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

**REPURCHASE AND CANCELLATION OF EXISTING BONDS
INVOLVING ISSUE OF
UNLISTED WARRANTS UNDER GENERAL MANDATE**

REPURCHASE AND CANCELLATION OF EXISTING BONDS

Pursuant to the terms of the Existing Bonds, the Company will repurchase the Existing Bonds (subject to fulfillment of certain conditions described below) under the Deed of Settlement. The consideration for repurchasing all the outstanding Existing Bonds comprises of HK\$156 million in cash and an aggregate of 60,000,000 Warrants to be issued to the Existing Bondholders upon completion.

Assuming the subscription rights attaching to the Warrants are exercised in full at the initial Exercise Price of HK\$0.15 per Warrant Share, the Company will receive an aggregate of HK\$9.0 million from issuing 60,000,000 Warrant Shares. The 60,000,000 Warrant Shares represent approximately 13.03% of the existing issued share capital of the Company and approximately 11.53% of the issued share capital of the Company as enlarged by the issue and allotment of the Warrant Shares. The Warrant Shares will be allotted and issued under the General Mandate which was granted to the Directors pursuant to an ordinary resolution of the Company passed at its annual general meeting on 7 May 2010.

Shareholders and potential investors should note that completion of the Repurchase and the issue of the Warrants are subject to fulfillment of certain conditions. As the transactions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

* *for identification purposes only*

REPURCHASE AND CANCELLATION OF EXISTING BONDS

Existing Bonds

In March 2006, the Company issued the US\$75 million zero coupon Existing Bonds which will be due March 2011. The Existing Bonds provide the Existing Bondholders with an option, at any time on or after 13 March 2006 and up to and including 4 February 2011, to either convert into new shares of the Company at HK\$0.7665 per share (subject to adjustment) or exchange for existing shares of CAM at £0.9975 per share (subject to adjustment). According to the terms and conditions of the Existing Bonds, the Existing Bondholders were not able to exercise their conversion rights in respect of new shares of the Company once 556,666,011 new shares had been issued. As of 31 December 2006, US\$55 million of the Existing Bonds had been converted into Shares. This resulted in the issuance of 556,666,011 new shares of the Company, equivalent to 16.55% of the Group's enlarged issued share capital after conversion. As such, no further Shares can be issued under the terms of the Existing Bonds. As at the date of this announcement, the outstanding principal amount of the Existing Bonds is US\$20 million (equivalent to approximately HK\$156 million) and there are four Existing Bondholders each holding US\$5 million principal amount of the Existing Bonds. The terms of the Existing Bonds allow the Company and/or its subsidiaries to repurchase any outstanding Existing Bonds from the Existing Bondholders, which will be cancelled thereafter.

Principal Terms of the Repurchase

Pursuant to the terms of the Existing Bonds, the Company now repurchases the Existing Bonds (subject to fulfillment of certain conditions described below) based on the following terms under the Deed of Settlement:

Date : 21 September 2010

Purchaser : the Company

Vendors : Existing Bondholders

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Existing Bondholders and their respective ultimate beneficial owner(s) are independent of and not connected with of the Company and its connected persons. Save for the Existing Bonds, none of the Existing Bondholders are interested in the Shares or any other securities of the Company.

The Existing Bondholders have agreed to sell and the Company has agreed to purchase all the outstanding Existing Bonds in accordance with the terms of the Deed of Settlement. Upon completion, the Company shall pay to each Existing Bondholder (i) a sum being equivalent to 100% of the principal amount of the Existing Bonds, and being, after conversion into HK\$ at an agreed exchange rate of HK\$7.80 to US\$1.00, the sum of HK\$39,000,000; and (ii) 15,000,000 Warrants with an initial exercise price of HK\$0.15 per Warrant Share. The summary of the principal terms of the Warrants are detailed in the section "Principal terms of the Warrants" below.

Thus, the aggregate consideration for all the outstanding Existing Bonds under the Deed of Settlement comprises of the amount of HK\$156 million in cash and 60,000,000 Warrants to be issued to the Existing Bondholders upon completion. The cash part of the consideration of HK\$156 million for the purchase of the Existing Bonds will be settled by the proceeds from the Tranche 1 New Bonds.

As at the date of this announcement, the Placing Agent has secured not less than 6 places to subscribe for HK\$160,000,000 of the Tranche 1 New Bonds, among them are four Existing Bondholders. These Existing Bondholders will apply the consideration to be paid by the Company to them under the Repurchase to set off against all or part of the subscription price payable by them for subscribing the Tranche 1 New Bonds.

Conditions precedent to the Repurchase

The Repurchase (including the issue of the Warrants) will be conditional upon:–

- (a) the Company obtaining all necessary regulatory and shareholders' approval (if necessary) including but not limited to approval from the Stock Exchange and the Securities and Futures Commission;
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Warrants Shares;
- (c) simultaneous completion of the issue of Tranche 1 New Bonds; and
- (d) there being no objection from the relevant regulatory authorities to the Company to repurchase the Existing Bonds in accordance with the terms of the Deed of Settlement and the issue of the Warrants.

If the condition (d) above is not satisfied within three business days (or such other dates as the parties may agree) of the date of the Deed of Settlement, the Company may, at its sole discretion, at any time thereafter terminate the Deed of Settlement by notice in writing to the Existing Bondholders.

If any of the other conditions above are not satisfied or waived on or before 30 September 2010 or such later date as may be agreed in writing by the parties, the Repurchase will lapse.

Completion

The Completion shall take place on the third business day following all the conditions are satisfied or waived. The Existing Bonds will be cancelled upon completion of the Repurchase in accordance with terms of the Existing Bonds.

PRINCIPAL TERMS OF THE WARRANTS

Subscription Amount

Assuming exercise in full of the subscription rights attaching to the Warrants, an aggregate sum of HK\$9,000,000 will be paid to the Company by the warrant holders.

Number of Warrant Shares to be issued by the Warrants

Upon the exercise of the subscription rights attaching to the Warrants in full, a maximum of 60,000,000 Warrant Shares (with an aggregate nominal value of US\$600,000 of the Warrant Shares), will be issued and allotted, representing approximately 13.03% of the existing issued share capital of the Company and approximately 11.53% of the issued share capital of the Company as enlarged by the issue and allotment of the Warrant Shares.

Subscription period

Any business day after the date of issue of the Warrants to the fifth anniversary of the issue date (both dates inclusive).

Exercise Price

The Exercise Price per Warrant Share of HK\$0.15 (subject to adjustment) represents:–

- (a) a discount of approximately 3.23% to the closing price of HK\$0.155 per Share as quoted on the Stock Exchange on 21 September 2010, being the last trading day prior to the date of this announcement; and
- (b) a premium of approximately 2.04% over the average of the closing prices of approximately HK\$0.147 per Share for the five trading days of the Shares up to and including 21 September 2010.

The Exercise Price is subject to customary adjustment provisions, such as bonus issues, rights issues, subdivision or consolidation of Shares. The Company will publish an announcement upon any adjustment to the Exercise Price.

The Exercise Price of HK\$0.15 was determined after arm's length negotiations between the Company and the Existing Bondholders, after considering the terms of the Deed of Settlement, the Group's existing financial position and the market price of the Shares prior to the date of the Deed of Settlement. The Directors consider that the terms of the Deed of Settlement (including the Exercise Price and the terms and conditions of the Warrants) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Transferability

The subscription rights shall be transferable in whole amounts or integral multiples of the Exercise Price (or such other sum as the Directors shall from time to time determine).

Ranking of the Warrant Shares

The Warrant Shares, when issued and allotted, will rank pari passu with the fully paid Shares in issue on the date of allotment and issue of such Warrant Shares.

Listing

No application will be made for a listing of the Warrants on the Stock Exchange or any other stock exchange.

GENERAL MANDATE

The Warrant Shares will be allotted and issued under the General Mandate which was granted to the Directors pursuant to an ordinary resolution of the Company passed at its annual general meeting on 7 May 2010 to allot and issue up to 66,119,596 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date. The General Mandate has not been previously utilised prior to the issue of Warrants. As the Warrant Shares are to be issued under the aforesaid General Mandate, the issue of Warrants is not subject to Shareholders' approval.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares.

USE OF PROCEEDS OF THE ISSUE OF THE WARRANT SHARES

Assuming the exercise in full of the subscription rights attaching to the Warrants, the amount of net proceeds from the issue of the Warrant Shares is expected to be approximately HK\$8.9 million after deducting necessary related expenses, which is intended to be used for general working capital and future development of the Group. The net price to be raised per Warrant Share will be approximately HK\$0.148 per Share.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after full conversion of the Tranche 1 New Bonds and (iii) immediately after full conversion of the Tranche 1 New Bonds and full exercise of subscription rights attaching to the Warrants:

	As at the date of this announcement		Immediately after full conversion of Tranche 1 New Bonds		Immediately after full conversion of Tranche 1 New Bonds and full exercise of subscription rights attaching to the Warrants	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Ilyas Tariq Khan (Note 1)	33,577,685	7.3	33,577,685	2.5	33,577,685	2.4
Other Directors (Note 2)	27,861,058	6.0	27,861,058	2.1	27,861,058	2.0
Crosby Management Holdings Limited (Note 3)	130,000,000	28.2	130,000,000	9.6	130,000,000	9.2
Tranche 1 New Bonds Placees:						
Existing Bondholders (Note 4)	–	–	744,444,444	55.2	804,444,444	57.1
Others placees (Note 5)	–	–	144,444,444	10.7	144,444,444	10.2
Public	269,159,241	58.5	269,159,241	19.9	269,159,241	19.1
Total	460,597,984	100.0	1,349,486,872	100.0	1,409,486,872	100.0

Notes:

- As at the date of this announcement, 5,988,364 Shares were held by ECK & Partners Limited and ECK & Partners Limited was wholly-owned by ECK Partners Holdings Limited which was held as to 88.86% by TW Indus Limited. TW Indus Limited in turn held a direct interest in 19,339,914 Shares. Mr. Ilyas Tariq Khan was beneficially interested in 100% of the share capital of TW Indus Limited. Accordingly, in addition to his personal interest in 8,249,407 Shares, Mr. Khan is interested in a total of 33,577,685 Shares.
- Included Shares held by Mr. Simon Jeremy Fry who resigned as a non executive Director on 31 January 2010.
- The Shikumen Acquisition was completed on 13 September 2010. 130,000,000 new Shares (together with a promissory note of HK\$30 million) have been issued to Crosby Management Holdings Limited, a wholly-owned subsidiary of Shikumen Capital Management Limited, the vendor under the Shikumen Acquisition.

4. As at the date of this announcement, the Placing Agent has procured 7 placees for the Tranche 1 New Bonds. Among the placees, there are four Existing Bondholders who will subscribe for an aggregate of HK\$134,000,000 of New Bonds. Save for the Existing Bonds, none of the Existing Bondholders is interested in the Shares or any other securities of the Company.
5. Upon reasonable enquiry of the Directors, all the placees (including the Existing Bondholders) are independent with each other and none of them will become a controlling Shareholder upon conversion of the Tranche 1 New Bonds and the Warrants.

Save for the Existing Bonds and 24,780,000 outstanding share options, the Company has no outstanding share options, warrants or other convertible securities outstanding as at the date of this announcement.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Pursuant to the Announcement, the Company announced the placing of the HK\$250 million in principal amount of the New Bonds in two tranches. The net proceeds raised are expected at HK\$242 million which will be used, as to approximately HK\$156 million, for repaying or repurchasing any outstanding amount of the Existing Bonds and, as to balance, general working capital. As at date of this announcement, the Placing Agent has procured placees for subscription of the Tranche 1 New Bonds but the placing of the New Bonds has not been completed.

Save as disclosed above, the Company had not carried out any equity fund raising exercise in the 12-month period immediately preceding the date of this announcement.

REASONS FOR THE REPURCHASE AND THE ISSUE OF THE WARRANTS

The Group is engaged in the business of merchant banking, asset management and direct investment. As stated in the Announcement, the Group plans to restructure its business operations by disposing of its merchant banking assets and the corporate finance and financial advisory services businesses (together with the liabilities associated with such businesses) and focus its resources on its asset management services (which includes funds and wealth management). In light of the new business plans ahead, the Directors consider that it is necessary for the Group to strengthen its balance sheet and maintain stability in its cash flow position for the coming years. The maturity date of the Existing Bonds is 7 March 2011 and the Company desires to settle and cancel the Existing Bonds and to replace them with new ones which are of a longer tenor. The New Bonds, when issued, will expire in 2015 and the Directors consider that it is favourable for the future development of the Group's new business plans in the long run if its short-term liabilities are successfully refinanced with longer term instruments.

The Existing Bonds are no longer able to be converted into shares of the Company. Therefore, the Existing Bonds are effectively debt obligations of the Company and as such, the Directors consider that the only way to improve the financial position of the Group (in particular the gearing ratio) is through canceling the Existing Bonds by refinancing them.

Having considered that funding will be required for the future development of the Group, the Company is of the view that by issuing the Warrants, the Company can minimize the cash required to settle and cancel the Existing Bonds while raising further capital for working

capital purposes and the future development of the Group when the Warrants are exercised. Taking into account the above, the Directors consider that the Repurchase and the issue of the Warrants are in the interests of the Company and Shareholders as a whole.

Shareholders and potential investors should note that completion of the Repurchase and the issue of the Warrants are subject to fulfillment of certain conditions. As the transactions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Announcement”	an announcement of the Company dated 25 June 2010 in relation to, inter alia, the Shikumen Acquisition and the New Bonds
“Board”	the board of Directors
“CAM”	Crosby Asset Management Inc., a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Alternative Investment Market of London Stock Exchange and a non-wholly owned subsidiary of the Company
“Company”	Crosby Capital Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Deed of Settlement”	the conditional deed of settlement dated 21 September 2010 entered into between the Company and the Existing Bondholders in relation to the Repurchase
“Directors”	directors of the Company
“Exercise Price”	the sum payable in respect of each Share to which the registered holder of each Warrant will be entitled upon exercise of the subscription rights represented thereby, being HK\$0.15 or such adjusted price as may for the time being applicable in accordance with the terms of the Warrants

“Existing Bonds”	the US\$75 million zero coupon convertible bonds of the Company due March 2011 issued in March 2006, details of which are set out in the announcement of the Company dated 7 March 2006
“Existing Bondholders”	holders of the Existing Bonds as from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting 7 May 2010 to issue and allot up to 66,119,596 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“New Bonds”	the zero coupon convertible bonds due 2015 issued by the Company with an aggregate principal of up to HK\$250 million and the detailed terms of the New Bonds are set out in the Announcement
“Placing Agent”	Emperor Securities Limited, the placing agent of the placing of the New Bonds
“Repurchase”	the repurchase of the Existing Bonds pursuant to the terms of the Existing Bonds
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shikumen Acquisition”	the acquisition of 100% of Shikumen Capital Management (HK) Limited and the details of which are set out in the Announcement
“Tranche 1 New Bonds”	first tranche of the New Bonds proposed to be issued by the Company with an aggregate principal amount of up to HK\$160 million

“Warrant(s)”	unlisted warrants of the Company in registered form conferring rights entitling the holder(s) of Warrant(s) thereof to subscribe for up to HK\$9,000,000 in aggregate in cash for 60,000,000 Warrant Shares at the Exercise Price (subject to adjustment) to be issued by the Company
“Warrant Shares”	the new Shares to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants
“£”	British Pounds, the lawful currency of the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

By Order of the Board
CROSBY CAPITAL LIMITED
Ilyas Tariq Khan
Chairman and Chief Executive Officer

Hong Kong, 21 September 2010

As at the date hereof, the Board comprised :

Executive Director:	Ilyas Tariq Khan
Non-Executive Directors:	Johnny Chan Kok Chung Ahmad S. Al-Khaled
Independent Non-Executive Directors:	Daniel Yen Tzu Chen Peter McIntyre Koenig Joseph Tong Tze Kay

This announcement, 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 (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.crosby.com.