

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

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

If you have sold or transferred all your securities in Crosby Capital Limited (the "Company"), you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this prospectus.

Dealings in the securities of the Company and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms 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 in both their nil-paid and fully-paid forms 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of any of the Prospectus Documents.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

**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 ALLOTTED AND TAKEN UP**

**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

The latest time for acceptance and payment for the Right Shares is 4:00 p.m. on Monday, 5 September 2011. The Procedure for acceptance and payment or transfer of the Rights Shares is set out on pages 16 to 17 of this prospectus.

It should be noted that dealings in the Rights Shares in the nil-paid form will take place from Thursday, 25 August 2011 to Wednesday, 31 August 2011 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Thursday, 25 August 2011 to Wednesday, 31 August 2011 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Latest Time For Termination to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the paragraph headed "Termination of the Underwriting Agreement" on pages 21 to 22 of this prospectus. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 22 to 23 of this prospectus being fulfilled or waived (as applicable). In the event that the above conditions have not been satisfied and/or waived in whole or in part by the Underwriter on or before 4:00 p.m. on Thursday, 8 September 2011 (or such later date as the Underwriter and the Company may agree), the Underwriting Agreement shall terminate and no party shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

This prospectus will remain on the "Latest Company Announcement" page of the GEM website and on the website of the Company at [www.crosbycapitallimited.com](http://www.crosbycapitallimited.com) for at least 7 days from the date of its publication.

\* for identification purpose only

## CHARACTERISTICS OF GEM

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

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

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## EXPECTED TIMETABLE

*Set out below is an indicative timetable for the implementation of the Rights Issue:*

Despatch of the Prospectus Documents	Tuesday, 23 August 2011
First day of dealings in nil-paid Rights Shares	Thursday, 25 August 2011
Latest time for splitting in nil-paid Rights Shares	4:30 p.m. on Friday, 26 August 2011
Original counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares (only new certificates for the Consolidated Shares can be traded at this counter) re-opens	9:00 a.m. on Monday, 29 August 2011
Parallel trading in the Consolidated Shares (in the form of new and existing certificates) commences	9:00 a.m. on Monday, 29 August 2011
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	Monday, 29 August 2011
Last day of dealing in nil-paid Rights Shares	Wednesday, 31 August 2011
Latest time for acceptance of, and payment for, the Rights Shares, application for excess Rights Shares and initial subscription amount of RCPS	4:00 p.m. on Monday, 5 September 2011
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Thursday, 8 September 2011
Announcement of results of the Rights Issue	Monday, 12 September 2011
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares and initial subscription amount of RCPS expected to be posted on or before	Wednesday, 14 September 2011
Certificates for the Rights Shares and RCPS expected to be despatched on or before	Wednesday, 14 September 2011
Dealings in fully-paid Rights Shares commence	9:00 a.m. on Friday, 16 September 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 Monday, 19 September 2011

## EXPECTED TIMETABLE

Parallel trading in the Consolidated Shares

(in the form of new and existing certificates) ends . . . . . 4:00 p.m. on Monday,  
19 September 2011

Designated broker ceases to stand in the market to  
provide matching services for the sale and purchase

of odd lots of the Consolidated Shares . . . . . Monday, 19 September 2011

Last day of free exchange of certificates for

Old Shares into new certificates for

the Consolidated Shares . . . . . Thursday, 22 September 2011

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

Dates or deadlines specified in this prospectus are indicative only and may be extended or varied by agreement between the Company and the Underwriter, 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.

### **Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares**

If there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning
  - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 5 September 2011, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Right Shares will not take place at 4:00 p.m. on Monday, 5 September 2011, but will be extended to 5:00 p.m. on the same day instead; and
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 5 September 2011, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Right Shares will not take place on Monday, 5 September 2011, but will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Monday, 5 September 2011, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 2 June 2011 in relation to, among other things, the Capital Reorganisation, proposed Rights Issue and proposed Capital Reduction
“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 banks are open for business in Hong Kong
“Capital Reorganization”	the reorganisation of the capital of the Company as set out in the Circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 21 July 2011 in relation to, among other things, the Capital Reorganization, the change in board lot size and the Rights Issue with option to subscribe for RCPS
“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 the Cayman Islands with limited liability and the Consolidated Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules

## DEFINITIONS

“Consolidated Share(s)”	the existing ordinary share(s) of US\$0.10 each in the share capital of the Company after the Share Consolidation became effective on Monday, 15 August 2011 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 of the British Virgin Islands and a substantial Shareholder of the Company which, as at the Latest Practicable Date, legally and beneficially owned 13,000,000 Consolidated Shares, representing approximately 26.5% of the entire issued share capital of the Company as at the Latest Practicable Date. Crosby Management is beneficially owned as to 96.7% by Mr. Nelson Tang Yu Ming
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company convened and held on Friday, 12 August 2011 at which (i) the Capital Reorganization; (ii) the Rights Issue; (iii) the issue of RCPS; (iv) the Capital Reduction; (v) the specific mandate for adjustment to the Outstanding Warrants and (vi) the specific mandate for adjustment to the Outstanding Options were approved
“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

## DEFINITIONS

“Exercisable Outstanding Options”	2,398,000 of the Outstanding Options which are exercisable as at the Record Date pursuant to the terms of the Share Option Scheme of the Company
“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 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 Old Shares prior to date of release of the Announcement
“Latest Practicable Date”	18 August 2011, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“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, 8 September 2011
“Old Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company, before the Share Consolidation became effective on Monday, 15 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 were 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, as at the Latest Practicable Date, for 4,348,000 Consolidated Shares



## DEFINITIONS

“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
“PRC”	The People’s Republic of China, which for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Bonds”	The US\$75 million zero coupon convertible bonds of the Company due March 2011 issued in March 2006, details of which were set out in the announcement of the Company dated 7 March 2006
“Prospectus Documents”	this 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 and the RCPS 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 Authorised Share Capital becoming effective, the principal terms of which are set out in Appendix IV of this prospectus and the final terms of which were tabled and adopted by the Shareholders at the EGM
“RCPS Conversion Price”	the initial conversion price of HK\$1.23 per Consolidated Share (subject to adjustment)

## DEFINITIONS

“RCPS Subscription Price”	US\$2.00 per RCPS, of which US\$0.10 per RCPS is 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”	Thursday, 18 August 2011, being the date by reference to which entitlements to the Rights Issue were determined
“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)”	49,059,798 Consolidated Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of one Rights Share 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 Consolidated Share(s) and the RCPS, as the case may be
“Share Consolidation”	the consolidation of every ten Old 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 Consolidated Share(s) and the RCPS, as the case may be
“Share Option Scheme”	the employee share option scheme of the Company approved at the extraordinary general meeting of the Company dated 27 March 2002
“Shikumen”	Shikumen Capital Management (HK) Limited, a wholly owned subsidiary of the Company

## DEFINITIONS

“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 contained in clause 11.1 of 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\$0.80 per Rights Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Repurchases
“Tranche 1 Convertible Bonds”	the first tranche of the Outstanding Convertible Bonds issued by the Company on 4 October 2010 with an aggregate principal amount of HK\$160 million as set out in the circular of the Company dated 26 July 2010
“Tranche 2 Convertible Bonds”	the second tranche of the Outstanding Convertible Bonds issued by the Company on 30 March 2011 with an aggregate principal amount of HK\$90 million as set out in the circular of the Company dated 26 July 2010
“Terms and Conditions of the Warrants”	the terms and conditions of the warrants as set out in the warrant instrument dated 4 October 2010 issued by the Company
“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.

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

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

**(Stock Code: 8088)**

*Executive Directors:*

Johnny Chan Kok Chung  
Ulric Leung Yuk Lun  
Jeffrey Lau Chun Hung

*Registered Office:*

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

*Non-Executive Director:*

Ahmad S. Al-Khaled

*Independent Non-Executive Directors:*

Daniel Yen Tzu Chen  
Joseph Tong Tze Kay  
David John Robinson Herratt

*Head Office and principal place of business  
in Hong Kong:*

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

23 August 2011

*To the Qualifying Shareholders and for information only,  
the Excluded Overseas Shareholders,  
holders of Outstanding Options  
granted under the Share Option Scheme and  
holders of the Outstanding Convertible Bonds and  
Outstanding Warrants*

Dear Sir or Madam,

**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 ALLOTTED AND TAKEN UP**

**INTRODUCTION**

On 2 June 2011, the Board announced that the Company proposed to raise a minimum of approximately HK\$39.25 million before expenses (assuming no Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants are

\* For identification purpose only

## LETTER FROM THE BOARD

exercised before the Record Date) and a maximum of approximately HK\$159.45 million before expenses (assuming all Exercisable Outstanding Options, Outstanding Convertible Bonds and Outstanding Warrants are exercised before the Record Date), by way of the Rights Issue of 49,059,798 Rights Shares and not more than 199,309,759 Rights Shares, respectively, at the Subscription Price of HK\$0.80 per Rights Share on the basis of one Rights Shares for every one Consolidated Share held on the Record Date and payable in full on acceptance.

The Capital Reorganisation, the Rights Issue and the issue of the RCPS were approved by the Shareholders at the EGM held on Friday, 12 August 2011. The Capital Reorganisation became effective on Monday, 15 August 2011.

From the date of Announcement to the Record Date, no Consolidated Shares had been issued pursuant to any exercises under any Exercisable Outstanding Options, Outstanding Convertible Bonds or Outstanding Warrants. Therefore, the issued share capital of the Company as at the Record Date was the same as at the date of Announcement (apart from the effects of the Share Consolidation), namely 490,597,984 Old Shares which was equivalent to 49,059,798 Consolidated Shares.

Each Qualifying Shareholder and holder of nil-paid Rights Shares 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 allotted and taken up at the RCPS Subscription Price of US\$2.00 per RCPS, of which US\$0.10 per RCPS has to be paid upon subscription. 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.

The purpose of this prospectus is to provide you with, amongst other matters, further details regarding the Rights Issue and the RCPS including information on dealings in, transfer and application for the Rights Shares and RCPS and financial and other information of the Group.

## LETTER FROM THE BOARD

### RIGHTS ISSUE WITH OPTION TO SUBSCRIBE FOR RCPS

The Company proposes to raise approximately 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 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 Consolidated Shares in issue as at the Record Date	:	49,059,798 Consolidated Shares
Number of Rights Shares	:	49,059,798 Rights Shares
Number of Consolidated Shares in issue upon completion of the Rights Issue	:	98,119,596 Consolidated Shares

Each Qualifying Shareholder and holder of nil-paid Rights Shares 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 allotted and taken up 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.

## LETTER FROM THE BOARD

Crosby Management has undertaken to subscribe for its entitlement of 13,000,000 Rights Shares, representing approximately 26.5% of all the Rights Shares at an aggregate subscription price of approximately HK\$10.40 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 initial RCPS Subscription Price payable by Crosby Management will be approximately US\$650,000 (approximately HK\$5.1 million). 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.

Based on the number of Consolidated Shares as at Record Date, if all the Qualifying Shareholders (including Crosby Management) elect to subscribe for their RCPS, 24,529,899 RCPS will be issued. A sum of approximately US\$2.45 million (approximately HK\$19.13 million), including the amount payable by Crosby Management above, 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.

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 Consolidated Shares as at the date of this prospectus.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders, who were registered as a member of the Company at the close of business on the Record Date.

The Company has offered the Rights Shares (with option to subscribe for RCPS) for subscription to the Qualifying Shareholders only. For the Excluded Overseas Shareholders, the Company has sent copies of the Prospectus to them for their information only, but the Company has not sent any PAL or EAF to the Excluded Overseas Shareholders.

### **Registration and distribution of Prospectus Documents**

Distribution of this prospectus and the other Prospectus Documents into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of the Prospectus Documents (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any Shareholder who is in any doubt as of his/her/its position should consult an appropriate professional adviser without delay.

No action has been taken to permit the offering of the Rights Shares and the RCPS or the distribution of this prospectus, the PAL or the EAF in any territory other than

## LETTER FROM THE BOARD

Hong Kong. Subject to the paragraph headed “Rights of the Overseas Shareholders” below, no person receiving a copy of the PAL or the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, the excess Rights Shares, the RCPS attached to the Rights Shares or the excess RCPS attached to the excess Rights Shares, as the case may be, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registrations or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to make an application for the Rights Shares, the excess Rights Shares, the RCPS attached to the Rights Shares or the excess RCPS attached to the excess Rights Shares, as the case may be, to satisfy himself/herself/itself/themselves as to the observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith.

No application for the Rights Shares, the excess Rights Shares, the RCPS attached to the Rights Shares or the excess RCPS attached to the excess Rights Shares, as the case may be, will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for the Rights Shares, the excess Rights Shares, the RCPS attached to the Rights Shares or the excess RCPS attached to the excess Rights Shares, as the case may be, where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirement have been complied with. Shareholders should consult their professional advisers if in any doubt.

### **Rights of Overseas Shareholders**

If, at the close of business on the Record Date, a Shareholder’s address on the register of member of the Company was in a place outside Hong Kong, that Overseas Shareholder may not be eligible to take part in the Rights Issue as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong.

Having reviewed the register of members as at the Latest Practicable Date, the Company noted that 11 Shareholders maintained addresses located in Canada, Singapore, the United Kingdom and the United States of America. The Company has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to making the Rights Issue in such jurisdictions. Based on the legal opinions obtained, the Directors have determined that (i) it is inexpedient for the Rights Shares to be offered to the shareholders whose addresses are located in Canada and the United States of America, and (ii) it is expedient for the Rights Shares to be offered to the



## LETTER FROM THE BOARD

shareholders in Singapore and the United Kingdom. Accordingly, the Rights Issue will not be extended to the Excluded Overseas Shareholders with registered addresses in Canada and the United States of America. The Company will send this prospectus to them for their information only but will not send any PAL or EAF to them. On the other hand, the Rights Issue will be extended to the Overseas Shareholders with registered addresses in Singapore and the United Kingdom as there is no applicable legal restriction against nor statutory filing or registration requirement required in such jurisdictions in despatching the Prospectus Documents and extending the Rights Issue to the Overseas Shareholders in such jurisdictions. Therefore, the Overseas Shareholders whose registered addresses are in Singapore and the United Kingdom are Qualifying Shareholders and the Rights Issue will be available to such Overseas Shareholders and the Prospectus Documents shall be sent to such Overseas Shareholders.

Based on the legal opinions obtained from the overseas legal advisers of the Company, the Directors have determined that it is inexpedient and not necessary for the Rights Issue to be extended to the Excluded Overseas Shareholders in Canada and the United States of America for the following reasons:-

- (i) the prospectus will be required to be registered or filed with or subject to approval by the relevant authorities and the Company would need to take additional steps to comply with the local legal and regulatory requirements if the Rights Issue were extended to the Excluded Overseas Shareholders. The Directors are of the view that it is not expedient or necessary to extend the Rights Issue to the Excluded Overseas Shareholders due to the time and costs involved in the registration of the prospectus and/or the compliance with the relevant local legal or regulatory requirements in those jurisdictions; or
- (ii) there are certain exemptions which apply to the Excluded Overseas Shareholders in Canada that exempt the prospectus from registration with the relevant authorities. However, the Directors consider that the Company is not able to rely on such an exemption and they have determined that it is not expedient or necessary to extend the Rights Issue to the Excluded Overseas Shareholders in Canada.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Net proceeds after deducting the expenses of sale (if any) of HK\$100 or more shall be distributed pro rata (but rounded down to the nearest cent) to the Excluded Overseas Shareholders. Individual amounts of less than HK\$100 shall be retained by the Company for its own benefit. Any unsold rights of the Excluded Overseas Shareholders will be made available for excess application by the Qualifying Shareholders and allocated on a fair and equitable basis.

### **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.

## LETTER FROM THE BOARD

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 Old 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 Old 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;
- (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 Old Share as quoted on the Stock Exchange on the Last Trading Date and adjusted for the effect of the Share Consolidation; and
- (iv) a premium of approximately 19.40% to the closing price of HK\$0.67 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at between the Company and the Underwriter with reference to the prevailing market price of the Old 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 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 approximately HK\$36.42 million, the net price per Rights Share would be approximately HK\$0.74.

### **Basis of Provisional Allotment**

The basis of the provisional allotment shall be one Rights Share for every Consolidated Share held by a Qualifying Shareholder on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

### **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. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

## LETTER FROM THE BOARD

### 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.

### Procedures for acceptance and payment or transfer

Qualifying Shareholders will find enclosed with this prospectus a PAL which entitles them to subscribe for the number of Rights Shares shown therein and the option to subscribe for such number of RCPS they wish to take up. The maximum number of RCPS applied for shall not be more than half of the Rights Share provisionally allotted to the Qualifying Shareholders rounded down to the nearest whole number. If the Qualifying Shareholders wish to accept the provisional allotment of the Rights Shares and exercise the option to subscribe for the corresponding RCPS in full, the Qualifying Shareholders must lodge the PAL in accordance with the instructions printed thereon, together with

- (a) in case of the Rights Share, a remittance by cheque or cashier's order in Hong Kong dollars for the full amount payable on acceptance. Cheques must be drawn on an account with, and cashier's orders must be issued by a licensed bank in Hong Kong and made payable to "CROSBY CAPITAL LIMITED – RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY"; and
- (b) in case of the subscription for RCPS, a remittance by cheque or cashier's order in United States dollars for the full amount payable for the number of RCPS applied for in the PAL. Cheques must be drawn on an account with, and cashier's orders must be issued by a licensed bank in Hong Kong and made payable to "CROSBY CAPITAL LIMITED – RCPS ACCOUNT" and crossed "ACCOUNT PAYEE ONLY". The amount of remittance payable for the RCPS together with the form shall be US\$0.10 for each RCPS (being the initial RCPS Subscription Price).

with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Monday, 5 September 2011. Separate cheques or cashier's orders are required when applying the RCPS and the Rights Shares details of which are set out above.

It should be noted that unless the duly completed PAL, together with the appropriate remittance(s), has been lodged with the Registrar by 4:00 p.m. on Monday, 5 September 2011, whether by the original allottee or any person to whom the rights to subscribe for the Rights Shares (together with the corresponding option to subscribe for RCPS) have been validly transferred, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by other Qualifying Shareholders.

## LETTER FROM THE BOARD

If the Qualifying Shareholders wish to accept only part of their provisional allotment and/or to transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them, under the PAL or to transfer their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 26 August 2011, to the Registrar who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares and the RCPS by the Qualifying Shareholders. All cheques and cashier's orders accompanying completed PALs will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque and/or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by the applicant that the cheque and/or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. If the Underwriter exercises the rights to terminate the Underwriting Agreement in accordance with the terms thereof and/or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of acceptances of the Rights Shares and the RCPS will be returned to the Qualifying Shareholders or such other persons who have accepted or acquired the Rights Shares and/or the RCPS and to whom the nil-paid Rights Shares shall have been validly transferred, without interest by means of cheques despatched by ordinary post to their respective registered addresses at their own risk on Wednesday, 14 September 2011.

### **Application for excess Rights Shares and RCPS attached to such excess Rights Shares**

Qualifying Shareholders may apply by using the EAF for any unsold entitlements of the Excluded Overseas Shareholders and any Rights Shares provisionally allotted but not taken up by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares and the excess RCPS attached to such excess Rights Shares applied for (if any) may be made by Qualifying Shareholders completing and signing the EAF and lodging the EAF with the Registrar together with

- (a) in case of the excess Rights Share, a separate remittance by cheque or cashier's order in Hong Kong dollars for the full amount payable on application in respect of the excess Rights Shares applied for. Cheques must be drawn on an account with, and cashier's orders must be issued by a licensed bank in Hong Kong and made payable to "CROSBY CAPITAL LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY"; and
- (b) in case of the subscription for excess RCPS attached to the excess Rights Shares applied for, a remittance by cheque or cashier's order in United States dollars for the full amount payable on application in respect of the excess RCPS applied for (the initial subscription amount payable is US\$0.10 for each RCPS). Cheques must be drawn on an account with, and cashier's orders must be issued by a licensed bank in Hong Kong and made payable to "CROSBY CAPITAL LIMITED – RCPS EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

## LETTER FROM THE BOARD

by no later than 4:00 p.m. on Monday, 5 September 2011.

The maximum number of excess RCPS applied for shall not be more than half of the number of excess Rights Shares applied for rounded down to the nearest whole number. No independent application for any excess RCPS will be accepted without the corresponding application for the excess Rights Shares.

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 who have elected to subscribe for the RCPS attached to the excess Rights Shares they apply for using the EAF will be allotted such number of RCPS equal to the lower of (i) the number of the RCPS they have applied for in the EAF and (ii) the number of RCPS calculated on the basis of one RCPS for every two excess Rights Shares allotted to and taken up by the Qualifying Shareholders.

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 and/or excess RCPS will not be extended to beneficial owners individually.

Shareholders or potential investors should note that the number of excess Rights Shares and/or excess RCPS which may be allocated to them may be different where they make applications for excess Rights Shares and/or excess RCPS 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 and/or excess RCPS themselves.

The Qualifying Shareholder(s) will be notified of any allotment of excess Rights Shares and/or RCPS made to him/her/it/them on or about Monday, 12 September 2011 by way of announcement. If no excess Rights Shares and/or RCPS are allotted to the Qualifying Shareholder who has applied for excess Rights Shares and/or RCPS, it is expected that a cheque for the amount tendered on application in full without interest will be posted to his/her/its registered address by ordinary post at his/her/its own risk on or

## LETTER FROM THE BOARD

before Wednesday, 14 September 2011. If the number of excess Rights Shares and the number of excess RCPS allotted to the Qualifying Shareholders are less than that applied for, it is expected that a cheque in Hong Kong dollars and United States dollars respectively for the amount of the surplus application monies, without interest, will be posted to his/her/its registered address by ordinary post at his/her/its own risk on or before Wednesday, 14 September 2011. All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for the amounts due, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

If the Underwriter exercises the right to terminate the Underwriting Agreement in accordance with the terms thereof or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed and the monies received in respect of applications for excess Rights Shares and excess RCPS will be returned to the applicants, without interest, by means of cheques despatched by ordinary post to their respective registered addresses at their own risk on Wednesday, 14 September 2011.

### **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 Wednesday, 14 September 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 Wednesday, 14 September 2011 at such Shareholders' own risk.

### **Application for listing**

The Company has applied to the 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 to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.



## LETTER FROM THE BOARD

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both nil-paid and fully-paid forms 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 their nil-paid form (in board lots of 200) and fully-paid form (in board lots of 4,000) which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or 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 Consolidated Shares

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

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

The Rights Issue was only partially underwritten as any new Shares that may have been 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) would not have been covered by the Underwriting Agreement. However, no such Shares were issued and, therefore, based on the irrevocable undertakings of Crosby Management, the Rights Issue is now effectively fully underwritten. 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 49,059,798 Rights Shares will be taken up.

## LETTER FROM THE BOARD

### 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



## LETTER FROM THE BOARD

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 this 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. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Rights Issue will not proceed.

### **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 despatching 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 date of despatch of the Prospectus Documents;
- (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 together with the Shares which fall to be issued upon conversion of the RCPS before the date of despatch of the Prospectus Documents;

## LETTER FROM THE BOARD

- (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 despatching the Prospectus Document to Qualifying Shareholders on or before the date of despatch of the Prospectus Documents;
- (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 prospectus).

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.

As at the Latest Practicable Date, conditions (a), (b), (c), (d) and (f) have been fulfilled.

### **Irrevocable undertakings from Crosby Management with respect to the Rights Issue**

As at the Latest Practicable Date, Crosby Management and its associates were interested in an aggregate of 13,000,000 Consolidated 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 Old Shares (equivalent to 13,000,000 Consolidated 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 Old Shares (equivalent to 13,000,000 Consolidated Shares) held by them as at the Latest Practicable Date.

## LETTER FROM THE BOARD

### PRINCIPAL TERMS OF THE RCPS

Please refer to Appendix IV for the principal terms of the RCPS.

The RCPS Conversion Price of HK\$1.23 per Consolidated Share represents the theoretical ex-rights entitlement price of the Consolidated Shares, which is derived from the following formula:

$$\frac{\text{HK\$1.66 per Consolidated Share (Note 1)} \times 49,059,798 \text{ issued Consolidated Shares} + \text{HK\$0.80 per Rights Share (Note 2)} \times 49,059,798 \text{ Rights Shares}}{(49,059,798 \text{ (Note 3)} + 49,059,798 \text{ (Note 4)}) \text{ Consolidated Shares}}$$

where

*Note 1:* HK\$1.66 per Consolidated Share = the average closing price of the Old Shares for 30 consecutive trading days (15 April 2011 to 1 June 2011) on GEM immediately prior to the date of the Announcement and adjusted for the effect of the Share Consolidation;

*Note 2:* HK\$0.80 per Rights Share = Subscription Price of the Rights Issue;

*Note 3:* The 49,059,798 issued Consolidated Shares being the number of Shares (adjusted for the Share Consolidation) in issue as of the date of the Announcement; and

*Note 4:* The 49,059,798 Rights Shares being the number of Rights Shares undertaken by the Underwriter and Crosby Management.

The above formula is the theoretical ex-rights entitlement price and does not take into consideration the effect of the Rights Issue on the trading price of the Shares of the Company.

The RCPS Conversion Price represents (i) 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 Old Share as quoted on the Stock Exchange on the day prior to the date of the Announcement and adjusted for the effect of the Share Consolidation; and (ii) a premium of approximately 83.58% to the closing price of HK\$0.67 per Consolidated Share as of the Latest Practicable Date.

Upon the issue of the RCPS becoming effective, Qualifying Shareholders and holders of nil-paid Rights Shares will be entitled to subscribe in part or in full for the RCPS to which they are entitled.

## LETTER FROM THE BOARD

### 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 date of despatch of the Prospectus Documents;
- (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.

As at the Latest Practicable Date, conditions (a), (b) and (d) have been fulfilled.

### 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.

### 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.

## LETTER FROM THE BOARD

### Registration

The Company shall maintain and keep a full and complete register as required by applicable laws for purposes of determining the RCPS in issue and the RCPS holders and recording any transfer, splitting, purchase, conversion and/or redemption of the RCPS and the issue of any replacement certificate in respect of the RCPS in substitution for any mutilated, defaced, lost, stolen or destroyed certificate in respect of any RCPS. Holder(s) of RCPS shall be charged a fee of HK\$10 per replacement RCPS certificate in substitution for any mutilated, defaced, lost, stolen or destroyed certificate. New RCPS certificates to be issued arising from legitimate transfer or splitting shall be free of charge.

The Company's principal place of business of Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong shall be open for accepting transfer, re-registration, splitting or replacement of RCPS certificates and collecting RCPS certificates upon issuance from 10:00 a.m. to 4:00 p.m. on Monday to Friday (other than public holidays) on which the Company is open for business in Hong Kong ("**Company Business Day**"). New RCPS certificates shall normally take three Company Business Days to be issued provided that the Company is satisfied all documents required have been provided.

### Transfer/Splitting

The RCPS, once issued, are transferable without restriction. To effect any transfer, both the transferor and the transferee must present the following documents to the Company:

- 1 a form of transfer to be accompanied by such documents, evidence and information as may be required pursuant to the terms and conditions endorsed on the RCPS certificate (as amended from time to time) and must be executed under the hands of the transferor and the transferee or, if the transferor or the transferee is a corporation, this form of transfer must be executed either under its common seal or under the hand of two of its officers duly authorised in writing and, in the latter case, the document so authorising the officers must be delivered with this form of transfer. The signature(s) of the person(s) effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a financial institution in good standing, notary public or in such other manner as the Company may require. If the transferor or the transferee is a natural

## LETTER FROM THE BOARD

person, he/she must present his/her original valid identification document (e.g. HK identity card, passport) or provide the Company with a copy of such valid identification document certified by a financial institution in good standing, notary public or in such other manner as the Company may require. The signature(s) on the form of transfer must correspond with the name(s) as it/they appears on the face of the RCPS certificate in every particular, without alteration or enlargement or any change whatever. A representative of the registered holder should state the capacity in which he signs.

- 2 A duly stamped instrument of transfer signed by both the transferee and the transferor.

The Company has the authority to request the transferor and transferee to produce any other documentation deemed necessary by the Company to ascertain their respective identity and authority to conduct the transfer. The transferor and the transferee shall be responsible for any stamp duties and/or their ancillary expenses arising from any transfer of the RCPS. The Company shall not be liable for any such expenses. 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.

The same documentation requirement, save for the instrument of transfer, shall apply for splitting of RCPS certificates.

Holders of the RCPS should contact the Company at (852) 3476 2823 if they wish to transfer their RCPS after issuance, subject to the terms and conditions of the RCPS.

## LETTER FROM THE BOARD

### CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

	As at the Record Date and the Latest Practicable Date		Assuming all Qualifying Shareholders take up his/her/its entitlement under the Rights Issue and the entitlement of the Excluded Overseas Shareholders are all taken up				Assuming no Shareholders take up his/her/its entitlement under the Rights Issue except Crosby Management				Assuming all Qualifying Shareholders take up his/her/its entitlement under the Rights Issue and the entitlement of the Excluded Overseas Shareholders are all taken up and fully convert their RCPS at the RCPS Conversion Price		Assuming no Shareholder taking his/her/its entitlement under the Rights Issue except Crosby Management fully convert its RCPS at the RCPS Conversion Price (for illustrative purpose only)	
			No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares		No. of Consolidated Shares	
	%	%	%	%	%	%	%	%	%	%	%	%		
<b>Existing and Ex-Directors (Note 3)</b>	3,397,074	6.92	6,794,148	6.92	3,397,074	3.46	28,336,568	6.92	3,397,074	1.88				
<b>Crosby Management</b>	13,000,000	26.50	26,000,000	26.50	26,000,000	26.50	108,439,024	26.50	108,439,024	60.06		(note 4)		
<b>Outstanding Convertible Bond holders</b>														
Main Wealth Enterprises Limited (Note 1)	1,500,000	3.06	3,000,000	3.06	1,500,000	1.53	12,512,195	3.06	1,500,000	0.83				
Hidy Investment Limited (Note 1)	1,500,000	3.06	3,000,000	3.06	1,500,000	1.53	12,512,195	3.06	1,500,000	0.83				
<b>Underwriter and sub-underwriters (Note 2)</b>	-	-	-	-	36,059,798	36.75	-	-	36,059,798	19.97				
<b>Public Shareholders</b>	29,662,724	60.46	59,325,448	60.46	29,662,724	30.23	247,430,527	60.46	29,662,724	16.43				
<b>Total</b>	<u>49,059,798</u>	<u>100.00</u>	<u>98,119,596</u>	<u>100.00</u>	<u>98,119,596</u>	<u>100.00</u>	<u>409,230,509</u>	<u>100.00</u>	<u>180,558,620</u>	<u>100.00</u>				

*Notes:*

- 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.
- The Underwriter has procured sub-underwriters to underwrite the Rights Shares. As stipulated in the sub-underwriting agreements with the sub-underwriters, the sub-underwriters have confirmed with the Underwriter that they would not be obliged to make a mandatory offer for all the Consolidated Shares by reason of them taking up any Rights Shares. 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.
- Ulric Leung Yuk Lun, an Executive Director, purchased 110,000 Old Shares (equivalent to 11,000 Consolidated Shares) on 3 June 2011.
- According to the terms and conditions of RCPS, the Company shall not be obligated to issue any conversion shares such that the RCPS holder(s) shall be interested in 30% or more in the enlarged issued share capital.

## LETTER FROM THE BOARD

### 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 Old Shares at issue price of HK0.13 per Old 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 prospectus, 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	Used as intended
4 October 2010	Issue of Tranche 1 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 Tranche 2 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



## LETTER FROM THE BOARD

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 prospectus.

### 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.

	<b>Estimated Net Proceeds</b>	<b>Use of Proceeds</b>
Based on the number of Consolidated Shares as at Record Date	Approximately HK\$41.48 million (including initial RCPS subscription payment by Crosby Management only)	(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
	Approximately HK\$55.54 million if all Shareholders are Qualifying Shareholders and elect for the subscription of their RCPS	(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 RCPS Subscription Price upon conversion of the RCPS into Consolidated Shares	Addition of approximately HK\$96.33 million	(i) increase the scale of its investments in funds and co-investments managed by the Group;
		(ii) to make acquisitions of new financial services businesses complementary to the Group's strategies, including but not limited to asset management firms; and
		(iii) additional personnel and premises for such acquired businesses.
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	Addition of approximately HK\$267.20 million	(i) utilize 33.3% of the additional proceeds for acquisition of new business;
		(ii) 33.3% for expansion of the existing business of the Group; and
		(iii) the remaining for general working capital for the day-to-day operation of the Group.

## LETTER FROM THE BOARD

In 2010, the Group underwent a restructuring of its business and acquired Shikumen so as to expand its asset management services. Currently, Shikumen has assets under management of approximately US\$124.3 million. 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 financial position. The Group intends to increase its assets under management in different asset classes either by launching new investment funds under its management or via acquisitions of other asset management firms. As part of the above strategy to increase its assets under management, the Group may consider to invest as an anchor investor in future, subsequent follow-on funds of the BlackPine Private Equity Partners Fund which is currently managed by Shikumen, or such other new investment funds which may be launched and managed by the Group from time to time. As of the Latest Practicable Date, the Group has no concrete time table for launching such follow-on funds and/or other new funds and the timing and scale of the launch of such follow-on funds and/or new funds is highly uncertain.

The risks for the Group associated with investing in funds are mainly the macroeconomic risks, business risks, market risks, regulatory risks and the liquidity risks of the funds and their underlying investments. There is no guarantee that investments in such funds may necessarily generate gains or be able to preserve capital for the Group. However, managing these funds is expected to generate management fee income and, if profits are generated in these funds, performance fees for the Group.

The Group may also from time to time discuss with fund management companies with a view to invest in them in return for equity interests in the fund management companies or economic shares in their income. Investing in these fund management companies in return for equity or share of income will be affected by the management of these fund management companies, their ability to grow assets under management, as well as the performance of the funds managed by these companies. The Group will normally receive equity interests in the fund management companies and/or share a percentage of the fund management companies' management fees and/or performance fees (if any) as its return. However, where the funds managed by the fund management companies do not generate positive returns, the fund management companies may not be able to receive any performance fees. As such, there may not be any guarantee of profits or capital preservation for the Group's investments in these fund management companies. Given Shikumen's current assets under management has already reached approximately US\$124.3 million, the Directors are of the view that the Group possesses the expertise and experience to expand its assets under management by launching and investing in new funds under its management and identifying suitable fund management companies as investment targets with the right balance of returns and risks. The Directors consider that managing and investing in new funds under the Group's management and investing in fund management companies are in the ordinary course of business of the Group and in the interests of the Company and its shareholders as a whole.

## LETTER FROM THE BOARD

However, the ability to finance the above plans will largely be dependent upon the timing of payment and the amount of the balance of the RCPS Subscription Price being paid to the Company upon conversion of the RCPS, which is uncertain as of the Latest Practicable Date. No definitive agreements have been entered into with any third parties and no definitive acquisition targets have been identified as of the Latest Practicable Date which requires disclosure under the GEM Listing Rule. In view of the uncertainty of the timing of the payment of the balance of the RCPS Subscription Price (if any), which spreads across a period of 5 years, it is difficult for the Company to enter into any agreements for any definite, substantive investment at this stage. The Company will make announcements of such plans when they materialise in accordance with the requirements of the GEM Listing Rules.

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 Old 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.

### RISK FACTORS

#### 1. Market Risks

*The Group's performance will be subject to exposure to financial markets*

The financial markets in which the Group operates are affected by many national and international factors that are beyond the Group's control. Any of the following factors, among others, may cause a substantial decline in the financial markets in which the Group operates or invests:

- legal and regulatory changes;
- economic and political conditions in global markets and particularly in the emerging markets on which our investment objectives and strategies are centered;
- global levels of liquidity and risk aversion;
- concerns about natural disasters, terrorism and war;
- the level and volatility of equity, debt, property, commodity and other financial markets;
- the level and volatility of interest rates and foreign currency exchange rates;
- concerns over inflation; and
- changes in investor confidence levels.

## LETTER FROM THE BOARD

### *Fluctuations in stock markets could affect the investments of our funds*

Fluctuations in stock markets could affect the investments of our funds. Poor market conditions would affect the value of the Group's investments while favourable market conditions may not be sustainable. Lack of liquidity or price volatility could reduce the value of the assets that the Group manages which, in turn, may have a material adverse effect on the Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

### *The Group's funds are subject to emerging markets risks*

The Group's funds invest in companies in emerging markets, predominantly Greater China and also, to a lesser extent, other countries in the Asia-Pacific Region. Many emerging market countries are developing economically and politically and do not have firmly established securities markets. Investments in companies in emerging markets may involve a high degree of risk and may be speculative. Risks include:

- political or economic developments such as nationalization of key industries;
- lack of liquidity coupled with high levels of price volatility, which result from the relatively small size of some of the markets for securities and relatively low volume of trading in the individual stocks;
- certain national policies which may restrict a fund's investment opportunities including restrictions on investing in companies or industries deemed sensitive to relevant national interests;
- the potential for significantly higher rates of inflation;
- currency risk and the imposition, extension or continuation of foreign exchange controls;
- differences in accounting standards and auditing practices which may result in unreliable financial information; and
- lack of depth of management or strict corporate governance control.

While the Group seeks to take advantage of these market imperfections to achieve investment performance for the Group's funds, the Group cannot guarantee that the Group will be able to do so in the future. Failure to do so could have a material adverse effect on the Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

**2. Company Risks**

*There may be a decline in the Group's AUM*

The Group derives a large proportion of fee income from performance fees and management fees based respectively on the investment performance and the NAV of the funds. A decline in the Group's funds' performance or in the value of the Group's AUM, and/or a reduction in fees payable to the Group, for whatever reason, could have a material adverse effect on the Group's business, growth prospects, fee income, results of operations and/or financial condition.

*The Group have made investments in companies whose business operations are based outside Hong Kong, which may expose us to risks not typically associated with investing in companies whose business operations are based in Hong Kong*

The Group's funds may invest a portion of its assets in the equity, debt, loans or other securities of companies whose business operations are outside Hong Kong. Investments in such companies involve certain risks not typically associated with investing in companies whose business are based in Hong Kong, including risks relating to:

- currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less governmental supervision and regulation;
- differences in the legal and regulatory environment; and
- certain economic and political risks, including potential exchange control regulations and restrictions, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation and adverse economic and political developments.

*The Group's investment performance may be unsatisfactory*

If the Group's investment performance is unsatisfactory, existing clients may decide to reduce, redeem or sell their investments. They may also choose to transfer mandates to other asset managers who may be competing with the Group. Going forward, the Group may be unable to win new asset management business. Poor performance relative to other asset management firms may result in reduced purchases or subscriptions of fund shares or units and increased redemptions of fund shares or units. As a result, investment underperformance could have a material adverse effect on the Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

## LETTER FROM THE BOARD

*The Group's businesses depend on its ability to attract and retain highly skilled personnel*

The Group's businesses depend on our ability to attract, motivate, train and retain fund managers and other personnel. As a result, the inability to attract, motivate and/or retain the necessary highly skilled personnel could have a material adverse effect on the Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

*The Group is subject to changes in regulation*

Any changes in the laws and regulations governing our business or adverse outcomes of regulatory reviews could reduce the range of services the Group are able to offer or the fees the Group are able to charge. It could also increase the costs of maintaining regulatory compliance. Any of these factors could decrease the Group's fee income and profitability. In addition, a substantial change in regulatory capital requirements could have a material adverse effect on the Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of the Group's activities or any of the funds in any jurisdiction might oblige the Group to cease conducting a particular business or change the way in which it is conducted. Similarly, the withdrawal of either a license or an approval of one or more individuals would hinder their ability to perform their current role. The carrying on of regulated activities by unauthorized persons could have a number of consequences including the possibility of agreements made in the course of carrying on such activities being unenforceable.

*The Group's source of funding from the conversion of the RCPS is subject to certain restrictions*

Under the current terms and conditions of the RCPS, if the Directors are of the view that the cash-to-total assets ratio of the Company (with reference to the latest published consolidated balance sheet of the Company and adjusted by any completed transaction which has been announced) shall exceed 80% after the conversion of the RCPS, such conversion will not proceed immediately and the proceeds from the payment of the residual RCPS Subscription Price shall not be paid to the Company immediately. The conversion of the RCPS shall also be restricted 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; and/or (iv) such conversion will lead to a breach of the applicable laws and regulations including, but not limited to, the GEM Listing Rules and the Takeovers Code. Under these circumstances, the Company may then need to find other means of financings (which may incur a higher cost) for its future business plans or acquisitions.

## LETTER FROM THE BOARD

*A competitive market environment may result in increased pressure on fee income margins*

The Group competes for client money with Hong Kong, global and local specialists and emerging markets asset management groups as well as banks and other financial services companies. The competitive market environment may increase pressure on fee income margins. If the Group fails to compete effectively in this environment the Group may lose existing clients and lose the opportunity to capture new clients. These factors could have a material adverse effect on the Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

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

Upon the completion of the Rights Issue, the exercise price and 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 anti-dilution 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 completion of the Rights Issue, the Company will make an announcement of such adjustments in due course.

### **WARNING OF THE RISKS OF DEALING IN THE CONSOLIDATED SHARES AND THE NIL-PAID RIGHTS SHARES**

The Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

Any Shareholders or other persons contemplating selling or purchasing the Rights Shares in their nil-paid form during the period from Thursday, 25 August 2011 to Wednesday, 31 August 2011 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and/or the Latest Time for Termination (which is expected to be 4:00 p.m. on Thursday, 8 September 2011) and any persons dealing in the nil-paid Rights Shares during the above period will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Consolidated Shares or the Rights Shares in their nil-paid form, and if they are in any doubt about their position, they should consult their professional advisers.

## LETTER FROM THE BOARD

### TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the subscription for, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms, and as regards the Excluded Overseas Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, holders of the Rights Shares resulting from the subscription for, holding or disposal of, or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise in both their nil-paid and fully-paid forms.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to IV to this prospectus.

Yours faithfully,  
On behalf of the Board  
**Crosby Capital Limited**  
**Ulric Leung Yuk Lun**  
*Executive Director*



**A. THREE-YEAR FINANCIAL INFORMATION**

Financial information with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheets together with the notes on the annual accounts of the Group for each of the three years ended 31 December 2008, 2009 and 2010 are disclosed in pages 33 to 122 of annual report 2008, pages 31 to 122 of annual report 2009 and pages 27 to 116 of annual report 2010 of the Company respectively, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.crosbycapitallimited.com](http://www.crosbycapitallimited.com)).

**B. INDEBTEDNESS**

As at the close of business on 31 July 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had outstanding indebtedness of HK\$289.6 million (approximately US\$37.2 million) in principal amount, comprising (i) the outstanding principal amount of Outstanding Convertible Bonds of HK\$250 million (approximately US\$32.1 million); (ii) the outstanding principal amount of unsecured redeemable promissory note of HK\$10 million (approximately US\$1.3 million) issued on 13 September 2010 in relation to the acquisition of Shikumen; and (iii) the outstanding principal amount of a mortgage bank loan of HK\$29.6 million (approximately US\$3.8 million). The mortgage bank loan was secured by the Group's new office premises with net carrying amount of approximately HK\$76.4 million (approximately US\$9.8 million) as at 31 July 2011, guarantees of unlimited amount and HK\$30 million (approximately US\$3.8 million) by the Company and Shikumen respectively. The carrying amounts of Outstanding Convertible Bonds, unsecured redeemable promissory note and mortgage bank loan amounted to HK\$201.2 million (approximately US\$25.8 million), HK\$9.4 million (approximately US\$1.2 million) and HK\$29.6 million (approximately US\$3.8 million) respectively as at 31 July 2011.

As at the close of business on 31 July 2011, the Group also had liabilities of up to US\$0.5 million, being the provision for the potential litigation of Crosby Wealth Management (Hong Kong) Limited, a wholly owned subsidiary, as mentioned in Appendix III to this prospectus after taking into account the insurance coverage under the Group's professional liability insurance.

Save as aforesaid or as otherwise disclosed herein, apart from intra-group liabilities and normal trade payables, the Group did not have, as at the close of business on 31 July 2011, any further significant liabilities including debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

**C. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the estimated minimum amount of net proceeds from the Rights Issue (and the option to subscribe for RCPS) of approximately HK\$41.48 million, the existing cash and bank balances and other internal resources available, the Group has sufficient working capital for its present requirements and for at least the next twelve months from the date of publication of this prospectus in the absence of unforeseen circumstances.

**D. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2011, being the date to which the latest published consolidated financial statements of the Group were made up.

**E. BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2011**

Following the completion of the acquisition of Shikumen, the Group's asset management activities now revolve around its long established Asian based business in Hong Kong managing various Greater China focused private equity funds, as well as the newly added hedge fund and private equity fund management businesses under Shikumen. One notable achievement was the commencement of the fund raising exercise for BlackPine Private Equity Partners Fund, a new private equity fund managed by Shikumen, and at the same time combining the expertise of the personnel of both Shikumen and the existing asset management team of the Group led to an initial closing of US\$80 million in January 2011. BlackPine is expecting to have a final closing at the end of 2011.

The Group also continued to provide wealth management services through Crosby Wealth Management (Hong Kong) Limited, which experienced modest and sustained growth from the recovery of the China/Hong Kong investment markets.

During the first quarter of 2011, the Company successfully completed the placing of HK\$90 million Tranche 2 Convertible Bonds. Part of the proceeds was then used to complete the acquisition of the Group's new office premise in AXA Centre, Wanchai, Hong Kong. The fund investment teams of the Group are now integrated in the same office which is expected to improve the efficiency of our operations.

**FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group reports a reduced loss attributable to owners for the period under review of US\$0.2 million when compared to a loss of US\$4.8 million for the same period last year.

Revenue from continuing operations have increased to US\$3.3 million for the period under review when compared to US\$0.9 million for the same period last year. Shikumen Capital Management (HK) Limited (“Shikumen”), a wholly owned subsidiary acquired in September 2010, was the major contributor to the increase in the revenue of the Group for the period. Total operating expenses (being other administrative expenses plus other operating expenses) for the period under review were US\$4.7 million. Excluding those incurred by the newly acquired Shikumen of US\$1.3 million, the total operating expenses were controlled at a level of US\$3.4 million for the period under review as compared to that of US\$3.2 million for the same period last year.

After the restructuring of the Group last year, 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 financial position. The Group intends to increase its assets under management in different asset classes either by launching new investment funds under its management or via acquisitions of other asset management firms. To facilitate this strategy, the Company announced that it proposed to raise approximately HK\$39.25 million before expenses by way of a rights issue of 49,059,798 rights shares at a 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 of the rights issue with an option to subscribe for one new non-voting redeemable convertible preference share (“RCPS”) for every two rights shares allotted and taken up by shareholders. The Company has engaged Emperor Securities Limited as the underwriter of the rights issue and the largest shareholder of the Company, Crosby Management Holdings Limited, has undertaken to the Company to subscribe for its entitlement to the rights shares and the RCPS. The rights issue together with the option to subscribe for the RCPS was approved at the extraordinary general meeting held on 12 August 2011.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED  
NET TANGIBLE LIABILITIES OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible liabilities (the "Unaudited Pro Forma Financial Information") of the Group has been prepared in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and on the basis as set out in the notes below for the purpose to illustrate the effect of the proposed rights issue on the basis of one Rights Share for every one Consolidated Share held on Record Date (the "Rights Issue") with option to subscribe redeemable convertible preference shares on the basis of one redeemable convertible preference share for every two Rights Shares allotted and taken up (the "RCPS") as if it had taken place on 30 June 2011.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of the Group following the proposed rights issue with option to subscribe for redeemable convertible preference shares completed as at 30 June 2011 or at any future date.

Unaudited consolidated net liabilities of the Group attributable to the owners of the Company as at 30 June 2011 <i>US\$'000</i> <i>(Note 1)</i>	Adjustment for goodwill and intangible assets <i>US\$'000</i> <i>(Note 2)</i>	Adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2011 <i>US\$'000</i>	Estimated net proceeds from the Rights Issue <i>US\$'000</i>	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group immediately after the Rights Issue with option to subscribe for the RCPS <i>US\$'000</i>	Adjusted consolidated net tangible liabilities per share attributable to the owners of the Company as at 30 June 2011 but prior to the completion of Rights Issue with option to subscribe for the RCPS <i>US\$</i>	Unaudited pro forma adjusted consolidated net tangible liabilities per share attributable to the owners of the Company immediately after the completion of Rights Issue with option to subscribe for the RCPS <i>US\$</i>
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Based on the 49,059,798  
Rights Shares to be issued  
at Subscription Price of  
HK\$0.80 per Rights Share

(16,497)	(4,298)	(20,795)	4,785 <i>(Note 4)</i>	(16,010)	(0.42) <i>(Note 5)</i>	(0.16) <i>(Note 6)</i>
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*Notes:*

1. The unaudited consolidated net liabilities of the Group attributable to the owners of the Company as at 30 June 2011 is extracted from the published unaudited interim report of the Group for the six months ended 30 June 2011.
2. Extracted from the published unaudited interim report of the Group for the six months ended 30 June 2011, an adjustment of approximately US\$4,298,000 represents the deduction of the Group's unaudited consolidated intangible assets and goodwill as at 30 June 2011 of approximately US\$987,000 and US\$3,311,000 respectively.
3. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2011.
4. The estimated net proceeds from the Rights Issue of approximately HK\$37.32 million (approximately US\$4,785,000) are based on the number of 49,059,798 Rights Shares to be issued at the Subscription Price of HK\$0.80 per Rights Share and after deduction of the fair value of the loan commitment of approximately US\$5,000 embedded to the Rights Shares, which is in the form of an option to subscribe for the RCPS, and the estimated related expenses, include among others, underwriting commission, financial advisory fee and other professional fees, totalling approximately HK\$2,830,000 (approximately US\$363,000), approximately HK\$1,887,000 (approximately US\$242,000) of which are directly attributable to the Rights Issue. Such related expenses will be subject to further changes upon completion of Rights Issue.
5. The number of shares used for the calculation of adjusted consolidated net tangible liabilities per share attributable to the owners of the Company as at 30 June 2011 but prior to the completion of Rights Issue with option to subscribe for the RCPS is based on 49,059,798 Consolidated Shares deemed to be in issue as at 30 June 2011 after adjusting for the effect of the Capital Reorganization, which took effect from 15 August 2011 following the shareholders' approval at the EGM. The number of shares in issue of the Company as at 30 June 2011 of 490,597,984 shares has been adjusted for the effect of the Capital Reorganization to 49,059,798 Consolidated Shares.
6. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible liabilities per share attributable to owners of the Company immediately after the completion of Rights Issue with option to subscribe for RCPS is based on 98,119,596 shares, which is calculated as follows:
  - (i) 49,059,798 Consolidated Shares in issue as at 30 June 2011 (Note 5); and
  - (ii) 49,059,798 Rights Shares (Note 4).
7. The estimated minimum and maximum initial proceeds received of US\$0.1 per RCPS from the exercise of the option to subscribe for RCPS which is embedded in the Rights Share are approximately US\$650,000 (approximately HK\$5.1 million) and US\$2.45 million (approximately HK\$19.13 million), respectively, which are based on the number of 6,500,000 RCPS undertaken by Crosby Management to which it is entitled under the Rights Issue and the number of 24,529,899 RCPS if all the Qualifying Shareholders (including Crosby Management) as at Record Date elect to subscribe for respectively. The estimated minimum and maximum balance of proceeds to be received of US\$1.9 per RCPS immediately before conversion of the RCPS are approximately US\$12.35 million (approximately HK\$96.33 million) and US\$46.61 million (approximately HK\$363.53 million) respectively. The estimated related expenses, including among others, underwriting commission, financial advisory fee and other professional fees, totalling approximately HK\$2,830,000 (approximately US\$363,000), approximately HK\$943,000 (approximately US\$121,000) of which are directly attributable to the issue of RCPS. Such related expenses will be subject to further changes upon completion of the Rights Issue. After deduction of such related expenses attributable to the issue of RCPS, the total estimated minimum and maximum net proceeds from the RCPS are US\$12.88 million and US\$48.94 million respectively.
8. The proposed capital reduction, as approved at the EGM, would reduce the paid-up capital of the Consolidated Shares from US\$0.10 each to US\$0.01 each by cancelling US\$0.09 of the paid-up capital on each issued Consolidated Share. The proposed capital reduction does not affect the unaudited pro forma adjusted consolidated net tangible liabilities of the Group.

**B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF  
ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES OF THE GROUP**

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The Directors  
Crosby Capital Limited  
Unit 502 5th Floor  
AXA Centre  
151 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Crosby Capital Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), set out in section A of Appendix II to the Company's prospectus dated 23 August 2011 (the "Prospectus") in connection with the proposed rights issue on the basis of one rights share for every one consolidated share held on Record Date (as defined in the Prospectus) with option to subscribe for one redeemable convertible preference share for every two rights shares allotted and taken up (the "Proposed Rights Issue"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Proposed Rights Issue might have affected the financial information presented, for inclusion in section A of Appendix II to the Prospectus. The basis of preparation of the unaudited pro forma financial information is set out in the section headed "Unaudited Pro Forma Financial Information on the Group" in section A of Appendix II to the Prospectus.

**Respective Responsibilities of Directors of the Company and Reporting Accountants**

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

**Opinion**

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**BDO Limited**

*Certified Public Accountants*

**Yu Tsui Fong**

Practising Certificate no. P05440

Hong Kong, 23 August 2011



## 1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the completion of the Rights Issue were as follows:

<i>Authorised:</i>		<i>US\$</i>
1,900,000,000	Consolidated Shares of US\$0.10 each	190,000,000.00
100,000,000	RCPS of US\$0.10 each	10,000,000.00
<i>Issued and to be issued:</i>		
49,059,798	Consolidated Shares in issue as at the Latest Practicable Date	4,905,980.00
49,059,798	Rights Shares to be allotted and issued under the Rights Issue	4,905,980.00
98,119,596	Consolidated Shares in issue immediately after completion of the Right Issue	9,811,960.00
6,500,000 <sup>(Note)</sup>	RCPS to be allotted and issued to Crosby Management under the Rights Issue and its undertaking with the Company	650,000.00
<hr style="border-top: 3px double black;"/>		<hr style="border-top: 3px double black;"/>

*Note:* Assumes no other Shareholders participating in the Rights Issue elect to subscribe for the RCPS to which they are entitled.

All the Rights Shares to be issued will, when issued and fully paid, rank *pari passu* with the Consolidated Shares in issue as at the date of allotment and issue of the Rights Shares in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt on/in any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares, the Consolidated Shares, Rights Shares or any other securities of the Company to be listed or dealt on/in any other stock exchange.

As at the Latest Practicable Date, the Company had Outstanding Convertible Bonds, Outstanding Options, and Outstanding Warrants in issue which confer right to convert or exchange into or subscribe for the Consolidated Shares.



Dealings in the Shares and the Consolidated Shares may be settled through CCASS and you should consult your stockbroker or other registered dealer of securities, bank manager, solicitors, professional accountant or other professional adviser for details of these settlement arrangements and how such arrangements may affect your rights and interest.

As at the Latest Practicable Date, there is no arrangement under which future dividends are waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS

#### (a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying Consolidated Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

##### (i) Interests in the Consolidated Shares of the Company

Name of Directors	Personal Interest	Family Interest	Aggregate long position in Consolidated Shares of the Company	Percentage which the aggregate long position in Consolidated Shares represents to the total Consolidated Shares of the Company in issue %
Johnny Chan Kok Chung	1,515,532	47,773 (Note)	1,563,305	3.19
Ulric Leung Yuk Lun	1,711,000	–	1,711,000	3.49
Joseph Tong Tze Kay	50,000	–	50,000	0.10
Daniel Yen Tzu Chen	20,000	–	20,000	0.04

*Note:* Yuda Udomritthiruj was beneficially interested in 47,773 Consolidated Shares. Yuda Udomritthiruj, an employee of a subsidiary of the Company, is the wife of Johnny Chan Kok Chung (a Director) and, accordingly, Mr. Chan is deemed to have interests in her Shares.

(ii) *Interests in the underlying Consolidated Shares of the Company*

The interests in the underlying shares of the Company arise from Outstanding Options granted to the Directors under the Company's share option scheme and the Outstanding Convertible Bonds due in 2015 which is held by a Director, details of which are provided below:

## (a) Outstanding Options

Name of Directors	Date of grant	Exercise price	Aggregate long position in underlying Consolidated Shares	Percentage which the aggregate long position in underlying Consolidated Shares of the Company represents to the total Consolidated Shares of the Company in issue %
Johnny Chan Kok Chung	26 April 2006	HK\$77.00	600,000	
	11 February 2008	HK\$18.00	300,000	
	7 October 2010	HK\$1.58	280,000	
			1,180,000	2.41
Jeffrey Lau Chun Hung	7 October 2010	HK\$1.58	300,000	0.61
Ulric Leung Yuk Lun	7 October 2010	HK\$1.58	150,000	0.31
Ahmad S. Al-Khaled	24 March 2006	HK\$77.00	50,000	
	29 January 2007	HK\$36.50	25,000	
	11 February 2008	HK\$18.00	50,000	
	29 December 2008	HK\$1.80	50,000	
			175,000	0.36
Daniel Yen Tzu Chen	24 March 2006	HK\$77.00	50,000	
	29 January 2007	HK\$36.50	25,000	
	11 February 2008	HK\$18.00	50,000	
	29 December 2008	HK\$1.80	50,000	
			175,000	0.36
Joseph Tong Tze Kay	24 March 2006	HK\$77.00	50,000	
	29 January 2007	HK\$36.50	25,000	
	11 February 2008	HK\$18.00	50,000	
	29 December 2008	HK\$1.80	50,000	
			175,000	0.36

## (b) Outstanding Convertible Bonds

Name of Director	Conversion Price	Aggregate long position in underlying Consolidated Shares	Percentage which the aggregate long position in underlying Consolidated Shares of the Company represents to the total Consolidated Shares of the Company in issue %
Ulric Leung Yuk Lun	HK\$1.7259	2,897,039	5.91

*(iii) Short positions*

None of the Directors held short positions in the Consolidated Shares and underlying Consolidated Shares of the Company or any associated corporation.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Consolidated Shares, underlying Consolidated Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders' interests**

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Consolidated Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

*(i) Interests in the ordinary shares or underlying Consolidated Shares of the Company*

Name	Aggregate long position in Consolidated Shares	Aggregate long position in underlying Consolidated Shares of the Company	The total long position in Consolidated Shares and underlying shares to the total Consolidated Share capital of the Company in issue %
Nelson Tang Yu Ming <i>(Note 1 and 2)</i>	13,000,000	95,899,024	221.97
Crosby Management <i>(Note 1)</i>	13,000,000	95,439,024	221.03
Sodikin <i>(Note 3)</i>	1,500,000	58,520,192	122.34
Emperor Securities Limited <i>(Note 4)</i>	–	36,059,798	73.50
Emperor Capital Group Limited <i>(Note 4)</i>	–	36,059,798	73.50
Million Way Holdings Limited <i>(Note 4)</i>	–	36,059,798	73.50
STC International Limited <i>(Note 4)</i>	–	36,059,798	73.50
Dr. Yeung Sau Shing, Albert <i>(Note 4)</i>	–	36,059,798	73.50
Luk Siu Man, Semon <i>(Note 4)</i>	–	36,059,798	73.50
Main Wealth Enterprises Limited <i>(Note 5)</i>	1,500,000	24,335,129	52.66
Lau Kit Mei <i>(Note 5)</i>	1,500,000	24,335,129	52.66
Greyhound International Limited <i>(Note 6)</i>	–	24,676,313	50.03
Wu Ting Fai, James <i>(Note 6)</i>	–	24,676,313	50.03

Name	Aggregate long position in Consolidated Shares	Aggregate long position in underlying Consolidated Shares of the Company	The total long position in Consolidated Shares and underlying Consolidated Shares to the total Consolidated Shares of the Company in issue %
Sun Hung Kai Strategic Capital Limited ("SHK Strategic") (Note 7)	-	8,691,117	17.72
Shipsape Investments Limited ("Shipsape") (Note 7)	-	8,691,117	17.72
Sun Hung Kai & Co. Limited ("SHK & Co.") (Note 8)	-	8,691,117	17.72
AP Emerald Limited ("AP Emerald") (Note 8)	-	8,691,117	17.72
AP Jade Limited ("AP Jade") (Note 8)	-	8,691,117	17.72
Allied Properties (H.K.) Limited ("APL") (Note 8)	-	8,691,117	17.72
Allied Group Limited ("AGL") (Note 8)	-	8,691,117	17.72
Lee Seng Huang (Note 9)	-	8,691,117	17.72
Lee Seng Hui (Note 9)	-	8,691,117	17.72
Lee Su Hwei (Note 9)	-	8,691,117	17.72
Ng Chun Fai Frank (Note 10)	-	4,205,854	8.57
TBV Holdings Limited (Note 11)	3,417,694	-	6.97

## Notes:

1. Crosby Management held 13,000,000 Consolidated Shares. Crosby Management is beneficially owned as to 96.7% by Nelson Tang Yu Ming who is entitled to exercise more than 30% of the voting power at the general meetings of Crosby Management and, accordingly, he is deemed to be interested in 13,000,000 Consolidated Shares owned by Crosby Management. Crosby Management has undertaken to subscribe for its entitlement of 13,000,000 Rights Shares and also undertaken to exercise its option to subscribe for 6,500,000 RCPS, to which it is entitled under the Rights Issue.
2. Nelson Tang Yu Ming was granted 460,000 options to subscribe for underlying Consolidated Shares at an exercise price of HK\$1.58 on 7 October 2010.
3. Sodikin owns 57,611,111 underlying Consolidated Shares, out of which 56,111,111 will be allotted and issued upon the full conversion of Outstanding Convertible Bonds for a principal sum of HK\$101 million at the initial conversion price of HK\$0.18 per Old Share (equivalent to HK\$1.80 per Consolidated Share), and 15,000,000 Old Shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company at an exercise price of HK\$0.15 per Old Share (equivalent to HK\$1.50 per Consolidated Share). Following the reset of conversion price to HK\$0.17259 per Old Share (equivalent to HK\$1.7259 per Consolidated Share) on 4 April 2011, 58,520,192 underlying Consolidated Shares will be allotted and issued upon the aforesaid full conversion, representing 49.12% of the total Share capital of the Company in issue.

4. Emperor Securities Limited is deemed to be interested in these underlying shares by virtue of the Underwriting Agreement dated 2 June 2011 entered into between the Company and the Underwriter in relation to the Rights Issue. Emperor Securities Limited is an indirect wholly-owned subsidiary of Emperor Capital Group Limited, the shares of which are listed on the Stock Exchange. 47.90% of the shares of Emperor Capital Group Limited are held by Win Move Group Limited. The entire issued share capital of Win Move Group Limited is held by Million Way Holdings Limited, which in turn is held by STC International Limited on trust for The Albert Yeung Discretionary Trust ("AY Trust"). Dr. Yeung Sau Shing, Albert, as founder of the AY Trust, and Ms. Luk Siu Man, Semon, as the spouse of Dr. Yeung Sau Shing, Albert, are deemed to be interested in the 36,059,798 Rights Shares for the purposes of the SFO.
5. Main Wealth Enterprises Limited owns 24,833,333 underlying Consolidated Shares, out of which 23,333,333 will be allotted and issued upon the full conversion of Outstanding Convertible Bonds for a total principal sum of HK\$42 million at the initial conversion price of HK\$0.18 per Old Share (equivalent to HK\$1.80 per Consolidated Share); and 15,000,000 Old Shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company at an exercise price of HK\$0.15 per Old Share (equivalent to HK\$1.50 per Consolidated Share). Lau Kit Mei is deemed to be interested in these shares through her 100% interests in Main Wealth Enterprises Limited. Following the reset of conversion price to HK\$0.17259 per Old Share (equivalent to HK\$1.7259 per Consolidated Share) on 4 April 2011, 24,335,129 underlying Consolidated Shares will be allotted and issued upon the aforesaid full conversion, representing 52.66% of the total Share capital of the Company in issue.
6. Greyhound International Limited owns 23,722,222 underlying Consolidated Shares, out of which 22,222,222 will be allotted and issued upon the full conversion of Tranche 1 Convertible Bonds for a principal sum of HK\$40 million at the initial conversion price of HK\$0.18 per Old Share (equivalent to HK\$1.80 per Consolidated Share), and 1,500,000 Consolidated Shares will be allotted and issued upon its exercise of the subscription rights attached to certain warrants of the Company at the initial exercise price of HK\$1.50 per Consolidated Share. Wu Ting Fai, James is deemed to be interested in these shares through his 100% interests in Greyhound International Limited. Following the reset of conversion price to HK\$0.17259 per Old Share (equivalent to HK\$1.7259 per Consolidated Share) on 4 April 2011, 23,176,313 underlying Consolidated Shares will be allotted and issued upon the aforesaid full conversion, representing 50.03% of the total Share capital of the Company in issue.
7. SHK Strategic is a wholly-owned subsidiary of Shipshape which in turn is wholly owned by SHK & Co. Therefore SHK & Co. and Shipshape are deemed to have an interest in the underlying shares in which SHK Strategic is interested. SHK Strategic owns Tranche 1 Convertible Bonds for a principal sum of HK\$15 million convertible into 8,333,333 underlying Consolidated Shares at the initial conversion price of HK\$0.18 per Old Share (equivalent to HK\$1.80 per Consolidated Share), which was reset to HK\$0.17259 per Old Share (equivalent to HK\$1.7259 per Consolidated Share) on 4 April 2011 and 8,691,117 underlying Consolidated Shares will be allotted and issued upon the aforesaid full conversion, representing 17.72% of the total Share capital of the Company in issue.

8. SHK & Co. is a 62.47% owned subsidiary of AP Emerald. AP Emerald is wholly owned by AP Jade which in turn is a wholly owned subsidiary of APL. APL is a 72.32% owned subsidiary of AGL. Accordingly, AGL, APL, AP Jade and AP Emerald are deemed to have an interest in the underlying shares in which SHK & Co. is interested.
9. Lee Su Hwei, Lee Seng Huang and Lee Seng Hui are trustees of Lee and Lee Trust ("LLT") which owns 53.01% interests in AGL. Accordingly, Lee Su Hwei, Lee Seng Huang, Lee Seng Hui and LLT are deemed to have an interest in the said underlying shares in which AGL is interested.
10. Ng Chun Fai Frank owns 4,038,888 underlying Consolidated Shares, out of which 3,888,888 will be allotted and issued upon the full conversion of Tranche 1 Convertible Bonds for a principal sum of HK\$7 million at the initial conversion price of HK\$0.18 per Old Share (equivalent to HK\$1.80 per Consolidated Share), and 150,000 underlying Consolidated Shares will be allotted and issued upon exercise of the subscription rights attached to the options of the Company granted on 7 October 2010 with an exercise price of HK\$1.58 per Consolidated Share. Following the reset of conversion price to HK\$0.17259 per Old Share (equivalent to HK\$1.7259 per Consolidated Share) on 4 April 2011, 4,055,854 underlying Consolidated Shares will be allotted and issued upon the aforesaid full conversion, representing 8.27% of the total Share capital of the Company in issue.
11. TBV Holdings Limited is a company wholly-owned by the Kuwait Fund for Arab Economic Development, a development finance agency owned by the government of Kuwait.

(ii) *Short positions*

No person held short positions in the Shares or underlying Consolidated Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors of the Company were not aware of any other person who had or deemed to have interests or short position in the Shares or underlying Consolidated Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or as recorded in the register required to be kept under section 336 of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

#### 4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, or any of their respective associates had an interest in a business which competes or may compete with the business of the Group or had any other conflict of interest which any such person has or may have with the Group.

#### 5. LITIGATION

The Group has received a number of complaints against its wealth management business relating to issues arising from the global financial crisis in 2007 and 2008. In particular, Crosby Wealth Management (Hong Kong) Limited (“CWM HK”), a subsidiary of the Company, received a writ of summons (the “Writ”) issued in the High Court in Hong Kong by Verlon Investment Inc., a client of CWM HK, dated 21 October 2010, claiming for alleged losses arising from its investments in accumulators in 2007. CWM HK has engaged legal counsel and has filed a defence to the claims. The Directors consider that it is still too early to assess the probable outcome of the litigation. Having consulted legal counsel, as at the Latest Practicable Date, the Group has not recognized any contingent liabilities in relation to the litigation since it is still in an early stage.

Furthermore, the Group’s asset management and wealth management operations are covered under the professional liability insurance taken out by the Group for claims that are made against the Group for any actual or alleged wrongful professional act, subject to the insurer reviewing information of each claim and confirming the amount covered. The Group’s insurer has been informed of all of the claims, including those stated in the Writ, referred to above.

Save as disclosed above, none of the members of the Group was engaged in any litigation, arbitration, or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

#### 6. INTERESTS IN CONTRACTS AND ASSETS

As of the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

There had been no contract or arrangement of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.



**7. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the sale and purchase agreement dated 24 June 2010 entered into between Shikumen, the Company, Mr. Nelson Tang Yu Ming and Mr. Jeffrey Lau Chun Hung in relation to the acquisition of Shikumen for a consideration of HK\$46.9 million;
- (b) the agreement dated 24 June 2010 entered into between ECK Partners Holdings Limited (“ECK Partners”) and the Company in relation to the disposal of certain sale assets by the Company for a consideration of US\$27,111;
- (c) the agreement dated 24 June 2010 entered into between Crosby Asset Management Inc. (“CAM”) and the Company in respect of the sale of various businesses of CAM to the Company for a consideration of US\$948,666;
- (d) the placing agreement dated 24 June 2010 entered into between the Company and the Placing Agent in relation to the placing of the zero couple convertible bonds with an aggregate principal amount of HK\$250 million;
- (e) the conditional deed of settlement dated 21 September 2010 entered into between the Company and the holders of all the outstanding of a US\$75 million zero coupon convertible bonds of the Company due March 2011 issued in March 2006 in relation to the repurchase of such bonds;
- (f) the agreement dated 6 October 2010 entered into between ECK Partners and the Company in respect of the sale of various investments to ECK Partners for a consideration of US\$197,340;
- (g) the agreement dated 23 December 2010 entered into between the Company and ECK Partners in relation to the disposal of the entire interest in CAM held by the Company to ECK Partners at a consideration of US\$929,644;

- (h) the assignment dated 31 March 2011 entered into among Upper City Limited, Online Business Investment Limited and Crosby Capital (Hong Kong) Limited (“CCHK”), a wholly owned subsidiary of the Company in relation to the acquisition of property at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong (the “Property”) at a consideration of HK\$74 million;
- (i) the mortgage deed dated 31 March 2011 entered into between Hang Seng Bank Limited (the “Bank”) and CCHK in relation to the mortgage or charge over the Property in respect of the bank loan of principal amount of HK\$30 million (approximately US\$3.8 million) (the “Mortgage Bank Loan”) granted by the Bank;
- (j) the two guarantees dated 24 March 2011 entered into between the Bank and the Company as well as between the Bank and Shikumen in relation to the corporate guarantees of unlimited amount and HK\$30 million (approximately US\$3.8 million) respectively in respect of the Mortgage Bank Loan;
- (k) the assignment dated 31 May 2011 entered into between City Plan Limited and CCHK in relation the acquisition of two car parking spaces on 3rd Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong at a consideration of HK\$2.2 million;
- (l) the underwriting agreement dated 2 June 2011 entered into between the Company and Emperor Securities Limited in relation to the Rights Issue; and
- (m) the irrevocable undertaking dated 2 June 2011 made by Crosby Management Holdings Limited in relation to the undertaking to procure 13,000,000 Rights Shares and to subscribe for 6,500,000 RCPS.

## 8. CORPORATION INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office and Principal Place of Business in Hong Kong	Unit 502 5th Floor AXA Centre 151 Gloucester Road Wanchai Hong Kong
Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited 46th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Authorised Representatives	Mr. Johnny Chan Kok Chung and Ms. Winnie Sin Wing Hung
Compliance Officer	Mr. Johnny Chan Kok Chung 18th Floor Fairmont House 8 Cotton Tree Drive Central Hong Kong
Company Secretary	Ms. Winnie Sin Wing Hung Unit 502 5th Floor AXA Centre 151 Gloucester Road Wanchai Hong Kong
Legal Advisers to the Company	<i>As to Hong Kong law</i> J. S. Gale & Co. 2410 Dah Sing Financial Centre 108 Gloucester Road Wanchai Hong Kong  <i>As to Cayman Islands law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

Auditors	BDO Limited <i>Certified Public Accountants</i> 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Principal Bankers	The Hong Kong and Shanghai Banking Corporation Limited Hang Seng Bank Limited DBS Bank (Hong Kong) Limited The Bank of East Asia Limited
Financial Adviser to the Company	Emperor Capital Limited 28th Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Underwriters	Emperor Securities Limited 23rd-24th Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Audit Committee	Mr. Joseph Tong Tze Kay Mr. Daniel Yen Tzu Chen Mr. David John Robinson Herratt

**DIRECTORS****Particulars of Directors****Name****Address****Executive Directors**

Mr. Johnny Chan Kok Chung

18th Floor  
Fairmont House  
8 Cotton Tree Drive  
Central Hong Kong

Mr. Ulric Leung Yuk Lun

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

Mr. Jeffrey Lau Chun Hung

Unit 502 5th Floor  
AXA Centre  
151 Gloucester Road  
Wanchai Hong Kong**Non-executive Director**

Mr. Ahmad S. Al-Khaled

House No. 13-A Block No. 1  
Abdulrahman Al-Dakhil Street  
Rawda Kuwait**Independent non-executive Directors**

Mr. Daniel Yen Tzu Chen

9 Ardmore Park #24-03  
Singapore 259955

Mr. Joseph Tong Tze Kay

A32 Europa Garden  
48 Kwu Tung Road  
Sheung Shui  
N.T. Hong Kong

Mr. David John Robinson Herratt

2nd Floor 36 Kennedy Road  
Hong Kong

**Executive Directors:**

**Johnny Chan Kok Chung**, aged 51, one of the co-founders and joined the Board since incorporation of the Company. He is the Chairman of Crosby Asset Management (Hong Kong) Limited and Crosby Wealth Management (Hong Kong) Limited, the subsidiaries of the Company. He oversees the development of Crosby's asset and wealth management businesses in Asia. He is the Chief Investment Officer of Softech Investment Management Company Limited, a subsidiary of the Company being the manager of the Hong Kong Government Applied Research Fund and acts in the same capacity in Crosby Asset Management (Hong Kong) Limited, as the manager of the Crosby ChinaChips Fund and the JAIC Crosby Fund.

Johnny has over 25 years of experience in investment management and investment banking. He acted as the Chairman of the Hong Kong Venture Capital and Private Equity Association from June 2007 to June 2011 and has acted as the President since July 2011. He served as a panel member on the HKSAR Government Small Entrepreneur Research Assistance Programme (SERAP) between 2001-2006. Since April 2008, he has served as a member of the Hong Kong Trade Development Council's Financial Services Advisory Committee. He has an MBA in International Business and a BA degree in Economics. He also holds a post-graduate diploma from the Securities Institute of Australia and is an Associate of the Securities Institute of Australia.

**Ulric Leung Yuk Lun**, aged 47, joined the Board in October 2010 and appointed as the Group Chief Financial Officer following the acquisition of Shikumen Capital Management (HK) Limited by the Company. He has been the Managing Director and Chief Financial Officer of Shikumen Capital Management (HK) Limited since 2007. He graduated from the Chinese University of Hong Kong in 1986 with a Bachelor's Degree in Business Administration (Hons). He is a member of the Hong Kong Institute of Certified Public Accountants, a CFA charterholder and a Chartered Alternative Investments Analyst.

Ulric has 20 years' experience in the financial markets. Prior to joining Shikumen Capital Management (HK) Limited, he had been the Chief Financial Officer of SAIL Advisors Limited, an investment manager of alternative assets. He had also worked previously with Deutsche Bank, NatWest, Lehman Brothers and Ernst & Young. He has also been a non-executive director of China 3D Digital Entertainment Limited (formerly known as Dragonlott Entertainment Group Limited), a company listed on GEM of the Stock Exchange of Hong Kong, from March 2010 to November 2010.

**Jeffrey Lau Chun Hung**, aged 35, joined the Company in March 2011 as an Executive Director. He received a Bachelor of Arts (Magna Cum Laude) from Harvard University and a Master of Business Administration from Harvard Business School. He is co-founder and Managing Director of Shikumen, a wholly-owned subsidiary of the Company, in which capacity he oversees investments, operations and strategy. Prior to Shikumen, Mr. Lau has worked at Och-Ziff Capital Management Group in New York and Hong Kong, at the Blackstone Group in New York and at Morgan Stanley in Hong Kong, Los Angeles and New York.

**Non-executive Director:**

**Ahmad S. Al-Khaled**, aged 45, joined the Board in November 2000. He is the Chief Operating Officer of TBV Holdings Limited, a global Venture Capital firm that invests in private and publicly held companies in high growth sectors. He is also the Assistant Deputy Director and Head of Investment Funds Division at the Kuwait Fund for Arab Economic Development which he joined in 1995. His responsibility is to lead a team of investment professionals in strategizing, analysing, investing and monitoring a portfolio of investment funds that include hedge funds, long only equity, fixed income, private equity and real estate funds.

**Independent non-executive Directors:**

**Daniel Yen Tzu Chen**, aged 55, joined the Board in December 2002. He currently serves on the board of Hudson Holding Pte Ltd., a property and investment holding company based in Singapore. He is also a managing director and Founder of P.T. Universal Sejati, an Indonesian trading company that deals in commodity metals, chemicals, machinery and mining products. Daniel has an accounting and business background and has over 25 years of experience throughout the Southeast Asian region particularly in Indonesia and Singapore.

**Joseph Tong Tze Kay**, aged 48, joined the Board in August 2004 with a financial and business background including senior positions with Universal Music Limited, Softbank China Venture Investments Limited and Nomura China Investments Limited. Joseph is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and has degree in Accounting and Statistics from the University of Southampton, England. He has been an independent non-executive director of NetEase.com, Inc., listed on NASDAQ, since March 2003.

**David John Robinson Herratt**, aged 60, joined the Board in October 2010 and has over 30 years of experience in the insurance industry in Europe, the Middle East and Asia. He is currently Chief Executive Officer of Swiss Insurance Partners (Hong Kong) Limited, a registered HKCIB insurance broker firm, and consultant and advisor for Asia of Hampden Agencies Limited which is regulated by Lloyd's of London and United Kingdom Financial Services Authority. Prior to that, he was the Chief Executive of William Russell (Far East) Limited in Hong Kong. He has also held executive positions with Lloyd's of London, Thomas Miller Risk Management in the United Kingdom, ONIC General Insurance Company in Oman, CLP Power in Hong Kong and the Skandia Group. He is a Fellow of the Chartered Insurance Institute (FCII) and a Fellow of the Institute of Risk Management (FIRM).

## 9. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this prospectus:

Name	Qualification
BDO Limited	Certified Public Accountants

BDO Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion therein of its reports or opinions and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, BDO Limited did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, BDO Limited did not have any direct or indirect interests in any assets which had been, since 30 June 2011 (being the date to which the latest published consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

## 10. AUDIT COMMITTEE

The Company established an Audit Committee on 31 March 2000 with written terms of reference. The terms of reference are available on the Company's website ([www.crosbycapitallimited.com](http://www.crosbycapitallimited.com)). The Audit Committee comprises three Independent Non-Executive Directors, Joseph Tong Tze Kay (Chairman), David John Robinson Herratt and Daniel Yen Tzu Chen. The duties of the Audit Committee include: managing the relationship with the Group's external auditors, reviewing the financial information on the Company, and overseeing the Company's financial reporting process and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting. The biography of the members of Audit Committee are set out on page 60 of this prospectus.

## 11. MISCELLANEOUS

- (a) The company secretary of the Company is Winnie Sin Wing Hung, who is a member of the Institute of Chartered Accountants in England and Wales and is also a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The compliance officer of the Company is Johnny Chan Kok Chung, who holds a post-graduate diploma from the Securities Institute of Australia and is an associate of the Securities Institute of Australia. He also has an MBA in International Business and a BA degree in Economics.



- (c) The English text of this prospectus shall prevail over the Chinese text in case of any inconsistency.

## 12. EXPENSES

The expenses in connection with the Rights Issue with option to subscribe for RCPS, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$2.83 million (approximately US\$363,000).

## 13. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business day from, the date of this prospectus up to and including Monday, 5 September 2011:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2008, 2009 and 2010, the first quarterly report and interim report of the Company for the three months ended 31 March 2011 and six months ended 30 June 2011 respectively;
- (c) the written consent as referred to in the paragraph headed "Expert and Consent" in this appendix;
- (d) the letter of the unaudited pro forma financial information of the Group issued by BDO Limited set out in Appendix II of this prospectus;
- (e) the material contracts as referred to under the paragraph "Material contracts" in this appendix;
- (f) the full terms of the RCPS; and
- (g) the circulars of the Company dated 30 March 2011 and 21 July 2011 respectively.

## 14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents, having attached thereto the written consent referred to in the paragraph headed "Expert and Consent" in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

The full terms of the RCPS (in the form in which they were adopted at the EGM) are available for viewing on the Company's website at [www.crosbycapitallimited.com](http://www.crosbycapitallimited.com) and by inspection at the Company's office at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.

The principal terms of the RCPS are set out below:

<b>Par Value:</b>	US\$0.10 each
<b>RCPS Subscription Price:</b>	US\$2.00 per RCPS, of which US\$0.10 per RCPS to be paid on subscription (" <b>Initial RCPS Subscription Price</b> "), 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).
<b>Ranking on Winding Up:</b>	The RCPS shall rank pari passu with other Shares on a winding up of the Company. The entitlement of the holders of the RCPS on a winding up shall be calculated on an as-if-converted basis, and on the basis that the only amount falling to be converted shall be the amount actually paid up on the RCPS at the commencement of the winding up. Thus, the holders of the RCPS shall be under no obligation to pay the balance of the RCPS Subscription Price to the Company on a winding up.
<b>Dividend:</b>	The RCPS shall not be entitled to any dividends.
<b>Redemption:</b>	The RCPS are redeemable at the Redemption Amount on the Final Redemption Date.
<b>Redemption Amount:</b>	means an amount equal to the Initial RCPS Subscription Price of such number of RCPS so redeemed.
<b>Final Redemption Date:</b>	Five years from the date of issuance of the RCPS.
<b>Company's early Redemption option:</b>	the Company may redeem the RCPS anytime after the date of issue (in whole or in part) and prior to the Final Redemption Date provided that the closing market price of the Company's ordinary shares are at least 150% of the Conversion Price for 30 consecutive GEM 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 upon serving a notice of redemption ("**Put Redemption Notice**") together with the share certificate evidencing the RCPS to be redeemed and the Company shall redeem the RCPS on the 14th day after the serving of the Put Redemption Notice by the holder of the RCPS.
- Purchases:** The Company or any of its subsidiaries may at any time and from time to time purchase RCPS at any price in the open market or otherwise. Any RCPS purchased by the Company or its subsidiaries shall forthwith be cancelled.
- Conversion Right:** The RCPS may be convertible 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) ("**Conversion Period**"). The RCPS can only be converted upon full payment of the RCPS Subscription Price.
- Conversion Restrictions:** 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; and/or (iv) such conversion will lead to a breach of the applicable laws and regulations including, but not limited to, the GEM Listing Rules and the Takeovers Code; and/or (v) such conversion will be considered as capable of turning the Company into a cash company as defined in Rule 19.82 of the GEM Listing Rules.

In relation to (v) above, the Directors shall be entitled to postpone such conversion for up to 30 days from the date of the notice of conversion submitted by the converting RCPS holder, if the Directors ascertain that the cash-to-total assets ratio of the Company (with reference to the latest published consolidated balance sheet of the Company and adjusted by any completed transaction which had been announced) shall exceed 80% after such conversion.

If, after 30 days:

- (a) the Directors are still of the view that the cash-to-total assets ratio of the Company would still exceed 80%, the conversion will not proceed (without prejudice to the right of such RCPS holder to convert at any later date within the Conversion Period, subject to this same limitation). The Directors shall notify such converting RCPS holder and the Company shall return the payment which was lodged by the RCPS holder with his notice of conversion in respect of the RCPS Subscription Price to such converting RCPS holder by cheque within 7 days after the notification by the Company that the conversion will not proceed; or
- (b) the directors are of the view that the cash-to-total assets ratio of the Company shall not exceed 80%, the conversion shall proceed and the Conversion Day shall fall on the 3rd day after the notification by the Company that the conversion will proceed (or the next Business Day if such day is not a Business Day).

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\$7.80 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 Company 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.
- 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.