contemplated thereunder.

PART G – RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the issue of the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 24 to 25 of this circular which contains its views in relation to the issue of the Convertible Bonds to the Subscribers under the Subscription Agreement. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 26 to 45 of this circular, considers that the terms of the issue of the Convertible Bonds to the Subscribers under the Subscription Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds.

LETTER FROM THE BOARD

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)

24 April 2014

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
RELATING TO
THE ISSUE OF CONVERTIBLE BONDS**

We refer to the circular (the “**Circular**”) dated 24 April 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 consider the issue of the Convertible Bonds to the Subscribers under the Subscription Agreement and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the issue of the Convertible Bonds to the Subscribers under the Subscription Agreement, and to recommend how the Independent Shareholders should vote at the EGM. Quam Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 23 of the Circular, and the letter from Quam Capital to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the Subscription Agreement and the transactions contemplated thereunder, as set out on pages 26 to 45 of the Circular.

Having taken into account the advice of Quam Capital, we consider that the terms of the issue of the Convertible Bonds to the Subscribers under the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder including the specific mandate to issue the Conversion Shares.

Yours faithfully,

Shi Jinsheng
*Independent
non-executive
Director*

Sin Hendrick
*Independent
non-executive
Director*

Yuen Kwok On
*Independent
non-executive
Director*

LETTER FROM QUAM CAPITAL

The following is the full text of a letter of advice from Quam Capital Limited, 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 Subscription Agreement and the transactions contemplated thereunder.



Quam Capital Limited

A Member of The Quam Group

24 April 2014

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONNECTED TRANSACTION RELATING TO THE ISSUE OF CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular (the "**Circular**") issued by the Company to the Shareholders dated 24 April 2014, of which this letter forms part. Capitalised 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 (i) whether the terms of the Subscription Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (ii) whether to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such 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 Subscription.

LETTER FROM QUAM CAPITAL

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information and facts supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Company; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or 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 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, the management of the Group and the advisers 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:

1. Background of and reasons for the issue of the Convertible Bonds

(a) *The Subscription Agreement*

On 1 April 2014, the Company and the Subscribers entered into the Subscription Agreement in respect of the issue of the Convertible Bonds in the aggregate principal amount of HK\$175 million. The Convertible Bonds will be subscribed by the Subscribers in cash in the following proportion:

Subscribers	Amount (HK\$)	Number of Conversion Shares (subject to adjustment)
Abundant Star	100,000,000	125,000,000
Vantage Edge	75,000,000	93,750,000
Total	<u>175,000,000</u>	<u>218,750,000</u>

LETTER FROM QUAM CAPITAL

Abundant Star is a company incorporated in Samoa with limited liability and is an investment holding Company. Vantage Edge is a company incorporated in Samoa with limited liability and is an investment holding Company. The Subscribers are both directly wholly and beneficially owned by AID Partners Capital II, L.P. AID Partners Capital II, L.P. is controlled by AID Partners GP2, Ltd., which is ultimately controlled by Mr. Wu. As at the Latest Practicable Date, Mr. Wu was the legal and beneficial owner of 2,400,000 Shares (representing 0.54% of the entire issued share capital of the Company) and was deemed to be interested in 27,600,000 Shares (representing 6.21% of the entire issued share capital of the Company) held by HMV Asia Limited (“**HMV Asia**”) (a substantial shareholder of HMV Ideal) through his deemed interest in 93.75% of the equity interest in HMV Asia due to family holdings. Mr. Wu is also a director of each of HMV Ideal, a non-wholly owned subsidiary of the Company, and HMV Asia, thus Mr. Wu is a connected person for the purpose of Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements pursuant to the GEM Listing Rules.

(b) Background information of the Group

The Group is principally engaged in asset management and direct investment. The following table sets out the financial information of the Group for the two financial years ended 31 December 2013 (“**FY 2013**”) and 2012 (“**FY 2012**”) as extracted from the annual report of the Company for the year ended 31 December 2013 (the “**2013 Annual Report**”):

	For the year ended 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	1,777	2,445
Loss for the year attributable to owners of the Company	(10,827)	(4,900)
	As at 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Cash and cash equivalent	2,397	3,021
Net current liabilities	(6,882)	(30,831)
Total equity/(Capital deficiency) attributable to owners of the Company	925	(17,613)

LETTER FROM QUAM CAPITAL

For the FY 2013, the Group recorded revenue of approximately US\$1.8 million, representing a decrease of approximately 27.3% from the corresponding period in 2012. As set out in the 2013 Annual Report, the Group continued to suffer net losses attributable to owners of the Company for the five years ended 31 December 2013, ranging from US\$4.9 million to approximately US\$16.0 million. The net losses were worsening to approximately US\$10.8 million for the FY 2013 as compared to US\$4.9 million for the FY 2012 which was mainly due to (i) the impairment of goodwill of approximately US\$3.3 million; (ii) loss on financial liabilities at fair value through profit or loss of approximately US\$0.9 million; and (iii) the finance costs of approximately US\$3.1 million.

The Group had total equity of approximately US\$0.9 million as at 31 December 2013, being the first financial year end date to record a positive total equity amount during the previous five financial years. The net current liabilities improved from approximately US\$30.8 million as at 31 December 2012 to US\$6.9 million as at 31 December 2013 mainly due to certain convertible bonds were converted during the FY2013. Notwithstanding the above, the cash and cash equivalent balance decreased from approximately US\$3.0 million as at 31 December 2012 to US\$2.4 million as at 31 December 2013. As set out in the 2013 Annual Report, the Group recorded net cash outflow from its operating activities of approximately US\$3.8 million and US\$2.6 million for the FY 2012 and FY 2013, respectively, while an overall net cash outflow of approximately US\$4.8 million and US\$0.6 million were recorded for the FY 2012 and FY 2013, respectively.

(c) Fund raising activity in the past twelve months

Set out below is the equity fund raising activity successfully 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 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 price of HK\$10 million for the subscription of 1,000 shares in HMV Ideal pursuant to the Subscription Agreement (Dec 2013);</p> <p>(ii) approximately HK\$6.2 million has been used for the general working capital of the Group; and</p> <p>(iii) the remaining amount of approximately HK\$2.3 million is deposited in the bank account of the Company.</p>

LETTER FROM QUAM CAPITAL

On 20 December 2013, the Company entered into a conditional placing agreement (the “**Placing Agreement**”) with a placing agent in respect of placing (on the best effort basis), the over-allotment option and bonus warrants. As stated in the Company’s circular dated 28 January 2014, the Company intended to apply approximately HK\$16 million of the net proceeds from the placing for the operation and renovations of Central Retail Shop, music license rights fees in relation to the business that HMV Master Quality Sound will operate and the operation of the on-line business. The ordinary resolution for placing and the specific mandate was approved by the then Shareholders at the extraordinary general meeting of the Company on 14 February 2014. On 26 February 2014, the placing agreement was terminated as mutually agreed by the Company and its placing agent.

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.

(d) Financing alternatives available to the Group

As advised by the Directors, apart from the issue of the Convertible Bonds, the Directors have also considered other means of financing to raise additional capital for the Group. With regard to debt financing, the Directors advised us that in light of the Group’s current loss making and net current liabilities position, the Group will have difficulties to obtain further loans from financial institutions or other sources in favourable terms to the Group such as at relatively low interest rates as compared to the Convertible Bonds (which bear an interest of 5% per annum). As for equity financing, the Directors advised us that in view of the Group’s current loss making and net current liabilities position, it is (i) uncertain as to whether the Company would be able to procure underwriter(s) in open offer or rights issue exercises and to attract the Shareholders and potential investors to participate in open offer and rights issue without a substantial discount on the relevant subscription price(s) as compared to the trading prices of the Shares and in general, open offer and rights issue take longer time to complete; and (ii) difficult to have sufficient independent investors to take part in placement of new Shares or subscription of new convertible bonds unless with a substantial discount on the relevant placing or conversion price(s) as compared to the trading prices of the Shares. In addition, the Directors consider that issue of the Convertible Bonds is relatively simple and less time consuming and will not have an immediate dilution effect on the shareholding of the existing Shareholders, and are of the view that issue of the Convertible Bonds is an appropriate fund raising method available to the Group.

Taking into account the above and the funding need of the Company, we concur with the Directors’ view that issue of the Convertible Bonds is an appropriate means for the Company to raise additional fund.

LETTER FROM QUAM CAPITAL

(e) Reasons for the issue of the Convertible Bonds and use of proceeds

As disclosed in the Letter from the Board, the Directors are of the view that raising funds by issuing the Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for possible future investments of the Group. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

As disclosed in the Letter from the Board, the net proceeds from the issue of Convertible Bonds, after deducting professional fees and other related expenses, is estimated to be approximately HK\$174.4 million. The Company intends to apply the net proceeds arising from the issue of Convertible Bonds in the following manner:

- (i) approximately HK\$5 million for the operation of the Central Retail Shop;
- (ii) approximately HK\$5 million for the renovations to the Central Retail Shop;
- (iii) 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 Limited (a wholly owned subsidiary of HMV Ideal) will operate;
- (iv) approximately HK\$3 million for the operation of the online business;
- (v) approximately HK\$3 million for marketing and public relations;
- (vi) approximately HK\$100 million for potential investment opportunities, as the Company intends to expand its business to, among others, investment in O2O (online to offline) lifestyle and mobile entertainment sectors, by way of acquisition of and/or collaboration with:
 - (a) online music content provider;
 - (b) video on demand service provider;
 - (c) mobile/web games publisher(s) and developer(s); and
 - (d) online fashion social media and e-commerce platform,

LETTER FROM QUAM CAPITAL

which are currently estimated to be approximately HK\$25 million each, subject to negotiations. Based on the initial feasibility study of the Company, the Company considers that the strategy to acquire high growth and medium sized businesses to be in the best interests of the Shareholders and the Company as a whole and the acquisition of or collaboration with three to four such businesses will be likely to achieve the integrated online and offline business ecology in the entertainment and lifestyle sector that the Group intends to build in the short to medium run. Based on the initial feasibility study, controlling stakes in high growth and medium sized businesses in the aforementioned sectors would cost not less than approximately HK\$25 million. Accordingly, an aggregate of not less than HK\$100 million is estimated to be required to acquire four such businesses of each nature as listed in (a) to (d) above, in order for the Company to expand its business as aforementioned; and

- (vii) the remaining balance of approximately HK\$55.4 million for the general working capital of the Group.

As mentioned in the 2013 Annual Report, the subscription and the acquisition of HMV Ideal were completed on 10 December 2013 and 24 February 2014 respectively. The business of HMV Ideal and its subsidiaries is to capitalise on the HMV brand and develop an online and offline ecosystem of music, video entertainment and lifestyle. As the Group intends to further strengthen and develop the business of HMV Ideal and its subsidiaries and has been identifying and exploring potential investment opportunities to expand its business to, among others, investment in O2O (online to offline) lifestyle and e-commerce business, as referred to in (vi) above, which will have synergetic effect with the business of HMV Ideal as considered by the management of the Company, additional cash is required for its operation, future development and potential acquisition(s) and/or collaboration(s). As confirmed by the Directors, the Group has not yet reached any decision regarding any such investment opportunity.

As at 31 December 2013, cash and cash equivalents of the Group were approximately US\$2.4 million (equivalent to approximately HK\$18.6 million). We note that no fund raising activity has been conducted by the Group since 31 December 2013. Of the net proceeds from the issue of Convertible Notes, approximately HK\$16 million will be applied for business of HMV Ideal. Given the financial position of the Group and the funding requirement of HMV Ideal, we consider that it is necessary for the Group to raise funds to finance its operation and future development.

Given (i) the issue of Convertible Bonds being an appropriate fund raising method currently available to the Group as detailed under the paragraph headed "Financing alternatives available to the Group" above; and (ii) the need for the Group to raise additional capital to finance its operations and development in the prevailing business under HMV Ideal and expand its business to, among others, investment in O2O (online to offline) lifestyle and e-commerce business in future, we concur with the Directors' view that issue of the Convertible Bonds is in the interests of the Company and the Shareholders as a whole.

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2. Principal terms of the Convertible Bonds

Principal terms of the Convertible Bonds are summarised as follows:

Principal amount: HK\$175,000,000

Interest rate: A compound interest rate of 5% per annum, payable on the Maturity Date.

In the event that the Maturity Date is extended in accordance with the Instrument, interest at the rate of 5% per annum shall be in respect of each extended term of one year and payable on the date of maturity of each extended term of one year (as the case may be).

Maturity date and redemption: Unless previously redeemed and cancelled or purchased or otherwise acquired and (at the election of the Company) cancelled, any outstanding Convertible Bonds shall be redeemed on the Maturity Date.

Extension of Maturity date: The Bondholders may by written notice to the Company no later than one month's prior to the Maturity Date elect to extend the term of the Convertible Bonds then outstanding, in whole or in part, for a term of one year and thereafter for a further one year.

Ranking: The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and at all times ranks pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other unsecured and unsubordinated obligations of the Company.

Conversion: No Bondholder and parties Acting in Concert with it shall exercise any conversion rights under the Convertible Bonds in the event that the issuance of the Conversion Shares pursuant to the exercise of any conversion rights under the Convertible Bonds by the Bondholder will result in:

- (a) any mandatory offer obligation under Rule 26.1 of the Takeovers Code being triggered by the Bondholder and/or parties Acting in Concert with such Bondholder; and

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- (b) the Company being in breach of any provision of the GEM Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public.

Conversion price: The initial Conversion Price is HK\$0.80 per Conversion Share, subject to adjustment events as set out in the Letter from the Board.

Conversion period: The Bondholders shall have the right to convert such Convertible Bonds into Conversion Shares on any Business Day during the period commencing from the date of issue of the Convertible Bonds up to and including the date falling seven days prior to the Maturity Date.

Early Redemption and Purchase:

Redemption:

Unless previously redeemed and cancelled or purchased or otherwise acquired and cancelled as, in each case, herein provided, each Convertible Bond may be redeemed by the Company, in whole or in part, at any time prior to the Maturity Date at a premium of 10% above the outstanding principal amount of the Convertible Bonds to be redeemed, subject to the Bondholder agreeing with such redemption. The Company may, having given not less than thirty (30) days' notice (which notices shall be irrevocable) to the Bondholders, redeem the Convertible Bonds then outstanding in integral multiples of HK\$1,000,000 on the date specified in the said notice at the outstanding principal amount of the Convertible Bonds to be redeemed at any time prior to the Maturity Date.

Purchases:

The Company or any of its Subsidiaries may at any time and from time to time purchase or otherwise acquire Convertible Bonds from any of the Bondholders. Certificates with respect to the Convertible Bonds purchased or acquired by the Company or any of its Subsidiaries as aforesaid, will forthwith be cancelled.

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For further details of the major terms of the Convertible Bonds, please refer to the Letter from the Board.

(a) *Review on historical price and trading liquidity of the Shares*

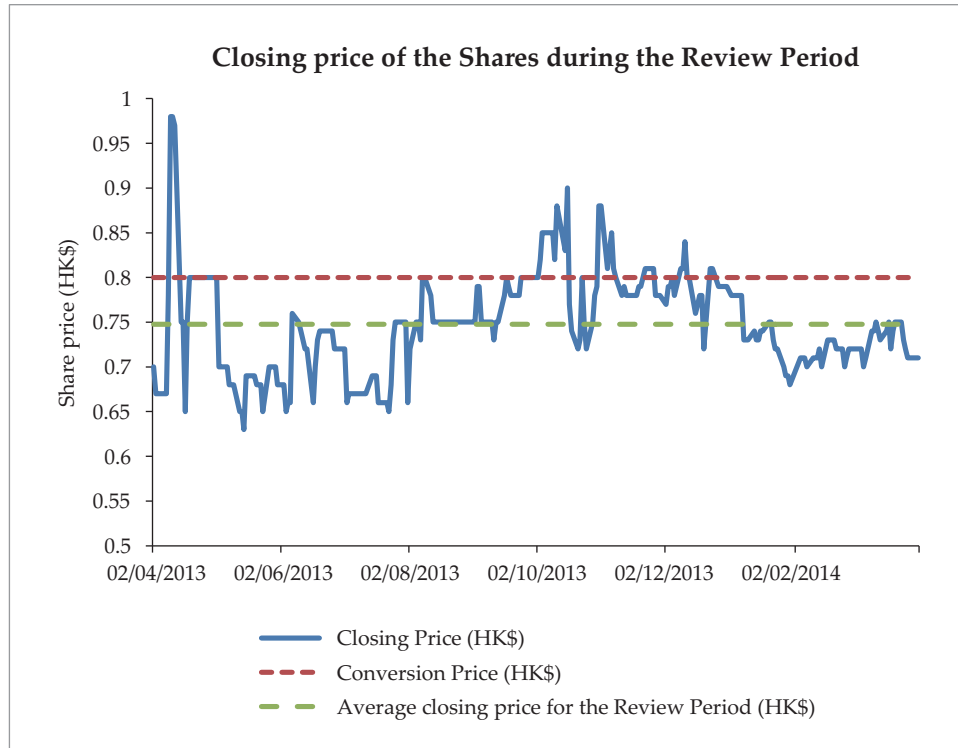
As stated in the Letter from the Board, the Conversion Price of the Conversion Shares was determined by the parties to the Subscription Agreement after arm's length negotiations and with reference to the recent market prices and performance of the Shares, the current market conditions and the business prospects of the Group.

The initial Conversion Price of HK\$0.80 per Conversion Share represents:

- (i) a discount of approximately 15.79% to the closing price of HK\$0.95 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 12.68% over the closing price of HK\$0.710 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 11.73% over the average closing price of HK\$0.716 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day;
- (iv) a premium of approximately 9.74% over the average closing price of HK\$0.729 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the Last Trading Day; and
- (v) a premium of approximately 10.19% over the average closing price of HK\$0.726 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately preceding the Last Trading Day.

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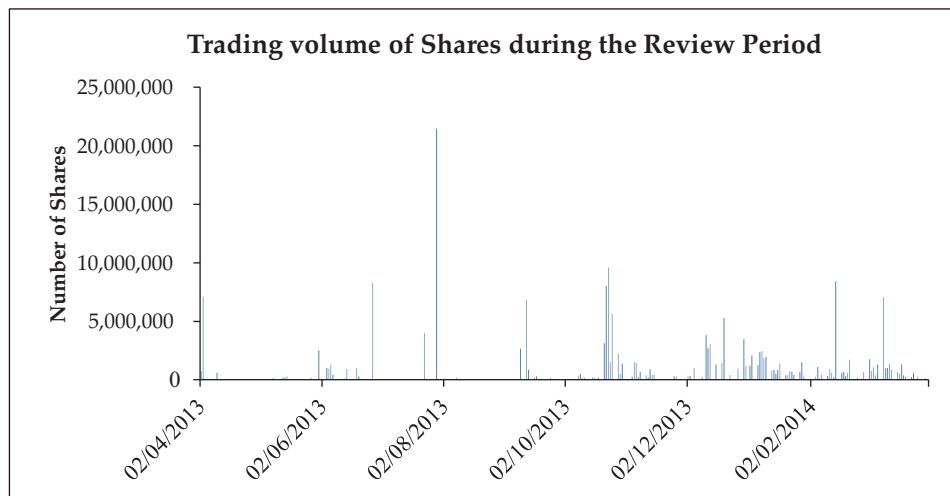
To assess the fairness and reasonableness of the Conversion Price, we set out the following information analyses which include reviews on both the historical price and trading liquidity of the Shares. Set out below is a chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period (the “**Review Period**”) from 2 April 2013 to 1 April 2014, being the Last Trading Date, the average closing price for the Review Period and the Conversion Price of HK\$0.80 per Share:



As illustrated in the chart above, the closing prices of the Shares quoted on the Stock Exchange during the Review Period ranged from HK\$0.63 per Share on 15 May 2013 to HK\$0.98 per Share on 10 April 2013 and 11 April 2013. We note that the Conversion Price is generally higher than the historical closing price of the Shares, except for 26 trading days during the Review Period. The Shares were closed sharply at HK\$0.97 and HK\$0.98 per Share during a 3-day period from 10 April 2013 to 12 April 2013 and declined significantly thereafter. After almost half year of closing between HK\$0.63 and HK\$0.80 per Share, the Shares closed at above HK\$0.80 per Share on 3 October 2013 and maintained the closing price between HK\$0.80 and HK\$0.90 per Share for a short period. From mid-December 2013 to the Last Trading Day, the Shares had been closed at below the Conversion Price. The Conversion Price represents a premium of approximately 7.10% over the average closing price of the Shares of approximately HK\$0.75 per Share during the Review Period. Given the price history of the Shares analysed above, we consider that the Conversion Price is fair and reasonable in this regard.

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Set out below is a chart showing the daily volume of the Shares as quoted on the Stock Exchange during the Review Period:



As illustrated in the chart above, the trading volume of the Shares was relatively thin during the Review Period, with average daily trading volume being approximately 774,788 Shares, representing approximately 0.17% of the Company's issued share capital as at the Latest Practicable Date. The relatively low liquidity of the Shares may imply that lack of interest from potential investors to invest in the Shares. As such, it may be difficult for the Company to pursue other financing alternatives, such as placement of new Shares, in the market to raise additional fund for the Company.

(b) *Comparable analysis*

To assess the fairness and reasonableness of the terms of the Subscription Agreement, and in particular the conversion price, annual interest rate and maturity period, we, based on our best endeavour and as far as we are aware of, have identified 23 recent relevant transactions (the "**Comparables**") of the companies listed on the Stock Exchange announced between 1 January 2014 and the Last Trading Day. Among the Comparables, two of which have been excluded from our analysis due to their respective termination of placing of convertible bonds. As the capital market changes rapidly, we consider that the Comparables represent recent cases which are reflective to the latest market conditions and sentiments at the time of proposing the terms of the Convertible Bonds. As such, we believe that the Comparables are fair and indicative in reflecting the current market conditions. Shareholders should note that the businesses, operations and prospects of the Group are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in recent placing or

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issue of convertible bonds or notes by listed companies in Hong Kong. For comparison purpose, all of the said transactions involved placing or issue of convertible bonds or notes are at fixed interest rate for cash consideration. Details of our analysis are set out in the following table:

Stock code	Company	Date of announcement	Duration (year(s))	Maximum principal amount of the convertible bonds or notes (approximately HK\$ million)	Premium/ (discount) of conversion price over/to share price as at the last trading day prior to release of the announcement (%)	Premium/ (discount) of conversion price over/to the 5-day average share price prior to the release of the announcement (%)	Annual interest rate (%)	Connected Transaction (Y/N)
736	China Properties Investment Holdings Limited	2 January 2014	2	180	(31.82)	(43.18)	1.00	N
986	China Environmental Energy Investment Limited (Note 1)	6 January 2014	2	800	(56.14)	(52.65)	1.00	N
1882	Haitian International Holdings Limited	9 January 2014	5	1,940	30.00	32.73	2.00	N
8156	China Vanguard Group Ltd.	13 January 2014	3	90	(19.26)	(7.44)	2.00	N
2700	Green International Holdings Limited	14 January 2014	3	80	(9.09)	(6.72)	5.00	N
1112	Biostime International Holdings Limited	14 January 2014	5	3,100	27.49	28.09	nil	N
616	Easyknit Enterprises Holdings Limited	16 January 2014	5	100	15.25	18.47	2.00	Y
881	Zhongsheng Group Holdings Limited	19 January 2014	3	3,092	12.49	11.62	2.85	N
263	China Yunnan Tin Minerals Group Company Limited (Note 2)	21 January 2014	5	400	(51.72)	(49.50)	nil	N
364	Ping Shan Tea Group Limited	21 January 2014	3	253	5.00	(7.49)	4.00	N
875	Cypress Jade Agricultural Holdings Limited	22 January 2014	6	30	(33.33)	(34.01)	1.00	Y
925	Beijing Properties (Holdings) Limited	26 January 2014	5	621	13.85	21.31	4.00	N
2882	Hong Kong Resources Holdings Company Limited	28 January 2014	5	57	(50.00)	(50.68)	3.00	N
1101	China Rongsheng Heavy Industries Group Holdings Limited	24 February 2014	2.5	1,000	(25.53)	(28.57)	7.00	N

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Stock code	Company	Date of announcement	Duration (year(s))	Maximum principal amount of the convertible bonds or notes (approximately HK\$ million)	Premium/ (discount) of conversion price over/to share price as at the last trading day prior to release of the announcement (%)	Premium/ (discount) of conversion price over/to the 5-day average share price prior to the release of the announcement (%)	Annual interest rate (%)	Connected Transaction (Y/N)
522	ASM Pacific Technology Limited	4 March 2014	5	2,400	35.00	40.68	2.00	N
179	Johnson Electric Holdings Limited	12 March 2014	7	1,552	37.50	34.79	1.00	N
803	Prosperity International Holdings (H.K.) Limited	14 March 2014	1.75 3	194 194	69.81 69.81	66.67 66.67	8.25 8.25	N N
198	SMI Corporation Limited	14 March 2014	5	78	(1.67)	(3.67)	8.00	N
1886	China Huiyuan Juice Group Limited	20 March 2014	5	1,164	14.38	29.15	4.00	N
729	Sinopoly Battery Limited	20 March 2014	3	400	7.14	4.17	8.00	N
485	Starlight International Holdings Limited	21 March 2014	3	75	(33.85)	(35.09)	3.00	Y
8272	Chinese Food and Beverage Group Limited	1 April 2014	3.5	291	1.82	(3.78)	3.00	Y
		Minimum	1.75	30	(50.00)	(50.68)	0.00	
		Maximum	7	3,100	69.81	66.67	8.25	
		Average	3.99	804.33	6.43	6.37	3.78	
	The Company		3	175	12.68	11.73	5.00	

Source: Website of the Stock Exchange

Notes:

- On 9 January 2014, the placing agreement was terminated as mutually agreed by China Environmental Energy Investment Limited and its placing agent. As such, it was excluded from our analysis of the Comparables.
- On 25 March 2014, the placing agreement was terminated as mutually agreed by China Yunnan Tin Minerals Group Company Limited and its placing agent. As such, it was excluded from our analysis of the Comparables.
- The amounts denominated in US\$ in the announcement of the Comparables have been converted into HK\$ at an exchange rate of US\$1.00 : HK\$7.76 for the purpose of illustration only.

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(i) Conversion Price

As shown in the above table, the conversion prices of the Comparables ranged from a discount of approximately 50.00% to a premium of approximately 69.81% to/over the respective closing prices of their relevant share on the relevant last trading day and from a discount of approximately 50.68% to a premium of approximately 66.67% to/over the respective 5-day average closing prices of their relevant share prior to release of the relevant announcement in relation to the respective issue of convertible bonds/notes. The Conversion Price of HK0.80 per Conversion Share represents a premium of approximately 12.68% and 11.73% to the closing price of HK\$0.71 per Share and HK\$0.716 per Share as quoted on the Stock Exchange on the Last Trading Day and the 5-day average closing prices prior to the Last Trading Day. The premiums of both comparisons represented by the Conversion Price are favourable to the Company when compared with the average of those of the Comparables. Given the Conversion Price (i) was favourable to the Company when compared to the average of the Comparables; and (ii) was determined by the parties to the Subscription Agreement after arm's length negotiations and with reference to the recent market prices and performance of the Shares, the current market conditions and the business prospects of the Group, we are of the view that the Conversion Price under the terms of the Convertible Bonds is in the interests of the Company and the Shareholders as a whole.

(ii) Interest rate

As shown in the above table, the interest rates charged by the Comparables range from nil to 8.25% per annum with an average of approximately 3.78% per annum. We also noted that, as at the Latest Practicable Date, the HK\$ best lending rate of the Hongkong and Shanghai Banking Corporation Limited was 5.0% per annum (the "**Best Lending Rate**").

The interest of the Convertible Bonds is at 5% per annum, being higher than the average figures of the Comparables, but falls within the range of the Comparables and equal to the Best Lending Rate, which represented the fair cost of capital for corporations. The Directors further advised us that (i) the interest rate under the terms of the Subscription Agreement was determined after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market rate; and (ii) the repayment of interest payment is payable only on the Maturity Date which allow flexibility of the liquidity of the Company in the coming three years. Have considered the factors as abovementioned, we therefore concur with the Directors' view that the interest rate of 5% per annum is comparatively favourable to the Company and the Shareholders as a whole and are fair and reasonable.

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(iii) Maturity

When compared to the maturity of the Comparables, the maturity of the Convertible Bonds is within the range of the Comparables, which ranges from 1.75 to 7 years. The maturity of the Convertible Bonds is slightly lower than the average of the maturity of the Comparables. However, the Bondholders may elect to extend the term of the Convertible Bonds then outstanding in whole or in part, for a term of one year and thereafter for a further one year which give the Convertible Bonds a maximum maturity period of five years at the Bondholders' discretion. On the other hand, the Company also has the early redemption option to redeem any outstanding Convertible Bonds, in whole or in part, at any time prior to the Maturity Date at a premium of 10% above the outstanding principal amount of the Convertible Bonds to be redeemed, subject to the Bondholder agreeing with such redemption, when the Company has adequate cash flow to exercise redemption. The Group may also purchase the Convertible Bonds from any of the Bondholders at any time from time to time.

While the Subscribers have the option to extend maturity of the Convertible Bonds for two more years, we are of the view that the potential longer maturity of the Convertible Bonds together with an early redemption option under the terms of the Convertible Bonds is in the interests of the Company and the Independent Shareholders as a whole as it allows the Company a longer period to repay the principal of the Convertible Bonds and yet reserves the flexibility to redeem the Convertible Bonds prior to its Maturity Date.

(iv) Conclusion

Based on the foregoing, we are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable.

3. Possible financial effects of the issue of the Convertible Bonds

(a) *Net assets*

Based on the 2013 Annual Report, the audited consolidated net assets of the Group were approximately US\$0.9 million as at 31 December 2013. As advised by the Directors, the Subscription will constitute (i) an increase in cash, by the amount of the net proceeds of the Subscription; (ii) an increase in non-current liabilities (liability component of the Convertible Bonds); and (iii) an increase in convertible bonds equity reserve (equity component of the Convertible Bonds) of the Group. In the event that the Subscribers exercise the conversion rights of the Convertible Bonds, the net assets of the Group will increase.

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(b) Liquidity and working capital position

Based on the 2013 Annual Report, the Group had cash and cash equivalents of approximately US\$2.4 million (equivalent to approximately HK\$18.6 million) as at 31 December 2013. As advised by the Directors, immediately upon completion of the issue of the Convertible Bonds, the Company will raise net proceeds of and the cash balances would be increased by approximately HK\$174.4 million. Accordingly, the liquidity and working capital position of the Group will be improved upon completion of the issue of the Convertible Bonds.

(c) Gearing

Based on the 2013 Annual Report, the Group's gearing ratio, which was calculated based on total liabilities over total equity as at 31 December 2013, was approximately 13.8 times. As advised by the Directors, immediately upon completion of the issue of the Convertible Bonds, equity is expected to increase by the amount of the equity component of the Convertible Bonds while the liabilities are expected to increase by the amount of the liability component of the Convertible Bonds. Given that (i) the fair value of the Convertible Bonds; (ii) the related early redemption and purchase options given to the Company; and (iii) the maturity extension option given to the holder(s) of the Convertible Bonds depends on certain instant market conditions, and that the equity portion and liability portion of the Convertible Bonds recognized in the financial statements of the Group will subject to assessment and valuation by a professional valuer, the Company is unable to assess the impacts of the gearing ratio of the Group until reliable estimations of the value of the Convertible Bonds can be made.

(d) Earnings

As advised by the Directors, the liability portion of the Convertible Bonds will be carried at amortised cost using the effective interest method in subsequent periods. The effective interest expenses of the Convertible Bonds will be charged to the consolidated statement of profit or loss subsequent to completion of issue of Convertible Bonds and until the conversion and/or redemption of the Convertible Bonds in full.

Although the carrying interest of the Convertible Bonds may create negative impact on the future earnings of the Group, the issue of the Convertible Bonds is considered necessary in order to allow the Group to raise additional fund for the purposes as mentioned above in this letter.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of issue of Convertible Bonds.

(e) Conclusion

In view of the foregoing, we are of the opinion that the issue of the Convertible Bonds will not have any material adverse impact on the Group's financial position.

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4. Potential dilution to shareholdings of the Shareholders

As at the Latest Practicable Date, the Company had 444,561,967 Shares in issue. For illustrative purpose, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bonds, assuming no exercise of share options or warrants, or conversion of RCPS or convertible bonds; and (iii) immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bonds and all share options and warrants are fully exercised, assuming all RCPS and convertible bonds are converted in full:

	As at the Latest Practicable Date		Immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bonds, assuming no exercise of share options or warrants, or conversion of RCPS or convertible bonds (Note 1)		Immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bonds and all share options and warrants are fully exercised, assuming all RCPS and convertible bonds are converted in full	
	Number of Shares	Approximate % of issued share capital	Number of Shares	Approximate % of issued share capital	Number of Shares	Approximate % of issued share capital
Legend Vantage Limited (Note 2)	57,874,051	13.02	57,874,051	8.73	57,874,051	6.22
Able Supreme Management Limited (Note 3)	45,818,745	10.31	45,818,745	6.91	171,971,403	18.47
Yang Shengrong	31,719,717	7.13	31,719,717	4.78	31,719,717	3.41
Main Wealth Enterprises Limited (Note 4)	74,620,421	16.78	74,620,421	11.25	74,620,421	8.02
Fortune Builder Limited (Note 5)	3,300,000	0.74	3,300,000	0.50	20,991,189	2.25
Other public Shareholders	201,229,033	45.27	201,229,033	30.33	323,011,371	34.91
Sub-total	414,561,967	93.25	414,561,967	62.5	682,188,152	73.28
HMV Asia (Note 6)	27,600,000	6.21	27,600,000	4.16	27,600,000	2.96
Mr. Wu (Note 6)	2,400,000	0.54	2,400,000	0.36	2,400,000	0.26
Holders of Conversion Shares (Note 6)	-	-	218,750,000 (Note 7)	32.98	218,750,000	23.50
Sub-total	30,000,000	6.75	248,750,000 (Note 7)	37.5	248,750,000	26.72
Total	444,561,967	100.00	663,311,967	100.00	930,938,152	100.00

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Notes:

1. The shareholding structure set out in this column is shown for illustration purpose only. As mentioned in the paragraph headed “Principal terms of the Subscription Agreement” above, the conversion rights under the Convertible Bonds shall not be exercisable so long as the exercise of such conversion rights will result in: (a) a mandatory offer obligation under the Takeovers Code being triggered by the Bondholder and/or parties Acting in Concert with such Bondholder; and (b) the Company being in breach of any provision of the GEM Listing Rules, including the minimum public float requirement.
2. Legend Vantage Limited owns 57,874,051 Shares. Mr. Li Guangrong is deemed to be interested in these Shares through his 100% interests in Legend Vantage Limited.
3. Able Supreme Management Limited (“**Able Supreme**”) owns 45,818,745 Shares and 126,152,658 Shares will be allotted and issued upon full conversion of 6,388,500 RCPS at conversion price of HK\$0.79 per Share (reset on 14 March 2014). 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 17,691,189 Shares will be allotted and issued upon full conversion of 895,900 RCPS at conversion price of HK\$0.79 per Share (reset on 14 March 2014). Mr. Clive Ng Cheang Neng, the Chairman and executive Director is deemed to be interested in these Shares through his 100% interests in Fortune Builder.
6. Mr. Wu owns 2,400,000 Shares. Mr. Wu is also deemed to be interested in 27,600,000 Shares held by HMV Asia through his deemed interest in 93.75% of the equity in HMV Asia due to family holdings and is interested in 14,700,000 underlying Shares.
7. The information set out is solely for illustration purpose. The Bondholders shall exercise their conversion rights under the Convertible Bonds in accordance with the Instrument, the principal terms of which are summarised in the Letter from the Board.

We note from the above that the dilution effect of the Convertible Bonds is significant. However, taking into account (i) the reasons for the issue of the Convertible Bonds as mentioned above; (ii) the conversion of the Convertible Bonds would not be immediate as compared to issue of new Shares; (iii) the Company has the right of early redemption and purchase under the terms of the Convertible Bonds; and (iv) the conversion rights under the Convertible Bonds is subject to certain limitation, among others, that any such Convertible Bonds shall not be exercisable so long as the exercise of such conversion rights will result in: (a) a mandatory offer obligation under the Takeovers Code being triggered by the Bondholder and/or parties Acting in Concert with such Bondholder; and (b) the Company being in breach of any provision of the GEM Listing Rules, including the minimum public float requirement, we consider that the dilution effect of the Convertible Bonds is acceptable in this regard.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Subscription Agreement are fair and reasonable and the issue of the Convertible Bonds 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 Subscription 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>)	20,991,189	4.72%

Note: Fortune Builder Limited (“**Fortune Builder**”) owns 3,300,000 Shares and 17,691,189 Shares will be allotted and issued upon full conversion of 895,900 RCPS at conversion price of HK\$0.79 per Share (reset on 14 March 2014) 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 5% 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
Able Supreme Management Limited	Beneficial owner (Note 2)	171,971,403	38.68%
Main Wealth Enterprises Limited	Beneficial owner (Note 3)	74,620,421	16.78%
Legend Vantage Limited	Beneficial owner (Note 1)	57,874,051	13.02%
Mr. Wu	Beneficial owner Family interests (Notes 5 and 6)	44,700,000	10.05%
Yang Shengrong	Beneficial owner	31,719,717	7.13%
HMV Asia Limited	Beneficial owner (Note 5)	27,600,000	6.21%
Indra Enterprises Limited	Beneficial owner (Note 4)	40,789,473	9.18%
Platinum Century Limited	Beneficial owner (Note 7)	23,074,228	5.19%

Notes:

1. 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.
2. Able Supreme Management Limited ("**Able Supreme**") held 45,818,745 Shares and 126,152,658 Shares will be allotted and issued upon full conversion of 6,388,500 RCPS at conversion price of HK\$0.79 per share (reset on 14 March 2014). 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. Indra Enterprises Limited ("**Indra**") owns 40,789,473 underlying shares which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK\$31,000,000 at conversion price of HK\$0.76 per share (reset on 24 February 2014). The entire issued share capital of Indra is held by Sino Realm Group Limited ("**Sino Realm**"), and the entire issued share capital of Sino Realm is held by SkyOcean International Holdings Limited.
5. HMV Asia Limited ("**HMV Asia**") owns 27,600,000 Shares and Mr. Wu owns 2,400,000 Shares. 93.75% of the shares of HMV Asia are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Ms. Li Mau is deemed to be interested in the Shares held by HMV Asia and Mr. Wu and Mr. Wu is deemed to be interested in the Shares held by HMV Asia.
6. Mr. Wu is also interested in 14,700,000 underlying Shares. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these underlying Shares for the purpose of the SFO.
7. Platinum Century Limited ("**Platinum Century**") owns 8,264,102 Shares and 14,810,126 Shares will be allotted and issued upon full conversion of 750,000 RCPS at conversion price of HK\$0.79 per Share (reset on 14 March 2014) upon full conversion. Ms. Tam Yuk Ching Jenny is deemed to be interested in these shares through her 100% interests in Platinum Century.

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 5% 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 Group which is not determinable by the employer within one (1) 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:

Name	Qualification
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 2013, 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 2013, 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 Group or are proposed to be acquired or disposed of by or leased to any member of the 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 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 2013, 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 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 pages 24 to 25 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 26 to 45 of this circular;
- (c) the Subscription Agreement;
- (d) the Subscription Agreement (Dec 2013); and
- (e) 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

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 (the “EGM”) of Crosby Capital Limited (the “Company”) will be held at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong, on 16 May 2014 at 9:30 a.m., to consider and, if thought fit, to pass with or without amendments, the following resolution:

ORDINARY RESOLUTION

1. **“THAT:**
 - (a) the entering into of the Subscription Agreement (as defined in the circular to shareholders of the Company dated 24 April 2014) in relation to the subscription for the convertible bonds in the principal aggregate amount of HK\$175,000,000 (the “**Convertible Bonds**”) (a copy of the Subscription Agreement has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder are hereby approved, confirmed and ratified;
 - (b) the directors of the Company (the “**Directors**”) be and are hereby authorized and granted a specific mandate to allot and issue ordinary shares of the Company upon the exercise of the conversion rights attaching to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds (the “**Conversion Shares**”);
 - (c) the allotment and issue of the Conversion Shares be and are hereby approved; and

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the Directors acting together or by committee, or any Director acting individually, be and are hereby authorised to do all such things and execute all such documents as they consider necessary or expedient that are of administrative nature and ancillary to and for the purposes of giving effect to the issue of Convertible Bonds, the issue and allotment of Conversion Shares, the Subscription Agreement and the implementation of all transactions contemplated thereby.”

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

Hong Kong, 24 April 2014

Registered Office:

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

Notes:

1. A shareholder of the Company entitled to attend and vote at the EGM 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 of the Company 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 the Company 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 of Directors 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 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 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.