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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)

- (1) PROPOSED CAPITAL REORGANIZATION;**
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY ONE CONSOLIDATED SHARE
HELD ON RECORD DATE WITH OPTION TO SUBSCRIBE
FOR ONE REDEEMABLE CONVERTIBLE PREFERENCE SHARE
FOR EVERY TWO RIGHTS SHARES SUBSCRIBED;
(3) PROPOSED CAPITAL REDUCTION

Financial adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Underwriter of the Rights Issue



英皇證券(香港)有限公司
Emperor Securities Limited

PROPOSED CAPITAL REORGANIZATION

As at the date of this announcement, the existing authorised share capital of the Company is US\$40,001,000 divided into 4,000,000,000 ordinary shares of US\$0.01 each and 100,000 convertible redeemable preference shares of US\$0.01 each, of which 490,597,984 ordinary shares are in issue and nil convertible redeemable preference share is in issue.

* For identification purposes only

The Company proposes to carry out the Capital Reorganisation, which involves the Diminution, the Share Consolidation, the increase in authorised share capital, Redesignation and Reclassification of Authorised Share Capital as follows:

- (i) The Company proposes to diminish its authorised but unissued share capital by canceling 100,000 convertible redeemable preference shares of US\$0.01 each. Upon completion of the Diminution, the authorised share capital of the Company will be US\$40,000,000 divided into 4,000,000,000 ordinary shares of US\$0.01 each.
- (ii) The Company proposes to implement the Share Consolidation on the basis that every ten issued and unissued Existing Shares of US\$0.01 each in the share capital of the Company will be consolidated into one Consolidated Share of US\$0.10 each. Immediately after the Share Consolidation, the authorized share capital of the Company will be US\$40,000,000 divided into 400,000,000 Consolidated Shares of US\$0.10 each. As at the date of this announcement, there are 490,597,984 Existing Shares in issue. On the basis of such issued share capital, there will be 49,059,798 Consolidated Shares of US\$0.10 each in issue immediately following the Share Consolidation becoming effective. The Consolidated Shares will rank pari passu in all respects with each other.
- (iii) Subject to the Share Consolidation becoming effective, the Company proposes to increase the authorised share capital of the Company from US\$40,000,000 divided into 400,000,000 Consolidated Shares of US\$0.10 each to US\$200,000,000 divided into 2,000,000,000 Consolidated Shares of US\$0.10 each by the creation of an additional Consolidated 1,600,000,000 Shares of US\$0.10 each.
- (iv) Immediately following the increase in authorised share capital of the Company becoming effective, the Company proposes to redesignate and reclassify the authorized share capital of US\$200,000,000 of 2,000,000,000 Shares into: (a) 1,900,000,000 Consolidated Shares of par value US\$0.10 each and (b) 100,000,000 RCPS of par value US\$0.10 each, all having the rights and subject to the rights and restrictions set out in the memorandum and articles of association to be amended by the Company upon obtaining the approval of the Shareholders at the EGM, and each of the existing 49,059,798 Consolidated Shares of US\$0.10 each in issue shall remain as such ordinary shares of the Company.

PROPOSED RIGHTS ISSUE WITH OPTION TO SUBSCRIBE FOR REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Subject to the Share Consolidation becoming effective, the Company proposes to raise a minimum of approximately HK\$39.25 million (assuming no Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants are exercised) before expenses by way of the Rights Issue of 49,059,798 Rights Shares and a maximum of approximately HK\$159.45 million before expenses by way of the Rights Issue of

199,309,759 Rights Shares (assuming all the Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants are exercised in full before the Record Date) at the Subscription Price of HK\$0.80 per Rights Share on the basis of one Rights Share for every one Consolidated Share held on the Record Date and payable in full on acceptance.

The Rights Issue is only available to the Qualifying Shareholders. Each Qualifying Shareholder subscribing for Rights Share(s) may submit application to subscribe for any unsold entitlement of the Excluded Overseas Shareholders together with any Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders or by transferees of nil-paid Rights Shares. They may also elect simultaneously to subscribe for the relevant number of RCPS attached to the excess Right Share(s) they apply for.

Subject to the Shareholders approving the Capital Reorganization, the Rights Issue and the issue of the RCPS, each Qualifying Shareholder exercising its rights to subscribe for Rights Share(s) shall be granted an option to subscribe for new RCPS(s) to be issued by the Company on the basis of one RCPS for every two Right Shares subscribed at the RCPS Subscription Price of US\$2.00 per RCPS, of which US\$0.10 per RCPS has to be paid upon subscription (which will be at the same time when the Qualifying Shareholder pays for its entitlement or excess application for the Rights Shares), with the payment of the remaining balance of US\$1.90 per RCPS to be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company. Holders of the RCPS will have the right, upon full payment of the RCPS Subscription Price for each RCPS, to convert the RCPS into Consolidated Shares at the RCPS Conversion Price of HK\$1.23 each.

It should be noted that in the event that the issuance of the RCPS does not become unconditional in accordance with the conditions precedent set out in the paragraph headed “Conditions Precedent of the RCPS”, the Rights Issue shall nevertheless proceed (provided that it becomes unconditional) without the option to subscribe for the RCPS.

Crosby Management has undertaken to subscribe for 13,000,000 Rights Shares, representing approximately 26.50% of all the Rights Shares (assuming no further Shares have been issued and the Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants remain unexercised as of the Record Date), to which it is entitled under the Rights Issue, at an aggregate subscription price of approximately HK\$10.4 million. Crosby Management has also undertaken to exercise its option to subscribe for 6,500,000 RCPS, to which it is entitled under the Rights Issue, subject to the satisfaction of conditions precedent of the RCPS set out in the paragraph headed “Conditions Precedent of the RCPS”. Together with the initial RCPS Subscription Price payable by Crosby Management for its RCPS entitlement of US\$650,000 (equivalent to approximately HK\$5.07 million), an aggregate of HK\$15.47 million will be paid by Crosby Management to the Company upon acceptance of its Rights Shares.

Assuming all the Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants remain unexercised as of the Record Date and all the Qualifying Shareholders take up their Rights Shares, the estimated net proceeds of the Rights Issue and the initial payment of Crosby Management's subscription of its entitlement to the RCPS will be approximately HK\$41.48 million on the basis that only Crosby Management subscribes for the RCPS pursuant to its undertaking. If the Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants are exercised in full before the Record Date and all Qualifying Shareholders elect to subscribe for the Rights Shares and the RCPS, the estimated net proceeds of the Rights Issue and the initial payment of the subscription of the RCPS will be approximately HK\$234.34 million. The Company intends to utilize the proceeds for general working capital which includes investing in funds and participating in co-investments managed by the Group, expansion of the Group's business such as expanding its investment team and acquiring new financial services businesses complementary to the Group's strategies.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite not more than 36,059,798 Rights Shares, other than those to be taken up by Crosby Management.

The Rights Issue is only partially underwritten by the Underwriter as any new shares that may be issued arising from the exercise or conversion of the Exercisable Outstanding Options, Outstanding Convertible Bonds and the Outstanding Warrants up until the Record Date (and therefore entitled to participate in the Rights Issue) will not be covered by the Underwriting Agreement. Pursuant to the Company's constitutional documents and the Companies Law, there are no requirements for minimum levels of subscription. Subject to fulfillment of the conditions precedent of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. Based on the irrevocable undertakings given by Crosby Management and the extent of the underwriting commitment (to the extent of the underwritten Rights Shares), it is anticipated at least 49,059,798 Rights Shares will be taken up.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Rights Issue and the issue of the RCPS are conditional, upon the fulfillment of the conditions set out below under the paragraphs headed "Conditions Precedent of the Rights Issue" and "Conditions Precedent of the RCPS", respectively. In particular, the Rights Issue is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Shareholders should note that the Existing Shares will be dealt in on an ex-entitlement basis commencing from 7 July 2011 and that dealing in Shares will take place while the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholders or other persons contemplating selling or purchasing the Shares and/or Rights Shares in their nil-paid form up to the date when the conditions of the Rights Issue are fulfilled and/or the Latest Time for Termination will bear the risk that the Rights Issue does not become unconditional and may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If in any doubt, investors should consider obtaining professional advice on this.

IMPLICATION UNDER THE GEM LISTING RULES

The Rights Issue would increase the issued share capital of the Company by more than 50%. Therefore, under Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in the EGM in which any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. The Company has no controlling shareholder as at the date of this announcement, therefore, the Directors (excluding the independent non-executive Directors) and their associates (including Mr. Johnny Chan Kok Chung, Crosby Management and Mr. Ulric Leung Yuk Lun, who are interested in an aggregate of 162,633,058 Existing Shares as at the date of this announcement) are required to abstain from voting in favour of the Rights Issue at the EGM. Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder or Director (other than independent non-executive Directors) will be required to abstain from voting in favour of the resolution to approve the Rights Issue at the EGM.

PROPOSED CAPITAL REDUCTION

The Company proposes to put forward to the Shareholders a Capital Reduction which will take place after the completion of the Rights Issue and will involve the following:

- (i) the reduction of issued share capital whereby the par value of each issued Consolidated Share and RCPS will be reduced from US\$0.10 to US\$0.01 by canceling US\$0.09 of the paid-up capital on each issued Consolidated Share and RCPS;
- (ii) each authorized but unissued Consolidated Share and RCPS of par value of US\$0.10 will be subdivided into 10 unissued Adjusted Shares;
- (iii) the board proposes to transfer and apply the credit arising from the Capital Reduction along with the entire amount standing to the credit of the share premium account of the Company to set off substantially against the accumulated losses of the Company which may be applied in such manner as is permitted by and subject to the laws of the Cayman Islands and the Articles of the Company.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been established to make recommendations to the Independent Shareholders as to whether the Rights Issue (together with the option to subscribe for the RCPS) is fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote in relation to the Rights Issue and the RCPS at the EGM.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (together with the option to subscribe for the RCPS). A further announcement will be made immediately following the appointment of such independent financial adviser.

CIRCULAR

A circular setting out, among other things, (i) further details about (a) the Capital Reorganization; (b) the Rights Issue and the RCPS and (c) the Capital Reduction; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out its recommendation in relation to the Rights Issue (together with the option to subscribe for the RCPS); (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (together with the option to subscribe for the RCPS); and (iv) a notice of the EGM, will be despatched to the Shareholders and the holders of the Outstanding Options, Outstanding Convertible Bonds and the Outstanding Warrants for information only, on or about Thursday, 23 June 2011.

Subject to the Rights Issue being approved by the Independent Shareholders at the EGM by way of poll, the Prospectus Documents containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable. Information in relation to the RCPS will also be included in the Prospectus Documents subject to the Shareholders approving the Capital Reorganization, the Rights Issue and the issue of the RCPS.

PROPOSED CAPITAL REORGANIZATION

As at the date of this announcement, the existing authorised share capital of the Company is US\$40,001,000 divided into 4,000,000,000 ordinary shares of US\$0.01 each and 100,000 convertible redeemable preference shares of US\$0.01 each, of which 490,597,984 ordinary shares are in issue and nil convertible redeemable preference share is in issue.

The Company proposes to carry out the Capital Reorganization, which involves the Diminution, the Share Consolidation, the increase in authorised share capital of the Company, Redesignation and Reclassification of Authorised Share Capital as follows.

- (i) The Company proposes to diminish its authorised but unissued share capital by canceling 100,000 convertible redeemable preferences shares of US\$0.01 each. Upon completion of the Diminution, the authorised share capital of the Company will be US\$40,000,000 divided into 4,000,000,000 ordinary shares of US\$0.01 each.

- (ii) The Company proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of US\$0.01 each in the share capital of the Company will be consolidated into one Consolidated Share of US\$0.10 each. Immediately after the Share Consolidation, the authorized share capital of the Company will be US\$40,000,000 divided into 400,000,000 Consolidated Shares of US\$0.10 each. As at the date of this announcement, there are 490,597,984 Existing Shares in issue. On the basis of such issued share capital, there will be 49,059,798 Consolidated Shares of US\$0.10 each in issue immediately following the Share Consolidation becoming effective. The Consolidated Shares will rank pari passu in all respects with each other. The Share Consolidation will become effective upon the fulfillment of the conditions set out in the paragraph headed “Conditions of the Share Consolidation” below.
- (iii) The Company proposes to increase the authorised share capital of the Company from US\$40,000,000 divided into 400,000,000 Consolidated Shares of US\$0.10 each to US\$200,000,000 divided into 2,000,000,000 Consolidated Shares of US\$0.10 each by the creation of an additional 1,600,000,000 Consolidated Shares of US\$0.10 each. The increase of authorised share capital is subject to and conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.
- (iv) Immediately following the increase in authorised share capital of the Company becoming effective, the Company proposes to redesignate and reclassify the authorized share capital of US\$200,000,000 of 2,000,000,000 Consolidated Shares into: (a) 1,900,000,000 Consolidated Shares of par value US\$0.10 each and (b) 100,000,000 RCPS of par value US\$0.10 each, all having the rights and subject to the rights and restrictions set out in the memorandum and articles of association to be amended by the Company upon obtaining the approval of the Shareholders at the EGM. The 49,059,798 Consolidated Shares of US\$0.10 each will remain in issue as ordinary shares of the Company after the Redesignation and Reclassification of Authorised Share Capital.

REASONS FOR THE CAPITAL REORGANIZATION

The proposed Share Consolidation will reduce the total number of Existing Shares currently in issue and it is expected to bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction costs for dealing in the Consolidated Shares. In order to accommodate the future expansion and growth of the Group and the Consolidated Shares to be issued upon conversion of the RCPS, the Company also proposes to increase the authorised share capital of the Company. The Diminution and the Redesignation and Reclassification of Authorised Share Capital is to facilitate the issue of the new RCPS. Accordingly, the Directors are of the view that the Capital Reorganization is in the interests of the Company and the Shareholders as a whole.

Implementation of the Capital Reorganization will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests and rights of the Shareholders, except for the payment of the related expenses.

CONDITIONS OF THE SHARE CONSOLIDATION

The Share Consolidation is conditional upon the fulfillment of the following conditions:

- (i) the passing by the Shareholders of an ordinary resolution at the EGM by way of poll to approve the Share Consolidation;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective;
- (iii) the approval of any relevant regulatory authority, if required.

Subject to the fulfillment of the above conditions, it is expected that the Share Consolidation will become effective on the next Business Day following the date of passing the relevant resolutions to approve the Share Consolidation.

LISTING AND DEALINGS

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation and the Consolidated Shares which may fall to be issued upon the exercise of the Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants.

The Consolidated Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

FRACTIONAL SHARES AND ODD LOT TRADING ARRANGEMENTS AFTER SHARE CONSOLIDATION

Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company.

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Shares Consolidation, a designated broker will be appointed to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for the period from Monday, 1 August 2011 to Friday, 19 August 2011 (both dates inclusive). Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers. Details of the matching service will be provided in the Circular.

FREE EXCHANGE OF SHARE CERTIFICATES AFTER SHARE CONSOLIDATION

Subject to the Share Consolidation becoming effective, Shareholders may, from 18 July 2011 to 23 August 2011 (both dates inclusive), submit existing certificates for the Existing Shares in board lot of 2,000 Existing Shares, which is sky blue in color, to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17/ F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong in exchange for the new share certificates for the Consolidated Existing Shares, at the expense of the Company. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 or such higher amount as may from time to time be allowed by the Stock Exchange for each existing share certificate of the Existing Shares cancelled or each new share certificate to be issued for the Consolidated Shares, whichever number of certificates cancelled/issued is higher, payable by the Shareholders to the Registrar of the Company.

Nevertheless, certificates for the Existing Shares will continue to be good evidence of legal title and will be valid for dealings, trading and settlement purpose after the Share Consolidation has become effective and may be exchanged for certificates for the Consolidated Shares at any time in accordance with the foregoing.

PROPOSED RIGHTS ISSUE WITH OPTION TO SUBSCRIBE FOR RCPS

The Company proposes to raise up to approximately a minimum of HK\$39.25 million before expenses, by way of the Rights Issue.

Issue statistics

Basis of the Rights Issue	:	one Rights Share for every one Consolidated Share deemed held by the Qualifying Shareholder on the Record Date (by reference to the number of Shares held by the Qualifying Shareholder on the Record Date, applying the Share Consolidation and deducting any fractions of Consolidated Shares that might otherwise arise under the Share Consolidation)
Subscription Price	:	HK\$0.80 per Rights Share
Number of Shares in issue as at the date of this announcement	:	490,597,984 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation	:	49,059,798 Consolidated Shares (assuming that no further Existing Shares are issued or repurchased between the date of this announcement and the effective date of the Share Consolidation)

Number of Outstanding Warrants in issue	:	3,000,000 Consolidated Shares may be issued upon exercise in full at the exercise price of HK\$1.50 per Consolidated Share (adjusted for Share Consolidation and subject to further adjustment arising from the Rights Issue)
Number of Outstanding Convertible Bonds in issue	:	144,851,961 Consolidated Shares may be issued upon full conversion of all Outstanding Convertible Bonds at the conversion price of HK\$1.7259 per Consolidated Share (adjusted for Share Consolidation and subject to further adjustment arising from the Rights Issue)
Number of Exercisable Outstanding Options in issue	:	23,980,000 share options entitling holders to subscribe for 2,398,000 Consolidated Shares
Minimum number of Rights Shares (<i>Note 1</i>)	:	49,059,798 Rights Shares (with an aggregate nominal value of US\$4,905,979.80)
Maximum number of Rights Shares (<i>Note 2</i>)	:	199,309,759 Rights Shares (with an aggregate nominal value of US\$19,691,175.80)
Minimum number of Consolidated Shares in issue upon completion of the Rights Issue (<i>Note 1</i>)	:	98,119,596 Consolidated Shares
Maximum number of Consolidated Shares in issue upon completion of the Rights Issue (<i>Note 2</i>)	:	398,619,518 Consolidated Shares

Notes:

1. The minimum number of Rights Shares is arrived at assuming no exercise or conversion of the Exercisable Outstanding Options, Outstanding Warrants and Outstanding Convertible Bonds on or before the Record Date.
2. The maximum number of Rights Shares is arrived at assuming the Exercisable Outstanding Options, the Outstanding Warrants and Outstanding Convertible Bond are all exercised or converted on or prior to the Record Date.

Subject to the Shareholders approving the Capital Reorganization, the Rights Issue and the issue of the RCPS, each Qualifying Shareholder exercising its rights to subscribe for Rights Share(s) shall be granted an option to subscribe for new RCPS(s) to be issued by the Company on the basis of one RCPS for every two Rights Shares subscribed at the RCPS Subscription Price of US\$2.00 per RCPS, of which US\$0.10 per RCPS has to be paid upon subscription (which will be at the same time when the Qualifying Shareholder pays for its entitlement or excess application for the Rights Shares), with the payment of the remaining balance of US\$1.90 per RCPS to be paid immediately prior to the conversion of the RCPS

into ordinary shares of the Company. The option to subscribe for the RCPS is non-transferrable (except upon a transfer of the entitlement to the Rights Issue in accordance with the procedures for transferring nil-paid rights) and the Qualifying Shareholders cannot exercise the option after the latest time for acceptance of the Rights Issue. Holders of the RCPS will have the right, upon full payment of the RCPS Subscription Price for each RCPS, to convert the RCPS into Consolidated Shares at the RCPS Conversion Price of HK\$1.23 each.

It should be noted that in the event that the issuance of the RCPS does not become unconditional in accordance with the conditions precedent set out in the paragraph headed “Conditions Precedent of the RCPS”, the Rights Issue shall nevertheless proceed (provided that it becomes unconditional) without the option to subscribe for the RCPS.

Crosby Management has undertaken to subscribe for its entitlement of 13,000,000 Rights Shares, representing approximately 26.5% of all the Rights Shares (assuming no further Shares have been issued and all the Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants remain unexercised before the Record Date) at an aggregate subscription price of approximately HK\$10.4 million. Crosby Management has also undertaken to exercise its option to subscribe for 6,500,000 RCPS, to which it is entitled under the Rights Issue, subject to the satisfaction of the conditions precedent of the RCPS. The 6,500,000 RCPS may be converted into 82,439,024 Consolidated Shares upon payment of the balance of approximately US\$12.35 million (approximately HK\$96.33 million) of the RCPS Subscription Price to the Company. The undertaking given by Crosby Management does not extend to converting the RCPS to which it is entitled.

If all the Qualifying Shareholders elect to subscribe for their RCPS and assuming no exercise or conversion of the Exercisable Outstanding Options, Outstanding Warrants and Outstanding Convertible Bonds on or before the Record Date, 24,529,899 RCPS will be issued. A sum of approximately US\$2.45 million (approximately HK\$19.13 million) being the initial RCPS Subscription Price will be received upon acceptance of the Rights Shares (in addition to the proceeds received in respect of the Rights Shares) and the balance of approximately US\$46.61 million (approximately HK\$363.53 million) will be received immediately before conversion of the RCPS. Upon conversion of all the RCPS, a total of 311,110,914 Consolidated Shares will be issued.

If all the Qualifying Shareholders elect to subscribe for their RCPS and assuming all the Exercisable Outstanding Options, Outstanding Warrants and Outstanding Convertible Bonds are exercised or converted on or before the Record Date, 99,654,879 RCPS will be issued. A sum of approximately US\$9.97 million (approximately HK\$77.73 million), being the initial RCPS Subscription Price, will be received upon acceptance of the Rights Shares (in addition to the proceeds received in respect of the Rights Shares), and the balance of approximately US\$189.34 million (approximately HK\$1,476.89 million) will be received immediately before conversion of the RCPS. Upon conversion of all the RCPS, a total of 1,263,915,538 Consolidated Shares will be issued.

Save for the Outstanding Options, Outstanding Warrants and the Outstanding Convertible Bonds, the Company has no other outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into the Shares as at the date of this announcement.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Overseas Shareholders, the Company will send copies of the Prospectus to them for their information only, but the Company will not send any PAL or EAF to the Excluded Overseas Shareholders.

To qualify for the Rights Issue, a Shareholder must (i) be registered as a member of the Company at the close of business on the Record Date; and (ii) be a Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Existing Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:30 p.m. on 8 July 2011.

Closure of register of members

In accordance with Rule 17.78 of the GEM Listing Rules, the Company announces that the register of members of the Company will be closed from 11 July 2011 to 15 July 2011, both dates inclusive, for the purpose of determining the entitlements of the Qualifying Shareholders for the Rights Issue. No transfers of Shares will be registered during the book closure period. In order to qualify for the Rights Issue, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar by 4:30 p.m. on 8 July 2011.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Rights Shares and the RCPS to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Overseas Shareholders for their information only, but will not send any PAL and EAF to them on the Posting Date.

Subscription Price

The Subscription Price of HK\$0.80 per Rights Share is payable in full upon acceptance of the relevant offer of Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 46.67% to the closing price of HK\$1.50 per Consolidated Share, based on the closing price of HK\$0.15 per Existing Share as quoted on the Stock Exchange on the Last Trading Date and adjusted for the effect of the Share Consolidation;

- (ii) a discount of approximately 47.30% to the average closing prices of approximately HK\$1.518 per Consolidated Share, based on the average closing price of approximately HK\$0.1518 per Existing Share for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Date and adjusted for the effect of the Share Consolidation; and
- (iii) a discount of approximately 30.43% to the theoretical ex-entitlement price of approximately HK\$1.15 per Consolidated Share, based on the closing price of HK\$0.15 per Existing Share as quoted on the Stock Exchange on the Last Trading Date and adjusted for the effect of the Share Consolidation.

The Subscription Price was arrived at between the Company and the Underwriter with reference to the prevailing market price of the Existing Shares. The Directors consider that the discount of the Subscription Price to the market price is to make the Rights Issue more attractive to the Qualifying Shareholders. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (excluding independent non-executive Directors whose opinion on the matter will be set forth in the Circular after having been advised by the independent financial adviser in this regard) consider the terms of the Rights Issue, the option to subscribe for RCPS and the Subscription Price, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As the estimated net proceeds (after expenses) from the Rights Issue (excluding the initial payment from RCPS) will be between approximately HK\$36.42 million (assuming the Exercisable Outstanding Options, Outstanding Warrants and Outstanding Convertible Bonds will not be exercised on or before the Record date) to approximately HK\$156.62 million (assuming the Exercisable Outstanding Options, Outstanding Warrants and Outstanding Convertible Bonds will be exercised in full on or before the Record date), the net price per Rights Share would be approximately HK\$0.74 to HK\$0.79.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Consolidated Shares then in issue. Holders of Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Rights Shares.

Offer Period

The offer period of the Rights Issue (and the option to subscribe for the RCPS) is expected to commence from, Tuesday, 19 July 2011, being the next Business Day after the dispatch of the Prospectus Documents. It is expected that the latest time for acceptance of and payment for the Rights Shares (and the RCPS) will be at 4:00 p.m. on Monday, 1 August 2011.

Fractions of Rights Share

On the basis of one Rights Share for every Consolidated Share held by Qualifying Shareholders, no fractional entitlements to the Rights Shares are expected to arise under the Rights Issue.

Application for excess Rights Shares

Qualifying Shareholders may apply by using the EAF for any unsold entitlement of the Excluded Overseas Shareholders together with any Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders or by transferees of nil-paid Rights Shares. Subject to the Shareholders approving the Capital Reorganization, the Rights Issue and the issue of the RCPS, the EAF forms will include the application for RCPS and the Qualifying Shareholders may elect simultaneously to subscribe for such number of RCPS attached to the excess Rights Shares they apply for in the same forms.

The Company will allocate excess Rights Shares to the Qualifying Shareholders at its discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to top up odd-lot holdings to whole-lot holdings and not made with intention to abuse this mechanism;
- (2) subject to the availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the number of excess Rights Shares being applied for under each application.

Qualifying Shareholders whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Qualifying Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar of the Company for completion of the relevant registration by 4:30 p.m. on 8 July 2011.

Shareholders or potential investors should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications in their own names as against through nominees who also hold Shares for other Shareholders/investors. Shareholders and investors should consult their professional advisors if they are in any doubt as to whether they should register their shareholding in their own names and apply for the excess Rights Shares themselves.

Under Rule 10.26(2) of the GEM Listing Rules, as the Rights Issue is not fully underwritten, any Shareholder who applies to take up excess Rights Shares may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the SFC has been obtained. Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application(s) of any Shareholder(s) for excess Rights Shares under the excess application forms (for use by the Qualifying Shareholders to apply for excess Rights Shares), which would result in its/his/her shareholding to increase to 30% or more of the Company's enlarged issued share capital upon completion of the Rights Issue, will be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder(s) to make a general offer under the Takeovers Code.

Certificates for the Rights Shares/RCPS and refund cheques under Rights Issue

Subject to the fulfillment of the conditions precedent of the Rights Issue and the RCPS, share certificates for the Rights Shares and RCPS (if applicable), respectively, are expected to be posted on or before 11 August 2011 to those Shareholders entitled thereto by ordinary post at their own risk.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares and the attached RCPS (if applicable) are also expected to be posted by ordinary post on or before 11 August 2011 at such Shareholders' own risk.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the board lot size of 2,000. The nil-paid Rights Shares in one board lot are the same as one board lot size of the Existing Shares to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares (in board lots of 2,000), in their nil-paid and fully paid forms will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

UNDERWRITING AGREEMENT

Date : 2 June 2011

Underwriter : Emperor Securities

To the best knowledge, information and belief of the Directors, the Underwriter is an independent third party independent of, and not connected with, the Company and its connected persons and is not a connected person of the Company. The Underwriter does not have any beneficial interests in the Existing Shares

Number of Rights Shares : The Underwriter has agreed to underwrite a maximum of
underwritten 36,059,798 Rights Shares.

Commission : 2.5% of the aggregate Subscription Price of the Rights
Shares underwritten by Emperor Securities

The Rights Issue is only partially underwritten as any new Existing Shares that may be issued arising from the conversion of the Exercisable Outstanding Options, Outstanding Convertible Bonds and the Outstanding Warrants up until the Record Date (and therefore entitled to participate in the Rights Issue) will not be covered by the Underwriting Agreement. Pursuant to the Company's constitutional documents and the Companies Law, there are no requirements for minimum levels of subscription. Subject to fulfillment of the conditions precedent of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. Based on the irrevocable undertakings given by Crosby Management (details of which are set out in the paragraph below "Irrevocable undertakings from Crosby Management with respect to the Rights Issues) and the extent of the underwriting commitment of the Underwriter, it is anticipated at least 49,059,798 Rights Shares will be taken up.

The executive Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the parties of the Underwriting Agreement.

The obligation of the Underwriter is subject to the terms and conditions set out in the Underwriting Agreement including the conditions set out in the paragraph headed "Conditions Precedent of the Rights Issue" of this announcement and the right of the Underwriter to terminate the Underwriting Agreement.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination if there occurs any of the following events:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, financial, economic currency, market or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

- (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (vi) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) the Circular or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

If, at or prior to the Latest Time for Termination,

- (i) any material breach of any of the warranties or undertakings of the Company under the Underwriting Agreement comes to the knowledge of the Underwriter;
- (ii) any Specified Event comes to the knowledge of the Underwriter; or
- (iii) any breach of the irrevocable undertakings from Crosby Management in respect of the Rights Shares and RCPS,

the Underwriter shall also be entitled by notice in writing to the Company prior to the Latest Time for Termination to terminate the Underwriting Agreement and the obligations of all parties under the Underwriting Agreement shall terminate forthwith.

Conditions Precedent of the Rights Issue

The obligations of the Underwriter under the Underwriting Agreement and the completion of the Rights Issue are conditional upon, among other things, the following conditions precedent being fulfilled or waived:

- (a) the Company dispatching the Circular to the Shareholders;
- (b) the passing of the resolutions by the Shareholders' (or Independent Shareholders', as the case maybe) approving the Share Consolidation and the Rights Issue at the EGM by way of poll no later than the Posting Date;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant in principle (subject to allotment of Rights Shares) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares in their nil-paid and fully paid forms before the Posting Date;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant in principle and not having withdrawn or revoked the listing of and permission to deal in the Consolidated Shares;
- (e) the Company dispatching the Prospectus Document to Qualifying Shareholders on or before the Posting Date;
- (f) the Share Consolidation having become effective;
- (g) the Underwriting Agreement not being terminated by the Underwriter pursuant to its terms;
- (h) the Company complying with all its undertakings and obligations under the terms of the Underwriting Agreement; and
- (i) Crosby Management having fulfilled its obligations under its undertakings in respect of the Rights Issue (details of which are stated below in this announcement).

Save for conditions precedent (g) to (i) above, none of the above conditions precedent is capable of being waived. In the event that the above conditions are not satisfied and/or waived in whole or in part, by the Underwriter on or before 31 October 2011 or such other time and date as agreed between the Company and the Underwriter in writing, the Underwriting Agreement shall terminate and the Rights Issue will lapse accordingly.

Irrevocable undertakings from Crosby Management with respect to the Rights Issue

As at the date of this announcement, Crosby Management and its associates were interested in an aggregate of 130,000,000 Existing Shares, representing approximately 26.5% of the entire issued share capital of the Company.

On 2 June 2011, Crosby Management has irrevocably undertaken to the Company, that (i) it will not dispose of the 130,000,000 Existing Shares it beneficially owns up to the final date of acceptance of the Rights Shares; and (ii) it will accept and pay for its entire entitlement to the

subscription of 13,000,000 Rights Shares under the Rights Issue in respect of the 130,000,000 Existing Shares held by them as at the date of this announcement.

PRINCIPAL TERMS OF THE RCPS

Par Value	:	US\$0.10 each
RCPS Subscription Price	:	US\$2.00 per RCPS, of which US\$0.10 per RCPS to be paid on subscription, with the remaining balance of US\$1.90 per RCPS to be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company (that is, Consolidated Shares)
Ranking	:	Subordinated to all creditors of the Company, whether secured or unsecured, each RCPS shall rank pari passu with other Shares, except that it shall carry no voting rights or dividend rights and is redeemable subject to the terms as set out below
Dividend	:	The RCPS shall not be entitled to any dividends
Redemption	:	The RCPS are redeemable at a redemption price equal to the paid-up Subscription Price
Company's early Redemption option	:	the Company may redeem the RCPS anytime after the date of issue (in whole or in part) provided that the closing market price of the Company's ordinary shares are at least 150% of the RCPS Conversion Price for 30 consecutive trading days
RCPS's holders' early redemption option	:	the holders of the RCPS may request the Company to redeem the RCPS (in whole or in part) on or after the 3rd anniversary of the date of issuance of the RCPS
Final Redemption Date	:	Five years from the date of issuance of the RCPS
Conversion Right	:	The RCPS may be convertible in part or in full into ordinary shares of the Company at the discretion of the holders of the RCPS after the date of issue up to 7 days prior to the Final Redemption Date (as set out above). The RCPS can only be converted upon full payment of the RCPS Subscription Price.

The Company shall not be obligated to issue any conversion shares if (i) such conversion shall render the shares of the Company held in public hands being less than the minimum public float required under the GEM Listing Rules; and/or (ii) there is insufficient authorised share capital; and/or (iii) such conversion shall cause the holder(s) and the parties acting in concert with it to be interested in 30% (or such amount as may from time to time that may trigger a mandatory general offer or considered by the SFC as a change in control of the Company) or more of the then enlarged issued share capital of the Company at the date of the relevant conversion.

Each holder of the RCPS exercising its conversion right thereunder shall comply with all applicable provisions of the Takeovers Code.

RCPS Conversion Price : The RCPS Conversion Price is HK\$1.23 per Consolidated Share subject to customary adjustment provisions in accordance with the terms of the RCPS, including but not limited to, rights issues, dividend distributions, bonus issues, asset distributions, consolidation, sub-division or reclassification of shares in the capital of the Company, capitalization of profits or reserves or the occurrence of certain other analogous events that would result in a dilution or concentration of the rights of holders of the Shares.

An exchange rate of HK\$7.8 per US\$1 shall be used in determining the conversion amount in HK\$ terms.

RCPS Conversion Price Reset : At the end of each 6-month period after the initial issue date, the RCPS Conversion Price shall be adjusted downward only to 110% of the 1-month volume weighted average price of the ordinary shares of the Issuer prior to the date of each reset date, provided that the RCPS Conversion Price (initial or reset) shall not be in any event lower than the prevailing par value of the ordinary shares of the Company.

Voting : The RCPS shall not carry any voting rights prior to conversion into ordinary shares of the Company

Transferability : The RCPS, once issued, are transferable without restriction. The Company will inform the Stock Exchange upon the Company becoming aware that any of the RCPS has been or is to be transferred to any connected person of the Company (as defined in the GEM Listing Rules) and will comply with the applicable GEM Listing Rules

Certificated Form : The RCPS shall be issued in certificated form

The RCPS Conversion Price of HK\$1.23 per Consolidated Share represents the theoretical ex-rights entitlement price calculated based on the average closing price of HK\$0.166 per Existing Share over a period of 30 consecutive trading days on GEM immediately prior to the Last Trading Date and adjusted for the effect of the Share Consolidation without taking into consideration the effect of the Rights Issue on the trading price of the Shares of the Company. The RCPS Conversion Price represents a discount of approximately 18% to the closing price of HK\$1.50 per Consolidated Share, based on the closing price of HK\$0.15 per Existing Share as quoted on the Stock Exchange on the Last Trading Date and adjusted for the effect of the Share Consolidation.

Upon the issue of the RCPS becoming effective, Qualifying Shareholders will be entitled to subscribe in part or in full for the RCPS to which they are entitled.

Conditions Precedent of the RCPS

The issuance of the RCPS is conditional upon, inter alia, the following conditions being fulfilled:

- a) the passing of the resolutions by the Shareholders' (or Independent Shareholders' as the case may be) approving the issue of the RCPS at the EGM by way of poll no later than the Posting Date;
- b) the Listing Committee of the Stock Exchange having granted the approval of the listing of, and permission to deal in, the Consolidated Shares that may fall to be issued upon exercise of the conversion rights attaching to the RCPS;
- c) the Rights Issue becoming unconditional; and
- d) the Capital Reorganization having become effective.

It should be noted that in the event that the issuance of the RCPS does not become unconditional save for the condition (c) above, the Rights Issue shall nevertheless proceed (provided that it becomes unconditional) without the option to subscribe for the RCPS.

In the event that any of the conditions is not fulfilled by the Latest Time for Termination, the issuance of the RCPS shall lapse.

Fractions of RCPS

The Company will not issue any fractions of RCPS. Any fractional entitlements of RCPS will be rounded down to the nearest whole figure.

Irrevocable undertakings from Crosby Management with respect to the RCPS

In addition to its irrevocable undertakings with respect to the subscription of its entitlement to the Rights Shares, Crosby Management has also undertaken to exercise its option to subscribe for 6,500,000 RCPS, to which it is entitled under the Rights Issue.

Application for listing

The RCPS will not be listed in any stock exchange. The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consolidated Shares upon conversion of the RCPS.

Completion

Completion of the issuance of RCPS shall take place on the same day as the issue of the Rights Shares subject to the above conditions being fulfilled or waived, as the case may be, or such other date as may be determined by the Company.

The Rights Issue and the issue of the RCPS are conditional upon the fulfillment of the conditions set out above under the paragraphs headed “Conditions Precedent of the Rights Issue” and “Conditions Precedent of the RCPS” above respectively. In particular, the Rights Issue is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing the Shares and/or Rights Shares in their nil-paid form up to the date when the conditions of the Rights Issue are fulfilled and/or the Latest Time for Termination will bear the risk that the Rights Issue does not become unconditional and may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If in any doubt, investors should consider obtaining professional advice on this.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the date of this announcement and the possible changes upon completion of the Rights Issue and the conversion of the RCPS for illustration purposes only:

(a) Scenario 1

Assuming no Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants are exercised on or before the Record Date:

	As at the date of this announcement		Immediately after Share Consolidation but before completion of Rights Issue		Assuming all Shareholders are Qualifying Shareholders and take up his/her/its entitlement under the Rights Issue		Assuming no Qualifying Shareholders take up his/her/its entitlement under the Rights Issue except Crosby Management		Assuming all Shareholders are Qualifying Shareholders and take up his/her/its entitlement under the Rights Issue and fully convert their RCPS at the RCPS Conversion Price	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Existing and Ex-Directors Crosby Management	33,860,743	6.90	3,386,074	6.90	6,772,148	6.90	3,386,074	3.45	28,244,812	6.90
Outstanding Convertible Bond holders	130,000,000	26.50	13,000,000	26.50	26,000,000	26.50	26,000,000	26.50	108,439,024	26.50
Main Wealth Enterprises Limited (<i>note 1</i>)	15,000,000	3.06	1,500,000	3.06	3,000,000	3.06	1,500,000	1.53	12,512,195	3.06
Hidy Investment Limited (<i>note 1</i>)	15,000,000	3.06	1,500,000	3.06	3,000,000	3.06	1,500,000	1.53	12,512,195	3.06
Underwriter and sub-underwriters (<i>note 2</i>)	-	-	-	-	-	-	36,059,798	36.75	-	-
Public Shareholders	296,737,241	60.48	29,673,724	60.48	59,347,448	60.48	29,673,724	30.24	247,522,283	60.48
Total	490,597,984	100.00	49,059,798	100.00	98,119,596	100.00	98,119,596	100.00	409,230,509	100.00

Notes:

1. Main Wealth Enterprises Limited and Hidy Investment Limited are independent third parties not connected with the Company and its connected parties and they are considered as public Shareholders.
2. The Underwriter has procured sub-underwriters to underwrite the Rights Shares. None of the sub-underwriters will own 29.9% or more of the issued share capital of the Company immediately after the Rights Issue. Each of the Underwriter and sub-underwriters is an independent third party not connected with the Company and its connected parties. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners does not have any shareholding in the issued share capital of the Company.

(b) Scenario 2

Assuming the Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants are exercised in full on or before the Record Date:

	As at the date of this announcement		Immediately after Share Consolidation and upon exercise of all the Exercisable Outstanding Options, Outstanding Warrants and Outstanding Convertible Bonds but before completion of Rights Issue				Assuming all the Shareholders are Qualifying Shareholders and take up their entitlement under Rights Issue		Assuming no Qualifying Shareholders take up their entitlement under Rights Issue except Crosby Management		Assuming all Shareholders are Qualifying Shareholders and take up their entitlement under the Rights Issue and fully convert their RCPS at the RCPS Conversion Price	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Existing and Ex-Directors	33,860,743	6.90	8,653,113	4.34	17,306,226	4.34	8,653,113	3.48	72,179,625	4.34		
			(Note 2)									
Crosby Management	130,000,000	26.50	13,000,000	6.52	26,000,000	6.52	26,000,000	10.47	108,439,024	6.52		
Holders of Outstanding Convertible Bonds and Outstanding Warrants												
Main Wealth Enterprises Limited (Note 1)	15,000,000	3.06	25,835,128	12.97	51,670,256	12.97	25,835,128	10.40	215,502,775	12.97		
Hidy Investment Limited (Note 1)	15,000,000	3.06	24,096,905	12.09	48,193,810	12.09	24,096,905	9.70	201,003,451	12.09		
Greyhound International Limited (Note 1)	-	-	24,676,313	12.38	49,352,626	12.38	24,676,313	9.94	205,836,562	12.38		
Win World Profits Limited (Note 1)	-	-	35,923,286	18.02	71,846,572	18.02	35,923,286	14.46	299,652,775	18.02		
Others (Note 4)	-	-	37,423,290	18.78	74,846,580	18.78	37,423,290	15.07	312,165,004	18.78		
Underwriter and its sub-underwriters	-	-	-	-	-	-	36,059,798	14.52	-	-		
Public Shareholders	296,737,241	60.48	29,701,724	14.90	59,403,448	14.90	29,701,724	11.96	247,755,844	14.90		
			(Note 3)									
Total	490,597,984	100.00	199,309,759	100.00	398,619,518	100.00	248,369,557	100.00	1,662,535,060	100.00		
							(note 5)					

Notes:

- (1) Main Wealth Enterprises Limited, Hidy Investment Limited, Greyhound International Limited and Win World Profits Limited are all independent third parties not connected with the Company and its connected parties.
- (2) The 8,653,113 Consolidated Shares consist of (i) 3,386,074 Consolidated Shares based on their existing shareholdings as a result of the Share Consolidation, (ii) 2,370,000 Consolidated Shares upon the exercise of their 23,700,000 Outstanding Options and (iii) 2,897,039 Consolidated Shares upon conversion of HK\$5,000,000 Outstanding Convertible Bonds.
- (3) The 29,701,724 Consolidated Shares consist of 29,673,724 Consolidated Shares based on their existing shareholdings as a result of the Share Consolidation and 28,000 Consolidated Shares upon the exercise of 280,000 Outstanding Options.
- (4) Each of the other Outstanding Convertible Bond holders and Outstanding Warrant holders is holding less than 10% of the enlarged issued share capital of the Company upon exercise of their rights and therefore they are considered as public Shareholders of the Company.
- (5) As the Rights Issue is only partially underwritten as to 36,059,798 Rights Shares, a total of 150,249,961 Rights Shares will lapse if no Qualifying Shareholders (save for Crosby Management) take up their entitlement to Rights Shares and if there is no excess application for Rights Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Event	Gross amount raised	Intended Use of proceeds	Actual use of proceeds as at the date of the Announcement
25 June 2010	Issue of 130,000,000 Existing Shares at issue price of HK0.13 per Existing Share	HK\$16.9 million	For settlement of part of the consideration for acquiring 100% interest in Shikumen Capital Management (HK) Limited	Used as intended
21 September 2010	Issue of the unlisted warrants	HK\$9 million if the warrants are exercised in full. As at the date of this announcement, an aggregate sum of HK\$4.5 million has been received by the Company upon conversion of 30,000,000 warrants. The Outstanding Warrants of HK\$4.5 million are not yet exercised.	General working capital and/or future development of the Group	General working capital

Date of announcement	Event	Gross amount raised	Intended Use of proceeds	Actual use of proceeds as at the date of the Announcement
4 October 2010	Issue of the Outstanding Convertible Bonds	Principal amount of HK\$160 million	The net amount of approximately HK\$156 million for repurchasing the old convertible bonds due 2011 of the Company	Used as intended
30 March 2011	Issue of the Outstanding Convertible Bonds	Principal amount of HK\$90 million	Approximately HK\$86 million for general working capital, in particular for the expansion and development of the asset management business after the acquisition of Shikumen Capital Management (HK) Limited, and for settling part of the consideration for acquiring an office unit, details as set out in the announcement dated 12 November 2010	Used as intended

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months before the date of this announcement.

REASONS FOR THE RIGHTS ISSUE AND THE ISSUE OF THE RCPS AND USE OF PROCEEDS

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

- (a) Use of proceeds under Scenario 1 where all Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants remain unexercised or are not converted as at the Record Date:

The estimated minimum net proceeds (after expenses) of the Rights Issue (as covered by the Underwriting Agreement and the undertaking of Crosby Management) will be approximately HK\$36.42 million. Together with the initial RCPS subscription payment by Crosby Management of US\$650,000 (approximately HK\$5.07 million) and assuming no other Qualifying Shareholders elect for the subscription of their RCPS, the total minimum amount of net proceeds to be received by the Company upon completion of the Rights Issue will be approximately HK\$41.48 million. If all Shareholders are Qualifying Shareholders and elect for the subscription of their RCPS, an additional maximum amount of US\$1.80 million (approximately HK\$14.06 million) of initial RCPS subscription payment will be received by the Company upon completion of the

Rights Issue, increasing the total net proceeds (after expenses) received by the Company to HK\$55.54 million.

The Company intends to utilize the whole sum of HK\$41.48 million to HK\$55.54 million as (i) general working capital for the day to day operation of the Group which includes investing in funds and participating in co-investments managed by the Group and (ii) expansion of the existing business of the Group including but not limited to expansion of the investment team and expansion of associated office space (by purchase or lease of new office premises).

If only Crosby Management pays up the balance of the RCPS Subscription Price upon conversion of the RCPS into Consolidated Shares, an additional sum of approximately US\$12.35 million (approximately HK\$96.3 million) will be raised. The Company intends to use such additional amount to increase the scale of its investments in funds and co-investments managed by the Group and to make acquisitions of new financial services businesses complementary to the Group's strategies, including but not limited to asset management firms and additional personnel and premises for such acquired business.

If all other Shareholders are Qualifying Shareholders and elect for the subscription of their RCPS and pay up the balance of the RCPS Subscription Price upon conversion of the RCPS into Consolidated Shares, an additional sum of approximately US\$34.26 million (approximately HK\$267.20 million) will be raised. The Company will then consider a bigger scale of expansion of its existing business, investment or acquisition of business if such additional amount is raised, and expects to utilize 33.3% of the additional proceeds for acquisition of new business, 33.3% for expansion of the existing business of the Group, and the remaining 33.3% for general working capital for the day-to-day operation of the Group.

- (b) Use of proceeds under Scenario 2 where all Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants are exercised or converted in full before the Record Date:

Assuming all the Shareholders are Qualifying Shareholders and participate in the Rights Issue, the estimated net proceeds from the Rights Issue will be approximately HK\$156.61 million. Together with the initial RCPS subscription payment by all Qualifying Shareholders participating in the Rights Issue of approximately US\$9.97 million (approximately HK\$77.73 million), the total amount of net proceeds to be received by the Company upon completion of the Rights Issue will be approximately HK\$234.34 million.

The Company intends to utilize (i) 50% of the proceeds as general working capital for the day to day operation of the Group which includes investing in funds and participating in co-investments managed by the Group, and expansion of the existing business of the Group including but not limited to expansion of the investment team and expansion of associated office space (by purchase or lease of new office premises) and (ii) 50% of the proceeds to make acquisitions of new financial services businesses complementary to the Group's strategies, including but not limited to asset management firms and additional personnel and premises for such acquired business.

If all the Qualifying Shareholders fully pay up the balance of the RCPS Subscription Price upon conversion of the RCPS into Consolidated Shares, an additional sum of approximately HK\$1,476.89 million will be raised. The Company will then consider a bigger scale of expansion of existing business, investment or acquisition of business if such amount is raised and expects to utilize 30% of the additional proceeds for investing in funds and participating in co-investments managed by the Group; 20% for expansion of the existing business of the Group; 30% for acquisition of new business; and the remaining 20% for general working capital, including redemption of the Outstanding Convertible Bonds (if any).

The Directors expect that the Outstanding Convertible Bonds, Outstanding Warrants and Exercisable Outstanding Options may not be exercised or converted before the Record Date as some of them may be “out of the money” as at the Record Date. The conversion price of the Outstanding Convertible Bonds is HK\$0.17259 (subject to adjustments) per Existing Share, the exercise price of the Outstanding Warrants is HK\$0.15 (subject to adjustments) per Existing Share and the exercise price for the Exercisable Outstanding Options ranges from HK\$0.18 to HK\$7.70 per Existing Share. As at the Last Trading Day, the closing price of each Existing Share was HK\$0.15.

In year 2010, the Group underwent a restructuring of its business and has acquired Shikumen Capital Management (HK) Limited so as to expand its asset management services. After the Group’s restructuring, the Group wishes to utilize its resources more efficiently and the Directors consider that it is time to expand its existing business or invest in new investment business in the near future so as to strengthen the Group’s income base and balance sheet. The Rights Issue will give the Qualifying Shareholders an equal opportunity to maintain their respective pro rata shareholding interests in the Company and participate in the growth of the Company, whilst the RCPS provides Shareholders with an option of possible further investment in the Company at a discount to the closing price of the Existing Shares at the Last Trading Day while lowering the investment risk by having an option to redeem the RCPS on or before maturity (subject to exercise of the early redemption option). Hence, the Board considers that fund raising through the Rights Issue and RCPS is in the interest of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE GEM LISTING RULES

The Rights Issue would increase the issued share capital of the Company by more than 50%. Therefore, under Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in the EGM in which any controlling shareholders and their associates or, where there are no controlling shareholders, Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. The Company has no controlling shareholder as at the date of this announcement, therefore, the Directors (excluding the independent non-executive Directors) and their associates (including Mr. Johnny Chan Kok Chung, Crosby Management and Mr. Ulric Leung Yuk Lun, who are interested in an aggregate of 162,633,058 Existing Shares as at the date of this announcement) are required to abstain from voting in favour of the Rights Issue at the EGM. Save as disclosed above and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no other Shareholder or Director (other than independent non-executive Directors) will be required to abstain from voting in favour of the resolution to approve the Rights Issue at the EGM.

PROPOSED CAPITAL REDUCTION

The Company proposes to put forward to the Shareholders a Capital Reduction proposal which will take place after the completion of the Rights Issue (together with, subject to the satisfaction of the conditions precedent of the RCPS, the option to subscribe for the RCPS) and will involve the following:

- (i) the reduction of issued share capital whereby the par value of each issued Consolidated Share and RCPS will be reduced from US\$0.10 to US\$0.01 by canceling US\$0.09 of the paid-up capital on each issued Consolidated Share and RCPS;
- (ii) each authorized but unissued share Consolidated Share and RCPS of par value of US\$0.10 will be subdivided into 10 unissued Adjusted Shares;
- (iii) the board proposes to transfer and apply the credit arising from the Capital Reduction along with the entire amount standing to the credit of the share premium account of the Company to set off substantially against the accumulated losses of the Company which may be applied in such manner as is permitted by and subject to the laws of the Cayman Islands and the Articles of the Company.

Effect of the Capital Reduction

As at the date of this announcement, the authorised share capital of the Company is US\$40,001,000 divided into 4,000,000,000 Shares of US\$0.01 each and 100,000 convertible redeemable preference shares of US\$0.01 each, of which 490,597,984 ordinary shares are in issue and are fully paid and nil convertible redeemable preference share is in issue. Upon the Capital Reorganization becoming effective and the completion of the Rights Issue, the authorised share capital of the Company will become US\$200,000,000 of 2,000,000,000 Consolidated Shares into (a) 1,900,000,000 Consolidated Shares of US\$0.10 each and (b) 100,000,000 RCPS of US\$0.10 each, of which 98,119,596 Consolidated Shares and a minimum of 6,500,000 RCPS or a maximum of 24,529,899 RCPS of US\$0.10 each will be in issue (on the assumption that no further Shares (save and except for the Rights Shares and the RCPS pursuant to the Rights Issue) will be issued or repurchased by the Company after the date of this announcement). The nominal value of the issued Consolidated Shares of the Company immediately before the Capital Reduction becoming effective will be approximately US\$9,811,960. By cancelling US\$0.09 of the paid up capital on each issued Consolidated Share, a credit of approximately US\$8,830,764 will arise as a result of the Capital Reduction.

Assuming all the Outstanding Warrants and Outstanding Convertible Bonds are exercised before the Record Date, their full participation in the Rights Issue and full subscription of the RCPS, a total of 398,619,518 Consolidated Shares and 99,654,880 RCPS will be in issue immediately after the completion of the Rights Issue. The nominal value of the issued Consolidated Shares of the Company will be approximately US\$39,861,952 immediately before the Capital Reduction becoming effective. Upon the Capital Reduction becoming effective, a credit of approximately US\$35,875,757 will arise.

Such credit along with the entire amount standing to the credit of the share premium account of the Company will be transferred and applied by the Directors to set off substantially against the accumulated losses of the Company. The share premium and accumulated losses of the Company were approximately US\$108 million and US\$139 million respectively as shown in the unaudited financial statements of the Company for the period ended 31 March 2011.

Implementation of the Capital Reduction will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Directors believe that the Capital Reduction will not have any adverse effect on the financial position of the Company and its subsidiaries and the Directors believe that on the date the Capital Reduction is to be effected, there are no reasonable grounds to believe that the Company is, or after the Capital Reduction will be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reduction and, except for the expenses involved in relation to the Capital Reduction which is expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reduction becoming effective. The Capital Reduction do not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company. The Capital Reduction will not result in any change in the relative rights of the Shareholders.

It is expected that the completion of the Capital Reduction will take place after the completion of the Rights Issue. In the event the Rights Issue does not become unconditional, the Capital Reduction will still proceed.

Reason for the Capital Reduction

The Directors consider that the Capital Reduction will give greater flexibility to the Company to raise funds through the issue of new Adjusted Shares in the future and the elimination of a substantial amount of the Company's accumulated loss will allow greater flexibility for the Company to pay dividends in the future. As such, the Directors are of the view that the Capital Reduction is in the interests of the Company and the Shareholders as a whole. At this stage, there can be no assurance that a dividend will be declared or paid in the future even if the Capital Reduction becomes effective.

Conditions of the Capital Reduction

The Capital Reduction is conditional upon the fulfillment of the following conditions:

- (i) the passing by Shareholders of a special resolution at the EGM by way of poll to approve the Capital Reduction;
- (ii) an order being made by the Court confirming the Capital Reduction;
- (iii) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Court order and the minute approved by the Court pursuant to the Companies Law;
- (iv) compliance with any conditions which the Court may impose; and
- (v) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in the Adjusted Shares in issue or to be issued by the Company.

An application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares.

Upon the conditions mentioned above being fulfilled, the Capital Reduction and the listing of the Adjusted Shares will become effective. A further announcement will be made by the Company to inform the shareholders of the arrangements for the free exchange of the Adjusted Share certificates for the Consolidated Share certificates.

Expected timetable for Capital Reorganization and the Rights Issue

Note: All references to time in this announcement are references to Hong Kong time.

Dates or deadlines specified in this announcement for events in the following timetable is indicative only and may be extended or varied by agreement between the Company and the Underwriter, and subject to the approval by the Stock Exchange of such amendments. Any consequential changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

Expected date of despatch of the Circular and
notice of the EGM Not later than Thursday, 23 June 2011

Last day of dealings in the Existing Shares on
a cum-right basis Wednesday, 6 July 2011

Commencement of dealings in the Existing Shares
on an ex-right basis 9:00 a.m. on Thursday,
7 July 2011

Latest time for lodging transfer of the Existing Shares
in order to be qualified for the Rights Issue 4:30 p.m. on Friday,
8 July 2011

Closure of register of members to determine
the eligibility of the Rights Issue
(both dates inclusive) Monday, 11 July 2011 to
Friday, 15 July 2011

Latest time for lodging proxy forms for the EGM 10:00 a.m. on Wednesday,
13 July 2011

Record Date for the Rights Issue Friday, 15 July 2011

Expected date of the EGM 10:00 a.m. on Friday, 15 July 2011

Announcement of the results of the EGM to
be posted on the Stock Exchange's website and
the Company's website Not later than 11:00 p.m. on Friday,
15 July 2011

Effective date of the Capital Reorganization Monday, 18 July 2011

Commencement of dealings in the Consolidated Shares 9:00 a.m. on Monday,
18 July 2011

Original counter for trading in the Existing Shares
in existing share certificates in board lots of
2,000 Existing Shares temporarily closes 9:00 a.m. on Monday,
18 July 2011

Temporary counter for trading in board lots of
200 Consolidated Shares (in the form of
existing share certificates) opens 9:00 a.m. on Monday, 18 July 2011

First day of free exchange of certificates for
the Existing Shares into new certificates for
the Consolidated Shares Monday, 18 July 2011

Despatch of the Prospectus Documents Monday, 18 July 2011

Register of members re-opens Monday, 18 July 2011

First day of dealings in nil-paid Rights Shares Wednesday, 20 July 2011

Latest time for splitting in nil-paid Rights Shares 4:30 p.m. on Friday, 22 July 2011

Last day of dealing in nil-paid Rights Shares Wednesday, 27 July 2011

Original counter for trading in the Consolidated Shares
in board lots of 2,000 (only new certificates for
the Consolidated Shares can be traded
at this counter) re-opens 9:00 a.m. on Monday, 1 August 2011

Parallel trading in the Consolidated Shares
(in the form of new and existing certificates)
commences 9:00 a.m. on Monday, 1 August 2011

Odd lot arrangement commences Monday, 1 August 2011

Latest time for acceptance of, and payment for,
the Rights Shares and the initial subscription
amount of RCPS; application for
excess Rights Shares 4:00 p.m. on Monday, 1 August 2011

Latest time to terminate the Underwriting Agreement
and for the Rights Issue to become unconditional . 4:00 p.m. on Thursday, 4 August 2011

Announcement of results of the Rights Issue Thursday, 11 August 2011

Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted on or before Thursday, 11 August 2011

Certificates for the Rights Shares expected to be despatched on or before Thursday, 11 August 2011

Commencement of dealing in fully-paid Rights Shares Monday, 15 August 2011

Temporary counter for trading in board lots of 200 Consolidated Shares (in the form of existing share certificates) closes 4:00 p.m. on Friday, 19 August 2011

Parallel trading in the Consolidated Shares (in the form of new and existing certificates) ends 4:00 p.m. on Friday, 19 August 2011

Odd lot arrangement ends Friday, 19 August 2011

Last day of free exchange of certificates for the Existing Shares into new certificates for the Consolidated Shares Tuesday, 23 August 2011

The Capital Reduction is tentatively scheduled to be completed in mid November 2011, the date of which is subject to the fulfillment of the conditions of the Capital Reduction and the sanction of the Court. Free exchange of share certificates for the Consolidated Shares into new certificates for the Adjusted Shares will commence after the Capital Reduction becoming effective. Further announcement will be made by the Company when the timetable for the Capital Reduction can be confirmed.

ADJUSTMENT IN RELATION TO THE OUTSTANDING OPTIONS, OUTSTANDING WARRANTS AND OUTSTANDING CONVERTIBLE BONDS

Upon the Capital Reorganization becoming effective and the completion of the Rights Issue, the exercise price and (in the case of the Outstanding Convertible Bonds and the Outstanding Warrants) the number of the Consolidated Shares to be issued under the Outstanding Options, Outstanding Convertible Bonds and the Outstanding Warrants, respectively, will be adjusted in accordance with the relevant provisions of the agreements relating to the Outstanding Options, Outstanding Convertible Bonds and the Outstanding Warrants, respectively. As such adjustments can only be finalized after the Record Date, the Company will make an announcement of such adjustments in due course.

INDEPENDENT BOARD COMMITTEES

The Independent Board Committee comprising all the independent non-executive Directors has been established to make recommendations to the Independent Shareholders as to whether the Rights Issue (together with the option to subscribe for the RCPS) is fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote in relation to the Rights Issue at the EGM.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue (together with the RCPS). A further announcement will be made immediately following the appointment of the independent financial adviser.

CIRCULAR

The Circular setting out, among other things, (i) further details about (a) the Capital Reorganization; (b) the Rights Issue and the RCPS; and (c) the Capital Reduction; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out their recommendation in relation to the Rights Issue (together with the option to subscribe for the RCPS); (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (together with the option to subscribe for the RCPS); and (iv) a notice of the EGM, will be despatched to the Shareholders as soon as practicable.

Subject to the Rights Issue being approved by the Independent Shareholders at the EGM by way of poll, the Prospectus Documents containing further information on the Rights Issue will be despatched to the Shareholders on or about Thursday, 23 June 2011. Information in relation to the RCPS will also be included in the Prospectus Documents subject to the Shareholders approving the Capital Reorganization, the Rights Issue and the issue of the RCPS.

DEFINITIONS

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

“Adjusted Shares”	the ordinary share(s) and RCPS of US\$0.01 each in the share capital of the Company immediately upon the Capital Reduction becoming effective
“Articles”	the articles of association of the Company
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday and public holiday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which the banks are open for business in Hong Kong
“Capital Reduction”	the proposal for the reduction of the par value of the issued Consolidated Shares and issued RCPS from US\$0.10 each to US\$0.01 each by canceling US\$0.09 of the paid-up capital on each issued Consolidated Share and issued RCPS

“Capital Reorganization”	the proposed capital reorganization of the Company involving the Diminution, the Share Consolidation, the increase in authorised share capital and the Redesignation and Reclassification of Authorized Share Capital
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be despatched to the Shareholders setting out (i) further details on (a) the Capital Reorganization; (b) the Rights Issue and the RCPS; and (c) the Capital Reduction; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out their recommendation in relation to the Rights Issue (together with the option to subscribe for the RCPS); (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue (together with the right to subscribe for the RCPS); and (iv) a notice of the EGM
“Companies Law”	The Companies Law (Revised) of the Cayman Islands for the time being in force and as amended from time to time
“Company”	Crosby Capital Limited, a company incorporated under the laws of Cayman Islands with limited liability and the Existing Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company after Share Consolidation becomes effective and prior to the Capital Reduction
“Court”	the Grand Court of the Cayman Islands
“Crosby Management”	Crosby Management Holdings Limited, a company incorporated under the laws British Virgin Islands and a substantial Shareholder of the Company which legally and beneficially owns 130,000,000 Existing Shares, representing approximately 26.5% of the entire issued share capital of the Company as at the date of this announcement. Crosby Management is beneficially owned as to 52% by Mr. Nelson Tang Yu Ming and 34.70% by Mr. Jeffrey Lau Chun Hung
“Diminution”	the proposed diminution of the existing unissued 100,000 convertible redeemable preference shares of US\$0.01 each in the authorized share capital of the Company as at the date of this announcement
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Capital Reorganization; (ii) amendment of the memorandum and articles of association of the Company in relation to the Capital Reorganization; (iii) the Rights Issue; (iv) the issue of RCPS and (v) the Capital Reduction
“Emperor Securities”	Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Excess Application Form(s)” or “EAF(s)”	the form of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter
“Excluded Overseas Shareholders”	the Overseas Shareholder(s) where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares and the RCPS to such Shareholders
“Exercisable Outstanding Options”	23,980,000 of the Outstanding Options which are exercisable as at the Record Date pursuant to the terms of the share option scheme of the Company
“Existing Share(s)”	the ordinary share(s) of US\$0.01 each in the existing share capital of the Company, before the Share Consolidation and Capital Reduction becoming effective
“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
“HK\$”	Hong Kong Dollar
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	The independent board committee of the Board comprising all the Independent Non-Executive Directors, namely Mr. Daniel Yen Tzu Chen, Mr. Joseph Tong Tze Kay and Mr. David John Robinson Herratt, established to give recommendations to the Shareholders regarding the Rights Issue and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s) other than those Directors and their associates who are required to abstain from voting in favour of the Rights Issue
“Last Trading Day”	1 June 2011, being the last trading day of the Existing Shares prior to date of release of this announcement
“Latest Time for Termination”	being the third business day after the latest time for acceptance of, and payment for, the offer of Rights Shares as described in the Prospectus, currently being 4:00 p.m. on Thursday, 4 August 2011
“Outstanding Convertible Bonds”	the outstanding zero coupon convertible bond issued by the Company with an aggregate principal amount of HK\$250 million, details of which are set out in the announcements of the Company dated 4 October 2010 and 30 March 2011
“Outstanding Options”	the outstanding unexercised share options of the Company entitling the holders to subscribe for 43,480,000 Existing Shares
“Outstanding Warrants”	the outstanding unlisted warrants of the Company entitling holders to subscribe up to HK\$4,500,000 for 3,000,000 Consolidated Shares at the exercise price of HK\$1.50 per Consolidated Share
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company as at the close of the business on the Record Date and whose addresses as shown on such register are outside Hong Kong
“Posting Date”	being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and despatch of the Prospectus to the Excluded Overseas Shareholders for information only, currently being Monday, 18 July 2011
“PRC”	The People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the Rights Issue prospectus to be despatched to Shareholders
“Prospectus Documents”	the Prospectus, the PALs and the EAFs

“Provisional Allotment Letter(s)” or “PAL(s)”	the provisional allotment letter to be used in connection with the Rights Issue proposed to be issued to the Qualifying Shareholders, being in such usual form as may be agreed between the Company and the Underwriter
“Qualifying Shareholder(s)”	Shareholder(s) other than the Excluded Overseas Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date
“RCPS”	the unlisted redeemable convertible preference shares of US\$0.10 each in the share capital of the Company upon the Redesignation and Reclassification of Authorized Share Capital becoming effective
“RCPS Conversion Price”	the initial conversion price of HK\$1.23 per Consolidated Share (subject to adjustment)
“RCPS Subscription Price”	US\$2.00 per RCPS, of which US\$0.10 per RCPS to be paid on subscription (which will be at the same time when the Qualifying Shareholders pay for their entitlement or excess application for the Rights Shares), with the remaining balance of US\$1.90 per RCPS to be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company
“Record Date”	the record date by reference to which entitlements to the Rights Issue will be determined, currently being Friday, 15 July 2011
“Redesignation and Reclassification of Authorized Share Capital”	the redesignation and reclassification of the authorized share capital of the Company of US\$200,000,000 of 2,000,000,000 Shares into (a) 1,900,000,000 ordinary shares of par value US\$0.10 each and (b) 100,000,000 RCPS of par value US\$0.10 each, all having the rights and subject to the rights and restrictions set out in the memorandum and articles of association to be amended by the Company upon obtaining the approval of the shareholders of the Company
“Registrar”	Computershare Hong Kong Investor Services Limited with registered office at 46th Floor., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the Company’s Hong Kong branch share registrar
“Rights Issue”	the proposed issue by way of rights issue of the Rights Shares at the Subscription Price on the basis of one Rights Share for every one Consolidated Share then held on the Record Date

“Rights Share(s)”	a maximum of 199,309,759 Consolidated Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of one Rights Shares for every one Consolidated Share held on the Record Date pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	the Existing Share(s), the Consolidated Share(s), the Adjusted Share(s) and RCPS as the case may be
“Share Consolidation”	the proposed consolidation of every ten Existing Shares of US\$0.01 each into one Consolidated Share of US\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Existing Share(s), the Consolidated Share(s) or the Adjusted Share(s), as the case may be
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the undertakings, warranties and representations given by the Company under the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price for the Rights Shares, being HK\$0.8 per Rights Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Repurchases
“Underwriter”	Emperor Securities
“Underwriting Agreement”	the underwriting agreement dated 2 June 2011 in relation to the Rights Issue entered into between the Company and the Underwriter
“%”	per cent.

By Order of the Board
Crosby Capital Limited
Ulric Leung Yuk Lun
Executive Director

Hong Kong, 2 June 2011

As at the date of this announcement, the Board comprises:

Executive Directors: Johnny Chan Kok Chung, Ulric Leung Yuk Lun and Jeffrey Lau Chun Hung

Non-Executive Director: Ahmad S. Al-Khaled

Independent Non-Executive Directors: Daniel Yen Tzu Chen, Joseph Tong Tze Kay and David John Robinson Herratt

This announcement, for which the Directors of the Company 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 announcement 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 announcement misleading or deceptive.

This announcement will remain on the “Latest Company Announcements” page of the GEM website for 7 days from the date of its publication and on the website of the Company at <http://www.crosbycapitallimited.com>.