

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Crosby Capital Limited.*

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

- (1) MAJOR ACQUISITION –  
ACQUISITION OF 100% OF  
SHIKUMEN CAPITAL MANAGEMENT (HK) LIMITED;**  
**(2) DISCLOSEABLE AND CONNECTED TRANSACTION  
– DISPOSAL OF BUSINESS;**  
**(3) PROPOSED PLACING OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE  
AND  
(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

**THE SHIKUMEN ACQUISITION AGREEMENT**

On 24 June 2010 (after trading hours), the Company (as purchaser), Shikumen Capital (as vendor), Mr. Nelson Tang Yu Ming and Mr. Jeffrey Lau Chun Hung (as warrantors for the vendor) entered into the Shikumen Acquisition Agreement pursuant to which Shikumen Capital has agreed to sell to the Company the SC Sale Shares, being the entire issued share capital of SCHK, for a consideration of HK\$46.9 million. The consideration for the Shikumen Acquisition will be satisfied as follows: (i) HK\$16,900,000 will be settled by the allotment and issue of 130,000,000 Consideration Shares by the Company to Shikumen Capital at completion at an issue price of HK\$0.13 per Share and (ii) the balance by the issue of a promissory note for HK\$30,000,000 by the Company to Shikumen Capital at completion.

*# for identification purposes only*

## **THE DISPOSAL AGREEMENT**

On 24 June 2010 (after trading hours), ECK Partners (as purchaser) and the Company (as vendor) entered into the Disposal Agreement pursuant to which the Company has agreed to sell to ECK Partners the Sale Assets for a consideration of US\$27,111.

## **PROPOSED PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

The Company is proposing to issue the New Bonds for the aggregate principal amount of HK\$250,000,000 in two tranches. Pursuant to the Placing Agreement, Emperor Securities has agreed to place the New Bonds to independent places on a best effort basis and the proceeds will be used for repurchase or repayment of any outstanding amount of the Existing Bonds, general working capital of the Group and investment funding for any future expansion of the business of the Group.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

In anticipation of the issue of the Consideration Shares and the Conversion Shares, the Directors propose to increase the authorised share capital of the Company from US\$20,000,000 divided into 2,000,000,000 Shares of US\$0.01 each to US\$40,000,000 divided into 4,000,000,000 Shares of US\$0.01 each by the creation of an additional US\$20,000,000 divided into 2,000,000,000 Shares of US\$0.01 each. The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

## **GENERAL**

The Shikumen Acquisition will constitute a major transaction for the Company under Chapter 19 of the GEM Listing Rules as the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules are more than 25% but less than 100%. The Shikumen Acquisition, including the issue of the Consideration Shares under the Specific Mandate, will therefore be subject to the approval of Shareholders at the EGM.

ECK Partners is a connected person of the Company and, as such, the Disposal is a connected transaction of the Company under the GEM Listing Rules. The Disposal is also a discloseable transaction of the Company under the GEM Listing Rules, where the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules are more than 5% but less than 25%. The Disposal is subject to announcement and reporting requirements but is exempt from the independent shareholders' approval as the applicable percentage ratios are less than 25% and the total consideration is less than HK\$10,000,000.

Assuming the conversion rights attaching to the New Bonds are exercised in full at the initial Conversion Price, up to 1,388,888,888 Conversion Shares will fall to be issued to the Bondholders, representing approximately 420.1% of the issued capital of the Company as at the date of this announcement and approximately 75.1% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares. Subject to the terms of the New Bond which enable the re-setting of the Conversion Price, a maximum of 3,205,128,205 Conversion Shares will be issued. The Conversion Shares will be issued under the Specific Mandate proposed to be sought from the Shareholders by way of poll at the EGM.

The Circular containing, among other things, further details of (i) the Shikumen Acquisition, (ii) the placing of the New Bonds, (iii) the proposed increase in the authorised share capital and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 30 July 2010, which exceeds the prescribed time limit for despatch of a circular under the GEM Listing Rules as more time may be required to compile the necessary information for the Circular.

**Shareholders and potential investors should note that completion of the Transactions is subject to the fulfillment of the conditions under the relevant agreements. As the Transactions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## THE SHIKUMEN ACQUISITION AGREEMENT DATED 24 JUNE 2010

### Parties

Purchaser:	the Company
Vendor:	Shikumen Capital
Warrantors for the performance of the obligations of the vendor:	Mr. Nelson Tang Yu Ming and Mr. Jeffrey Lau Chun Hung, being the directors of SCHK
Transaction:	Sale and purchase of the SC Sale Shares

Shikumen Capital is incorporated in the Cayman Islands as an exempted company with limited liability and provides fund management services. The Directors confirm that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shikumen Capital, its ultimate beneficial owners and the warrantors of the Shikumen Acquisition Agreement are Independent Third Parties.

### **Consideration and terms of payment**

Shikumen Capital has agreed to sell and the Company has agreed to acquire the SC Sale Shares, being the entire issued share capital of SCHK, for a consideration of HK\$46.9 million. In determining the consideration, the parties have taken into consideration (i) the historical performance and assets under management of the Funds and (ii) the historical financial performance of SCHK. The consideration was arrived at after arm's length negotiations among the parties.

The consideration for the Shikumen Acquisition will be satisfied as follow: (i) HK\$16.9 million of the consideration will be settled by the allotment and issue of 130,000,000 Consideration Shares by the Company to Shikumen Capital at completion at an issue price of HK\$0.13 per Consideration Share and (ii) the issue of a promissory note for HK\$30 million by the Company to Shikumen Capital at completion. The promissory note to be issued by the Company to Shikumen Capital will bear interest at 3.5% per annum (and payable in arrears on each anniversary of the date of completion of the Shikumen Acquisition) with a term of 24 months from the date of completion of the Shikumen Acquisition. Early repayment by the Company of the principal (together with accrued interest) under the promissory note is permitted at any time after the completion of the Shikumen Acquisition at the Company's discretion.

The 130,000,000 Consideration Shares represent approximately 28.2% of the enlarged issued share capital of the Company after completion of the Shikumen Acquisition. The Consideration Shares will be issued under the Specific Mandate to be obtained by the Directors at the EGM. The effect on the shareholding of the Company upon completion of the issue of the Consideration Shares is set out in the paragraph "Effect on the shareholding structure of the Company" in this announcement.

The issue price of each Consideration Share of HK\$0.13:

- (i) is equivalent to the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 24 June 2010, being the Last Trading Day before the release of this announcement; and
- (ii) represents a discount of approximately 7.8% to the average closing price of approximately HK\$0.141 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

## **Conditions of the Shikumen Acquisition Agreement**

The Shikumen Acquisition Agreement is conditional upon:

- (i) the parties and SCHK having obtained all necessary regulatory and shareholders' approval in relation to the Shikumen Acquisition (including the grant of the Specific Mandate for the Consideration Shares) and the Disposal;
- (ii) the Disposal having becoming unconditional;
- (iii) the issue of the Consideration Shares and/or the exercise of the conversion rights of the New Bonds not resulting in a change in control (as defined in the Takeovers Code) of the Company;
- (iv) the issue of the Tranche 1 New Bonds having been completed in all respects;
- (v) the issue of the Tranche 2 New Bonds having been approved by the Shareholders;
- (vi) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;
- (vii) the Company being satisfied with the results of the due diligence review on SCHK and the Funds;
- (viii) the value of SCHK being not less than HK\$46.9million as valued by an independent valuer;
- (ix) all necessary consents, waivers or approvals from government or regulatory authorities or third parties which are necessary for the Shikumen Acquisition having been obtained;
- (x) the warranties given by the vendor being true and accurate; and
- (xi) no event arising which has an adverse effect on the financial performance and prospects of SCHK.

If the conditions are not fulfilled or waived by the parties by 24 December 2010 or such other date as may be agreed between the parties, the Shikumen Acquisition will cease to be of any effect save for any antecedent breach.

### **Application for listing**

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

### **Completion of the Shikumen Acquisition**

Completion of the Shikumen Acquisition Agreement will take place on the third Business Day after the above conditions are fulfilled or otherwise waived by the parties (other than conditions (i) and (vi) which are required by the GEM Listing Rules), whichever is earlier or on such other date as the parties may agree. Upon completion of the Shikumen Acquisition, the Group will be interested in 100% of SCHK and SCHK will become a subsidiary of the Company.

The Directors consider that the terms of the Shikumen Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Information on SCHK

SCHK is a company incorporated in Hong Kong on 1 June 2007. SCHK provides investment advisory and asset management services and is a corporation licensed to carry on type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

SCHK is an investment advisor providing investment advisory and management services to Shikumen Capital in relation to the Funds and certain segregated managed accounts, while Shikumen Capital is the manager of the Funds with overall responsibility to oversee the investment advisor's activities for the Funds. Shikumen Capital is also providing marketing and distribution services to the Funds. The Funds consist of the Shikumen Offshore Feeder Fund and the Shikumen Special Situation Fund, both of which were incorporated in the Cayman Islands as exempted companies with limited liability. The Shikumen Offshore Feeder Fund, through its investment in the Shikumen Special Situation Fund, focuses on deal-driven and event-related investments primarily in Greater China which may involve the purchase and sale of securities and assets that are the subject of merger and acquisition activities, corporate reorganizations, stock placements, distress, spin-offs and other significant corporate actions. The services provided by SCHK in relation to the Funds are non-exclusive.

The following is the financial information of SCHK:

	<b>For the three months ended</b>	<b>For the year ended</b>	
	<b>31 March 2010 (unaudited)</b>	<b>31 December 2009 (audited)</b>	<b>31 December 2008 (audited)</b>
<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	419	1,924	1,702
Profit after taxation	334	1,539	1,582
	<b>As at 31 March 2010 (unaudited)</b>	<b>As at 31 December 2009 (audited)</b>	<b>As at 31 December 2008 (audited)</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Net asset value	4,503	4,169	4,630

As of 31 March 2010, assets under management for the Funds and segregated managed accounts (which includes accounts of its directors and their associates) advised by SCHK exceeded US\$130 million. During the aforesaid period, the advisory fee received by SCHK in relation to the Funds was paid by Shikumen Capital based on the performance of the Funds.

SCHK has informed the Company that it intends to provide marketing and distribution services in relation to the Funds and enlarge its portfolio of asset management products upon completion of the Shikumen Acquisition.

### **Listing Rules implication**

The Shikumen Acquisition will constitute a major transaction for the Company under Chapter 19 of the GEM Listing Rules as the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules are more than 25% but less than 100%. The Shikumen Acquisition will be subject to the approval of Shareholders. The Company will seek approval of the Shikumen Acquisition and the issue of the Consideration Shares from the Shareholders at the EGM and no Shareholder is required to abstain from voting on the Shikumen Acquisition.

## **THE DISPOSAL AGREEMENT DATED 24 JUNE 2010**

### **Parties**

Purchaser: ECK Partners

Vendor: The Company

Transaction: Sale and purchase of the Sale Assets

ECK Partners is an investment holding company owned as to 88.86% by TW Indus Limited, a company wholly-owned by Mr. Khan, and 11.14% by Mr. Owen, and therefore, ECK Partners is a connected person of the Company as defined in the GEM Listing Rules.

### **Consideration and terms of payment**

The consideration for the Sale Assets payable by ECK Partners to the Company is US\$27,111 and is determined with reference to (i) the consolidated net asset deficit of the Sale Companies as at 31 May 2010 being US\$3,032,439 and (ii) the market value of the Investments as at 31 May 2010 being US\$2,509,550. The consideration for the Disposal will be satisfied by way of set-off against part of the termination payment to be paid to Mr. Khan in relation to his termination of services with the Company and its subsidiaries on a dollar-for-dollar basis upon completion. Details of the termination arrangements for Mr. Khan are set out in the paragraph "Termination arrangement with Mr. Khan" below in this announcement.

### **Conditions of the Disposal Agreement**

The Disposal Agreement is conditional upon:-

- (i) the parties to the Disposal Agreement and the Sale Companies having obtained all necessary regulatory and shareholder's approval (if necessary) in relation to the Disposal Agreement;
- (ii) the completion of the Crosby Restructuring including the approval by the Company's nominated adviser in the United Kingdom of the terms of the Crosby Restructuring (details of which are set out in the paragraph "Crosby Restructuring" below in this announcement);

- (iii) the issue of Tranche 1 New Bonds having been completed in all respect;
- (iv) either (a) the Company having fully repaid or repurchased the Existing Bonds or (b) the Company having obtained consent from the Existing Bond Holders in relation to the Disposal; and
- (v) the Shikumen Acquisition having become unconditional.

If the conditions set out above are not fulfilled or are not waived by the parties by mutual agreement on or before 24 December 2010 or such other date as the parties may agree, the Disposal Agreement will cease to be of any further effect and none of the parties to the Disposal Agreement shall have any claims against the other save for any antecedent breach.

The Directors consider that the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Completion of the Disposal Agreement**

Completion of the Disposal Agreement will take place on the third Business Day after the above conditions are fulfilled or otherwise waived by the parties, whichever is earlier or on such other date as the parties may agree. Upon completion of the Disposal, the Sale Companies will cease to be subsidiaries of the Company.

### **Crosby Restructuring**

Prior to the completion of the Disposal, the Company will carry out an internal restructuring of its business, assets and liabilities for the purpose of streamlining its existing business and company structure.

For the purpose of the Crosby Restructuring, the Company entered into the CAM Agreement with CAM on 24 June 2010 pursuant to which CAM has agreed to transfer all its businesses, assets and certain liabilities to the Company for a consideration of US\$948,666. The businesses, assets and liabilities to be transferred include (i) wealth management, (ii) fund management, (iii) residual liabilities in relation to the corporate finance and financial advisory businesses and (iv) the minority interests in investments related to the previous merchant banking business of CAM. Prior to the completion of the Crosby Restructuring, the Company is interested in the aforesaid businesses, assets and liabilities through CAM. Upon completion of the Crosby Restructuring, the Company shall become the direct holding company of the wealth management and fund management businesses, but the liabilities in relation to the corporate finance and financial advisory services businesses and the minority interests in investments related to the previous merchant banking business of CAM will be immediately transferred to ECK Partners in the Disposal. Details of the Sale Assets are set out in the following section.



CAM is a company listed on AIM and is a 86.45% owned subsidiary of the Company. CAM is currently the asset management arm of the Group. Completion of the Crosby Restructuring is subject to (i) approval of any regulatory authorities under the AIM Listing Rules, (ii) the approval from the nominated financial advisor of CAM in the United Kingdom, (iii) the approval of the shareholders of CAM under the listing rules of AIM and (iv) both the Disposal and the Shikumen Acquisition becoming unconditional. The consideration payable by the Company to CAM under the CAM Agreement will be set off against the CAM Shareholder Loan. The rest of the CAM Shareholder Loan shall be settled by the issuance of new shares in CAM to the Company at completion. The exact number of new shares of CAM to be issued shall be determined based on the average of the closing mid-market price over the last three trading days of shares of CAM prior to completion.

### **Information about the Sale Assets**

The Sale Assets include the following assets:

<b>Sale Companies</b>	<b>Place of incorporation</b>	<b>Principal activities</b>
100% in Crosby Capital Partners Limited (Part of the financial advisory business transferred from CAM to the Company in the Crosby Restructuring)	United Kingdom	provision of financial advisory services
99.99% in Crosby (Hong Kong) Limited (Part of the corporate finance business transferred from CAM to the Company in the Crosby Restructuring)	Hong Kong	provision of corporate finance advisory services
100% in Crosby Special Situations Fund Limited (Investment holding company of the minority interests in investments from the merchant banking business transferred from CAM to the Company in the Crosby Restructuring)	Cayman Islands	investment holding of the merchant banking assets
100% in Crosby Corporate Finance (Holdings) Limited (Part of the corporate finance business transferred from CAM to the Company in the Crosby Restructuring)	Cayman Islands	provision of corporate finance advisory services
100% in Fairfield Investment Holdings Limited	Cayman Islands	investment holding

## ***Investments***

4,831,837 shares in Conexion Media Group Limited      Conexion Media Group Limited is an entertainment and media group engaging in music administration with film and television production

These shares are listed on AIM. The market value of these shares was approximately US\$89,550 as at 31 May 2010

15.73% in Touchstone Investment Holdings Limited      Touchstone Investment Holdings Limited is a private holding company of an early stage gold exploration project in the Las Pepas area in Columbia

The book value of these shares was US\$2,420,000 as at 31 May 2010

Below is the profit/loss of the Sale Companies based on the audited financial results of the Group for the years ended 31 December 2009 and 31 December 2008 (after eliminating inter-company transactions).

	<b>For the year ended 31 December 2009 US\$'000</b>	<b>For the year ended 31 December 2008 US\$'000</b>
<b>Profit /(Loss) before taxation</b>		
<i>Corporate finance</i>	<b>(4,746)</b>	<b>(1,687)</b>
including		
Crosby Corporate Finance (Holdings) Limited	800	(644)
Crosby (Hong Kong) Limited	(5,546)	(1,043)
<i>Financial advisory services</i>	<b>(2,526)</b>	<b>(17,122)</b>
including		
Crosby Capital Partners Limited	(2,526)	(17,122)
<i>Others</i>	<b>(2,453)</b>	<b>(22,567)</b>
including		
Crosby Special Situations Fund Limited	(2,415)	(22,511)
Fairfield Investment Holdings Limited	(38)	(56)

	<b>For the year ended 31 December 2009 US\$'000</b>	<b>For the year ended 31 December 2008 US\$'000</b>
<b>Profit/(Loss) after taxation</b>		
<i>Corporate finance</i>	<b>(4,720)</b>	<b>(1,682)</b>
including		
Crosby Corporate Finance (Holdings) Limited	818	(644)
Crosby (Hong Kong) Limited	(5,538)	(1,038)
<i>Financial advisory services</i>	<b>(2,493)</b>	<b>(17,122)</b>
including		
Crosby Capital Partners Limited	(2,493)	(17,122)
<i>Others</i>	<b>(2,453)</b>	<b>(22,567)</b>
including		
Crosby Special Situations Fund Limited	(2,415)	(22,511)
Fairfield Investment Holdings Limited	(38)	(56)

The consolidated net asset deficit of the Sale Companies was US\$3,032,439 as at 31 May 2010.

### **Use of proceeds**

It is estimated that the Disposal will result in a gain of approximately US\$550,000 for the Group upon completion of the Disposal Agreement. This represents the difference between the net deficit attributable to the Sale Assets of approximately US\$522,889 and the consideration under the Disposal Agreement of US\$27,111. The net proceeds from the Disposal will be used to set off against part of the termination payment to be paid to Mr. Khan in relation to his termination of services with the Company and its subsidiaries on a dollar-for-dollar basis.

### **Termination arrangements with Mr. Khan**

Upon completion of the Disposal, Mr. Khan will resign as the chairman, a director of the Company and a director of CAM. Pursuant to a letter of termination dated 24 June 2010 between the Company and Mr. Khan, the parties have agreed that:

- (i) the termination of Mr. Khan's service will take effect from the date of completion of the Disposal;
- (ii) a termination payment of US\$1,171,500 (which is based on the terms of Mr. Khan's existing service agreement) shall be payable by the Group to Mr. Khan;
- (iii) part of his termination payment, equal to US\$27,111, shall be set off by the Company against the consideration payable by ECK Partners to the Company for the Disposal;

- (iv) settlement of any residual termination payment will be deferred to a date on or before the first anniversary of the date of the termination letter. Subject to further negotiation between the Company and Mr. Khan, the remaining termination payment will be settled in-kind by way of transfer to Mr. Khan of certain assets of the Group which are yet to be identified and agreed, save that they shall not include cash or any new business to be acquired by the Group after the date of the termination letter; and
- (v) US\$175,056 of accrued and unpaid salary owed to Mr. Khan will be settled in cash and the payment will be subject to the liquidity requirements of the Group and will be subordinated to any third party borrowings of the Group.

### **Listing Rules implication**

ECK Partners is a connected person of the Company and as such, the Disposal is a connected transaction of the Company under the GEM Listing Rules. The Disposal is also a discloseable transaction of the Company under the GEM Listing Rules, where the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules are more than 5% but less than 25%. The Disposal is subject to announcement and reporting requirements but is exempt from the independent shareholders' approval as the applicable percentage ratios are less than 25% and the total consideration is less than HK\$10,000,000.

### **Reasons for and benefits of the Shikumen Acquisition and the Disposal**

The Group is engaged in the business of merchant banking, asset management and direct investment. During the year 2009, the Group carried out a dramatic cost cutting exercise and was able to reduce its loss significantly as compared to the year 2008. However, the merchant banking business of the Group has been consuming most of the cash resources of the Group. In addition, the legacy corporate finance and financial advisory services businesses of the Group have burdened the Group with continuing liabilities which create uncertainties for the Group's consolidated balance sheet. The Group plans to focus its resources on its asset management services (which includes funds and wealth management) and dispose of the merchant banking assets and the corporate finance and financial advisory services businesses (together with the liabilities associated with such businesses) to Mr. Khan. The Directors expect that the Shikumen Acquisition will be able to add synergy to the Group in terms of funds portfolio and expertise, and therefore strengthen the asset management business of the Group. The Shikumen Acquisition is a milestone for the Group in repositioning itself as an asset management service group.

## **PROPOSED PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

### **The Placing Agreement dated 24 June 2010**

On 24 June 2010, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent has agreed to place the New Bonds with an aggregate principal amount of HK\$250 million (details of which are under the section “Principal terms of the New Bonds” below).

#### **Issuer**

The Company

#### **Placing Agent**

Emperor Securities Limited

#### **New Bonds to be placed**

The Placing of up to HK\$250 million will be placed by the Placing Agent in two separate tranches on a best effort basis:

##### *Tranche 1 New Bonds:*

Principal amount: up to HK\$160,000,000

##### *Tranche 2 New Bonds:*

Principal amount: up to HK\$90,000,000

The Company has the option to issue up to an additional HK\$90 million of the New Bonds within 6 months of the initial closing of the Tranche 1 New Bonds.

#### **Placees**

The New Bonds shall be offered to not less than six subscribers which are independent institutional or private investors procured by the Placing Agent. The subscribers and their ultimate beneficial owners shall be independent of, and not connected with, the Company and its connected persons.

#### **Placing commission**

2% of the successfully placed aggregate subscription amount of the New Bonds

## **Conditions of the Placing**

The issue of the Tranche 1 New Bonds is conditional upon:

- (i) the Shikumen Acquisition and the Disposal having become unconditional;
- (ii) the passing of the necessary resolution(s) on a vote taken by way of poll at the EGM to approve the Specific Mandate for the issue of the Conversion Shares;
- (iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares; and
- (iv) the increase in the authorised share capital of the Company being approved by the Shareholders.

The issue of the Tranche 2 New Bonds is conditional upon:

- (i) the subscription of the Tranche 1 New Bonds having become unconditional in accordance with its terms;
- (ii) the passing of the necessary resolution(s) on a vote taken by way of poll at the EGM to approve the Specific Mandate for the issue of the Conversion Shares;
- (iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares; and
- (iv) the increase in the authorised share capital of the Company being approved by the Shareholders.

Completion of the Placing will take place on or before the third business day after the fulfilment of the conditions for each tranche as set out in the above but (a) not later than 30 September 2010 for Tranche 1 New Bonds, and (b) not later than 6 months after the completion of Tranche 1 New Bonds in the case of the Tranche 2 New Bonds or such later date to be agreed between the Company and the Placing Agent.

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

**Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## PRINCIPAL TERMS OF THE NEW BONDS

The principal terms of the New Bonds are summarized as below:

Denomination:	HK\$1,000,000 each
Maturity date:	5th anniversary from the date of issue of the New Bonds
Interest:	Zero coupon
Conversion rights:	<p>Bondholders will have the right, at any time during the period commencing on and excluding the date of first issue of the New Bonds up to and including the date which is seven days prior to the maturity date, to convert the whole or any part of the principal amount outstanding of the New Bonds (in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion or integral multiples thereof unless the amount of the outstanding New Bonds is less than HK\$1,000,000 in which case the whole (but not part only) of that amount shall be convertible) into Conversion Shares at the Conversion Price (subject to adjustment and reset)</p> <p>The Company shall not be obligated to issue any Conversion Shares if such conversion shall render the Shares held in public hands being less than the minimum public float required under the GEM Listing Rules</p>
Conversion Price:	The initial Conversion Price will be HK\$0.18 per Conversion Share, subject to customary adjustment provisions in accordance with the terms of the New Bonds, including but not limited to, rights issues, dividend distributions, stock splits, bonus issues, asset distributions or the occurrence of certain other analogous events that results in a dilution or concentration of the rights of the holders of the Shares
Conversion Price reset:	At the end of the 6-month period from the date of issuance of the New Bonds and at the end of every 6-month period thereafter, the Conversion Price shall be adjusted to 110% of the one-month volume weighted average price of the ordinary shares of the Company prior to the date of each reset date, subject to a floor Conversion Price of HK\$0.078 per Share
Voting:	Bondholders will not be entitled to attend or vote at any meetings of the Company by reason only of them being the Bondholders

Transferability:	The New Bonds are transferable without restriction. The Company will inform the Stock Exchange upon the Company becoming aware that any of the New Bonds 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
Redemption:	The outstanding principal amount of the New Bonds shall, unless previously converted or purchased or redeemed on maturity at the redemption amount which is 118.94% of the outstanding principal amount of the New Bonds to the Bondholders on the maturity date
Company's call option:	The New Bonds may be redeemed by the Company after the date of issuance of the New Bonds (in whole or in part) at the Early Redemption Amount (as defined below) provided that the closing market price of the Shares are at least 150% of the Conversion Price for 30 consecutive trading days
Bondholders' put option:	The Bondholders may request the Company to redeem the New Bonds at the Early Redemption Amount on or after the 3rd anniversary of the date of issuance of the New Bonds
Early Redemption Amount:	An amount that would result in an annual yield equal to 3.5% per annum compounded on a semi-annual basis
Events of default:	The New Bonds will contain customary events of default provisions which provide that on the occurrence of certain events of default specified in the terms and conditions of the New Bonds, each of the Bondholders shall be entitled to require the Company to redeem the New Bonds at the Early Redemption Amount
Ranking:	The New Bonds will be senior, unsecured and rank pari passu with all other unsecured, non-preferred debts of the Company
Listing:	No application will be made for the listing of the New Bonds on the Stock Exchange or any other exchange. The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares.



The initial Conversion Price of HK\$0.18 per Conversion Share represents:

- (i) a premium of approximately 38.5% to the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 24 June 2010, being the Last Trading Day before the release of this announcement; and
- (ii) a premium of approximately 27.7% to the average closing price of approximately HK\$0.141 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The Conversion Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the Conversion Price is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The New Bonds carry the right to convert into Conversion Shares at the initial Conversion Price of HK\$0.18 per Conversion Share (subject to adjustment and re-set). Assuming the conversion rights attaching to the New Bonds are exercised in full at the Conversion Price, up to 1,388,888,888 Conversion Shares will fall to be issued to the Bondholders, representing approximately 420.1% of the issued capital of the Company as at the date of this announcement and approximately 75.1% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares. If the Conversion Price is ever reset to its lowest price of HK\$0.078, a maximum of 3,205,128,205 Conversion Shares will be issued.

The Conversion Shares will be issued under the Specific Mandate proposed to be sought from the Shareholders by way of poll at the EGM.

## **REASONS FOR THE NEW BONDS AND USE OF PROCEEDS**

The maximum estimated net proceeds from the placing of the New Bonds will be approximately HK\$242 million after deducting the expenses for the Transactions, including professional fees, printing fees and placing commission. The net proceeds of the New Bonds will be used to repay or repurchase any outstanding amount of the Existing Bonds, general working capital of the Group and investment funding for any future expansion of the business of the Group.

The Board considers that the placing of the New Bonds will be able to provide stability to the cash flow position of the Group, improve its liquidity and therefore strengthen the financial position of the Group. The Directors consider that the terms of the New Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after allotment and issue of the Consideration Shares, (iii) immediately after allotment and issue of the Consideration Shares and assuming full conversion of the Tranche 1 New Bonds and (iv) immediately after allotment and issue of the Consideration Shares and assuming full conversion of all the New Bonds:

	As at the date of this announcement		Immediately after the allotment and issue of Consideration Shares		Immediately after the allotment and issue of Consideration Shares and full conversion of Tranche 1 New Bonds		Immediately after the allotment and issue of Consideration Shares and full conversion of all New Bonds	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. Khan ( <i>Note 1</i> )	50,077,685	15.1	50,077,685	10.9	50,077,685	3.7	50,077,685	2.7
TBV Holdings Limited ( <i>Note 2</i> )	30,205,500	9.1	30,205,500	6.5	30,205,500	2.2	30,205,500	1.6
Other Directors ( <i>Note 3</i> )	45,933,058	13.9	45,933,058	10.0	45,933,058	3.4	45,933,058	2.5
Shikumen Capital	-	-	130,000,000	28.2	130,000,000	9.6	130,000,000	7.0
Tranche 1 New Bonds Placees	-	-	-	-	888,888,888	65.9	888,888,888	48.1
Tranche 2 New Bonds Placees	-	-	-	-	-	-	500,000,000	27.0
Other public	204,381,741	61.9	204,381,741	44.4	204,381,741	15.2	204,381,741	11.1
<b>Total</b>	<b>330,597,984</b>	<b>100.0</b>	<b>460,597,984</b>	<b>100.0</b>	<b>1,349,486,872</b>	<b>100.0</b>	<b>1,849,486,872</b>	<b>100.0</b>

### Notes:

1. 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.
2. As at date of the announcement, 22,488,364 Shares was held by ECK & Partners Limited and ECK & Partners Limited was wholly owned by ECK Partners which was held as to 88.86% by TW Indus Limited. TW Indus Limited in turn held a direct interest in 19,339,914 Shares. Mr. Khan was beneficially interested in 100% of the share capital of TW Indus Limited. Accordingly, in addition to his personal interest in 8,249,407 Shares, Mr. Khan is interested in a total of 50,077,685 Shares.
3. Included Shares held by Mr. Simon Jeremy Fry who resigned as a non executive Director on 31 January 2010.

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

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

## PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is US\$2,000,000 divided into 2,000,000,000 Shares of US\$0.01 each. In anticipation of the issue of the Consideration Shares and the Conversion Shares, the Directors propose to increase the authorised share capital of the Company from US\$20,000,000 divided into 2,000,000,000 Shares of US\$0.01 each to US\$40,000,000 divided into 4,000,000,000 Shares of US\$0.01 each by the creation of an additional US\$20,000,000 divided into 2,000,000,000 Shares of US\$0.01 each. The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

## GENERAL

The Circular containing, among other things, further details of (i) the Shikumen Acquisition, (ii) the proposed placing of the New Bonds, (iii) proposed increase in the authorised share capital and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 30 July 2010, which exceeds the prescribed time limit for despatch of a circular under the GEM Listing Rules as more time may be required to compile the necessary information into the Circular.

**Shareholders and potential investors should note that completion of the Transactions are subject to fulfillment of the conditions under respective agreements. As the Transactions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“AIM”	the Alternative Investment Market operated by the London Stock Exchange
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholders”	holders of the New Bonds
“Business Day”	a day on which banks in Hong Kong and London are open for general banking business (other than a Saturday or a day on which a typhoon signal 8 or above or black rainstorm is hoisted in Hong Kong at 10:00 a.m. on that day)
“CAM”	Crosby Asset Management Inc., a company incorporated in the Cayman Islands with limited liability

“CAM Agreement”	the agreement entered into between CAM and the Company in respect of the sale of various businesses, assets and liabilities of CAM to the Company under the Crosby Restructuring
“CAM Shareholder Loan”	the loan due from CAM to the Group as at completion of the Crosby Restructuring. For reference, the amount due from CAM to the Group was approximately US\$1 million as at the date of this announcement
“Circular”	the circular to be issued by the Company in relation, inter alia, to (i) the Shikumen Acquisition, (ii) the Specific Mandate, (iii) the proposed increase in the authorised share capital of the Company and (iv) a notice of EGM
“Company”	Crosby Capital Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration Shares”	130,000,000 new Shares to be issued to Shikumen Capital, as part of the consideration for the Shikumen Acquisition upon completion
“Conversion Price”	HK\$0.18 per Conversion Share (subject to adjustment and re-set)
“Conversion Shares”	the Shares to be issued upon conversion of the New Bonds
“Crosby Restructuring”	the restructuring of the businesses, assets and liabilities within the Group pursuant to the CAM Agreement
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Assets by the Company pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 24 June 2010 entered into between ECK Partners and the Company in relation to the Disposal

“ECK Partners”	ECK Partners Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“EGM”	an extraordinary general meeting of the Company to be convened and held to approve (i) the Shikumen Acquisition, (ii) the Specific Mandate and (iii) the proposed increase in the authorised share capital of the Company
“Existing Bondholders”	holder(s) of the Existing Bonds
“Existing Bonds”	the existing US\$75,000,000 zero coupon convertible bonds of the Company due 2011 issued pursuant to a purchase agreement of the Company dated 6 March 2006, details of which are set out in the announcement of the Company dated 7 March 2006
“Funds”	Shikumen Offshore Feeder Fund and Shikumen Special Situation Fund
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“Investments”	the interests in Conexion Media Group Limited and Touchstone Investment Holdings Limited
“Last Trading Day”	24 June 2010
“Mr. Khan”	Mr. Ilyas Tariq Khan, the chairman, the chief executive officer and a director of the Company
“Mr. Owen”	Mr. Robert John Richard Owen, the non-executive chairman and a director of CAM
“New Bonds”	the Tranche 1 New Bonds and the Tranche 2 New Bonds

“Placing”	the placing of the New Bonds pursuant to the terms of the Placing Agreement
“Placing Agent” or “Emperor Securities”	Emperor Securities Limited, a corporation licensed to carry on 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)
“Placing Agreement”	the placing agreement dated 24 June 2010 entered into between the Company and the Placing Agent in relation to the Placing
“Sale Assets”	the Sale Companies and the Investments
“Sale Companies”	together, Crosby Capital Partners Limited, Crosby (Hong Kong) Limited, Crosby Special Situations Fund Limited, Crosby Corporate Finance (Holdings) Limited and Fairfield Investment Holdings Limited, being the companies to be disposed of pursuant to the Disposal
“SC Sale Shares”	2,500,000 shares of SCHK of HK\$1.00 each, representing the entire issued share capital of SCHK
“SCHK”	Shikumen Capital Management (HK) Limited, a company incorporated in Hong Kong with limited liability and licensed by the Securities and Futures Commission under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for the provision of type 4 (advising on securities) and type 9 (asset management) regulated activities in Hong Kong
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shikumen Acquisition”	the acquisition of the entire issued share capital of SCHK by the Company
“Shikumen Acquisition Agreement”	the sale and purchase agreement dated 24 June 2010 entered into between Shikumen Capital, the Company, Mr. Nelson Tang Yu Ming and Mr. Jeffrey Lau Chun Hung in relation to the Shikumen Acquisition
“Shikumen Capital”	Shikumen Capital Management Limited, an exempted company incorporated in the Cayman Islands with limited liability

“Specific Mandate”	the respective special mandate for the issue of the Conversion Shares and the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong
“Tranche 1 New Bonds”	the convertible bonds proposed to be issued by the Company with an aggregate principal amount of HK\$160 million
“Tranche 2 New Bonds”	the convertible bonds proposed to be issued by the Company with an aggregate principal amount of HK\$90 million
“Transactions”	the Shikumen Acquisition, the Disposal and/or the Placing
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“£”	United Kingdom pounds, the lawful currency of the United Kingdom
“%”	per cent.

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

Hong Kong, 25 June 2010

*As at the date hereof, the Board comprised:*

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

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.crosby.com](http://www.crosby.com).*