



3<sup>rd</sup> QUARTERLY REPORT  
2009

For the nine months ended 30 September

CROSBY  
CAPITAL LIMITED

Stock Code: 8088

## **Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange")**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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*This report, for which the directors of Crosby Capital Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange for the purpose of giving information with regard to Crosby Capital Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## ABOUT CROSBY CAPITAL LIMITED

Crosby Capital Limited ("Crosby" or the "Company" and, together with its subsidiaries, the "Group") is an independent merchant banking and asset management group listed on the Hong Kong Stock Exchange's GEM board (HK GEM 8088), with offices in Hong Kong, the United Kingdom and representation in other parts of Asia.

The Group is engaged in the businesses of merchant banking, asset management and direct investment. Its subsidiary, Crosby Asset Management Inc. ("CAM"), which carries out the Group's asset management business, is quoted on the AIM Market of the London Stock Exchange (CSB LN).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group reports a reduced loss attributable to shareholders for the nine months ended 30 September 2009 of US\$13.9 million when compared to a loss of US\$55.5 million for the same period last year.

Revenue decreased to US\$2.7 million for the nine months ended 30 September 2009 when compared to US\$29.7 million for the same period last year. The decrease in revenue is mainly attributable to CAM's asset and wealth management businesses. The winding down of the Crosby Forsyth business is almost complete.

Total operating expenses (being other administrative expenses plus other operating expenses) for the nine months ended 30 September 2009 were US\$14.9 million compared with US\$45.4 million for the same period last year. The decrease is mainly attributable to reduced staff costs as staff numbers have significantly reduced from 135 at the beginning of 2008 to 59 at 30 September 2009. Similarly, office premises costs have also been reduced during the same period as we have closed our Singapore office and moved to smaller and lower cost offices in London and Hong Kong.

### Merchant Banking

The merchant banking business, which is 100% owned by Crosby, has been most active in the period under review. It has successfully earned an ownership interest in a Columbian Gold exploration project as well as launched a takeover bid for an Australia listed company in the coal sector.

### ADM Loan

At 30 September 2009, the ADM Loan is being carried in the consolidated statement of financial position at the discounted value of the fair value of the security provided by IBD and other factors. The principal security is AIM listed Leed Petroleum which traded at a price of 12.5p at 30 September 2009. During the nine months under review, Coniston received cash distributions of about US\$2.7 million from the ADM Loan.

## **CWM**

Crosby Wealth Management ("CWM"), in which CAM has a 56.14% interest, has experienced a modest increase in its AUM during the third quarter with the market gaining back some normalcy over the nine months ended 30 September 2009. However, margins remained subdued largely due to lower trading volumes. There were no further developments in the legal proceedings brought on by a client in Hong Kong concerning a trade execution error.

## **CAOF**

CAM's Crosby Active Opportunities Fund ("CAOF") continues to liquidate positions in an orderly manner in order to return cash to investors.

## **Forsyth**

CAM has now appointed a liquidator for the Forsyth hedge fund of funds to facilitate their orderly closure.

## **Orchard Petroleum**

Stronger oil prices have continued to help with the development of Orchard Petroleum. Total production for the period under review has been largely stable. Whilst the overall well count has not increased substantially, Orchard Petroleum has identified new prospects through the deployment of better drilling technology and the identification of additional geological features and is presently evaluating the best way to exploit these opportunities.

## UNAUDITED CONSOLIDATED INCOME STATEMENT

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months and three months ended 30 September 2009 (the "Review Periods"), together with the comparative unaudited figures of the corresponding periods in 2008, as follows:

	Notes	(Unaudited) Nine months ended 30 September		(Unaudited) Three months ended 30 September	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>Revenue</b>	3	2,735	29,738	631	12,119
Cost of sales		(338)	(9,905)	(16)	(5,218)
<b>Gross profit</b>		2,397	19,833	615	6,901
Gain/(Loss) on financial assets at fair value through profit or loss		1,104	(26,796)	1,954	(7,650)
Gain on financial liabilities at fair value through profit or loss		2	398	-	38
Other income	3	3,450	3,149	325	1,018
Administrative expenses					
Restructuring expenses	4	(580)	(7,437)	-	(3,204)
Amortisation of intangible assets		-	(314)	-	-
Impairment of intangible assets		(10)	(8,979)	-	-
Other administrative expenses		(12,103)	(37,449)	(3,319)	(10,772)
		(12,693)	(54,179)	(3,319)	(13,976)
Distribution expenses		-	(14)	-	(11)
Impairment of available-for-sale investments		(1,458)	-	-	-
Impairment of loan receivable		(4,937)	-	36	-
Other operating expenses		(2,810)	(7,949)	(1,121)	(5,210)
<b>Loss from operations</b>		(14,945)	(65,558)	(1,510)	(18,890)
Finance costs		(1,153)	(1,256)	(391)	(373)
Share of (losses)/profits of associates		(38)	42	(39)	(27)
Share of profits of jointly controlled entities		200	98	127	32
<b>Loss before taxation</b>		(15,936)	(66,674)	(1,813)	(19,258)
Taxation	5	33	(69)	9	224
<b>Loss for the period</b>		(15,903)	(66,743)	(1,804)	(19,034)
<b>Attributable to:</b>					
Equity holders of the Company		(13,932)	(55,498)	(1,526)	(15,502)
Minority interests		(1,971)	(11,245)	(278)	(3,532)
<b>Loss for the period</b>		(15,903)	(66,743)	(1,804)	(19,034)
Dividend		-	-	-	-
<b>Loss per share attributable to equity holders of the Company</b>	6	US cents	US cents	US cents	US cents
- Basic		(4.21)	(24.96)	(0.46)	(4.65)
- Diluted		N/A	N/A	N/A	N/A

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months and three months ended 30 September 2009

	(Unaudited) Nine months ended 30 September		(Unaudited) Three months ended 30 September	
	2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
<b>Loss for the period</b>	(15,903 )	(66,743 )	(1,804 )	(19,034 )
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations	35	68	51	(85 )
Available-for-sale investments				
(Deficit)/Surplus on revaluation	(619 )	2	77	(214 )
Reclassification to profit or loss:				
Provision for impairment	1,458	-	-	-
Upon disposal	367	(405 )	(69 )	155
Share of other comprehensive income of associates	(44 )	(179 )	(17 )	(123 )
Share of other comprehensive income of jointly controlled entities	11	-	(5 )	-
Other comprehensive income for the period, net of tax	1,208	(514 )	37	(267 )
<b>Total comprehensive income for the period, net of tax</b>	<b>(14,695 )</b>	<b>(67,257 )</b>	<b>(1,767 )</b>	<b>(19,301 )</b>
<b>Attributable to:</b>				
Equity holders of the Company	(12,863 )	(55,932 )	(1,483 )	(15,725 )
Minority interests	(1,832 )	(11,325 )	(284 )	(3,576 )
	<b>(14,695 )</b>	<b>(67,257 )</b>	<b>(1,767 )</b>	<b>(19,301 )</b>

# NOTES TO THE UNAUDITED CONSOLIDATED INCOME STATEMENT

## **1. Basis of presentation**

The Company acts as the holding company of the Group. The Group is principally engaged in the business of merchant banking, asset management and direct investment. The Company is incorporated in the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is 18th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

The Board has adopted International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The unaudited consolidated financial statements comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited consolidated financial statements have been prepared under historical cost basis except for certain financial instruments which are measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial statements, are consistent with those set out in the Company's annual audited consolidated financial statements for the year ended 31 December 2008 ("2008 Annual Report").

These consolidated financial statements for the nine months ended 30 September 2009 are unaudited but have been reviewed by the audit committee of the Company.

## **2. Principal accounting policies**

The unaudited consolidated financial statements should be read in conjunction with the Company's 2008 Annual Report, which have been prepared in accordance with International Financial Reporting Standards.

The principal accounting policies adopted to prepare the unaudited consolidated financial statements are consistent with those adopted to prepare the Company's 2008 Annual Report except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007).

The adoption of IAS 1 (Revised 2007) does not affect the financial position or results of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of available-for-sale investments. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". In accordance with the new standard the entity does not present a "Statement of recognised income and expenses", as was presented in the 2008 Annual Report.

## **3. Revenue and other income**

Revenue comprises corporate finance and other advisory fees, fund management fee and wealth management services fee.

Other income mainly comprises interest income, profits on disposal of investments, fee on arrangement of loans and bad debt recoveries.

## **4. Restructuring expenses**

Restructuring expenses represents redundancy costs, provision for the discounted net present value of the future operating lease rental payments under operating leases for vacant office premises, in so far as they are expected to exceed future anticipated rentals if the premises is sub-let, provisions against the net carrying value of furniture and fixtures in those office premises and provisions against website, software and system and related development costs that are not be utilized by the Group following the restructuring.

## 5. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong for the nine months and three months ended 30 September 2009. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions.

No recognition of potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential tax assets is uncertain.

## 6. Loss per share attributable to equity holders of the Company

### (a) Basic loss per share

Basic loss per share is calculated by dividing consolidated loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	(Unaudited) Nine months ended 30 September		(Unaudited) Three months ended 30 September	
	2009	2008	2009	2008
<i>(US\$'000)</i>				
Consolidated loss attributable to equity holders of the Company	(13,932 )	(55,498 )	(1,526 )	(15,502 )
<i>(Number)</i>				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	330,597,984	222,322,472	330,597,984	333,663,312
Basic loss per share (US cents per share)	(4.21 )	(24.96 )	(0.46 )	(4.65 )

### (b) Diluted loss per share

No diluted loss per share is shown for the nine months and three months ended 30 September 2009 and 30 September 2008 as the outstanding share options were anti-dilutive.



## 7. Movements in reserves (unaudited)

	Share premium US\$'000	Capital reserve US\$'000	Capital redemption reserve US\$'000	Employee share-based compensation reserve US\$'000	Investment revaluation reserve US\$'000	Foreign exchange reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 January 2009	106,444	4,872	77	11,923	(823)	(19)	(123,837)	(1,363)
Employee share-based compensation	-	-	-	1,366	-	-	-	1,366
Lapse of share options	-	-	-	(457)	-	-	457	-
Transactions with owners	-	-	-	909	-	-	457	1,366
Loss for the period	-	-	-	-	-	-	(13,932)	(13,932)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	-	-	32	-	32
Available-for-sale investments	-	-	-	-	(760)	-	-	(760)
Reclassification to profit or loss:								
Provision for impairment	-	-	-	-	1,458	-	-	1,458
Upon disposal	-	-	-	-	367	-	-	367
Share of other comprehensive income of associates	-	-	-	-	-	(38)	-	(38)
Share of other comprehensive income of jointly controlled entities	-	-	-	-	-	10	-	10
Total comprehensive income for the period	-	-	-	-	1,065	4	(13,932)	(12,863)
<b>At 30 September 2009</b>	<b>106,444</b>	<b>4,872</b>	<b>77</b>	<b>12,832</b>	<b>242</b>	<b>(15)</b>	<b>(137,312)</b>	<b>(12,860)</b>
At 1 January 2008	106,895	4,872	20	9,285	312	100	(63,231)	58,253
Share repurchase	(440)	-	46	-	-	-	(46)	(440)
Employee share-based compensation	-	-	-	3,063	-	-	-	3,063
Effect on exercising share options of a subsidiary	-	-	-	(21)	-	-	-	(21)
Lapse of share options	-	-	-	(653)	-	-	538	(115)
Transactions with owners	(440)	-	46	2,389	-	-	492	2,487
Loss for the period	-	-	-	-	-	-	(55,498)	(55,498)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	-	-	56	-	56
Available-for-sale investments	-	-	-	-	62	-	-	62
Reclassification to profit or loss:								
Upon disposal	-	-	-	-	(405)	-	-	(405)
Share of other comprehensive income of associates	-	-	-	-	-	(147)	-	(147)
Total comprehensive income for the period	-	-	-	-	(343)	(91)	(55,498)	(55,932)
At 30 September 2008	106,455	4,872	66	11,674	(31)	9	(118,237)	4,808

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2009 (2008: Nil).

## DISCLOSURE OF INTERESTS

### (a) Directors

As at 30 September 2009, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying 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 ordinary shares of the Company*

Name of Directors	Personal Interest	Family interest	Corporate interest	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Ilyas Tariq Khan (Notes 1 & 2)	8,249,407	-	41,828,278	50,077,685	16.62
Johnny Chan Kok Chung (Note 3)	15,155,320	477,738	-	15,633,058	5.19
Simon Jeremy Fry	11,018,658	-	-	11,018,658	3.66
Joseph Tong Tze Kay	500,000	-	-	500,000	0.17
Peter McIntyre Koenig	350,000	-	-	350,000	0.12
Daniel Yen Tzu Chen	200,000	-	-	200,000	0.07

*Note 1:* TW Indus Limited held 19,339,914 ordinary shares. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

*Note 2:* ECK & Partners Limited held 22,488,364 ordinary shares. ECK & Partners Limited was beneficially owned as 88.86% by Ilyas Tariq Khan. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, he is deemed to be interested in 22,488,364 ordinary shares owned by ECK & Partners Limited.

*Note 3:* Yuda Udomritthiruj held 477,738 ordinary shares. Yuda Udomritthiruj, an employee of a subsidiary of the Company, is the wife of Johnny Chan Kok Chung and, accordingly, he is deemed to have interests in her shares.

**(ii) Interests in the underlying shares of the Company**

The interests in the underlying shares of the Company arise from unlisted share options (physically settled equity derivatives) granted to the Directors of the Company under the Company's Share Option Scheme, details of which are provided below:

Name of Directors	Date of grant	Subscription price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Ilyas Tariq Khan	26 April 2006	HK\$7.70	6,000,000	
	11 February 2008	HK\$1.80	2,500,000	
			8,500,000	2.82
Johnny Chan Kok Chung	26 April 2006	HK\$7.70	6,000,000	
	11 February 2008	HK\$1.80	3,000,000	
			9,000,000	2.99
Simon Jeremy Fry	26 April 2006	HK\$7.70	6,000,000	
	11 February 2008	HK\$1.80	3,000,000	
			9,000,000	2.99
Ahmad S. Al-Khaled	24 March 2006	HK\$7.70	500,000	
	29 January 2007	HK\$3.65	250,000	
	11 February 2008	HK\$1.80	500,000	
	29 December 2008	HK\$0.18	500,000	
			1,750,000	0.58
Daniel Yen Tzu Chen	24 March 2006	HK\$7.70	500,000	
	29 January 2007	HK\$3.65	250,000	
	11 February 2008	HK\$1.80	500,000	
	29 December 2008	HK\$0.18	500,000	
			1,750,000	0.58
Peter McIntyre Koenig	24 March 2006	HK\$7.70	500,000	
	29 January 2007	HK\$3.65	250,000	
	11 February 2008	HK\$1.80	500,000	
	29 December 2008	HK\$0.18	500,000	
			1,750,000	0.58
Joseph Tong Tze Kay	24 March 2006	HK\$7.70	500,000	
	29 January 2007	HK\$3.65	250,000	
	11 February 2008	HK\$1.80	500,000	
	29 December 2008	HK\$0.18	500,000	
			1,750,000	0.58

**(iii) Interests in the non-voting convertible deferred shares of the Company**

<b>Name</b>	<b>Number or approximate attributable number of non-voting convertible deferred shares</b>	<b>Percentage which the aggregate long position in non-voting convertible deferred shares represents to the total non-voting convertible deferred shares currently in issue</b>
Simon Jeremy Fry	29,250,000	100%

**(iv) Short Positions**

None of the Directors held short positions in the shares and underlying shares of the Company or any Associated Corporation.

**(v) Interests in the shares of an Associated Corporation**

<b>Name of Directors</b>	<b>Associated corporation</b>	<b>Personal interest</b>	<b>Corporate interest</b>	<b>Aggregate long position in shares of the Associated Corporation</b>	<b>Percentage which the aggregate long position in shares of the Associated Corporation represents to the issued share capital of the Associated Corporation %</b>
Ilyas Tariq Khan (Note 1 & 2)	Crosby Asset Management Inc.	100,000	-	100,000	0.04
	Crosby (Hong Kong) Limited	1	110,001	110,002	0.04
Johnny Chan Kok Chung	Crosby Asset Management Inc.	40,000	-	40,000	0.02
	Crosby (Hong Kong) Limited	30,000	-	30,000	0.01
Simon Jeremy Fry	Crosby Asset Management Inc.	100,000	-	100,000	0.04

*Note 1:* TW Indus Limited held 40,001 shares in Crosby (Hong Kong) Limited. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

*Note 2:* ECK & Partners Limited held 70,000 shares in Crosby (Hong Kong) Limited. ECK & Partners Limited was beneficially owned as 88.86% by Ilyas Tariq Khan. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, he is deemed to be interested in 70,000 shares owned by ECK & Partners Limited.

**(vi) Interests in the underlying shares of the Associated Corporation**

The interests in the underlying shares of Crosby Asset Management Inc. (“CAM”) arise from unlisted share options (physically settled equity derivatives) granted to the Directors of the Company under the CAM’s Share Option Scheme, details of which are provided below:

Name of Directors	Date of grant	Subscription price	Aggregate long position in underlying shares of the Associate Corporation	Percentage which the aggregate long position in underlying shares of the Associate Corporation represents to the issued share capital of the Associate Corporation %
Ilyas Tariq Khan	11 January 2008	22.25 pence	1,200,000	0.49
Johnny Chan Kok Chung	11 January 2008	22.25 pence	2,400,000	0.98
Simon Jeremy Fry	11 January 2008	22.25 pence	1,200,000	0.49

Save as disclosed above, as at 30 September 2009, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying 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) Disclosure of interests of Substantial Shareholders and Other Persons**

So far as is known to any Director or the chief executive of the Company, as at 30 September 2009, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or 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 other member of the Group were as follows:

**(i) Interests in the ordinary shares and underlying shares of the Company**

Name	Number or approximate attributable number of ordinary shares	Aggregate long position in underlying shares of the Company	Approximate percentage or approximate attributable percentage holding of ordinary shares currently in issue and/or percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue
TBV Holdings Limited (Note 1)	30,205,500	-	10.02%
ECK & Partners Limited (Note 2)	22,488,364	-	7.46%
TW Indus Limited (Note 3)	19,339,914	-	6.42%

*Note 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.

*Note 2:* Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, the interest of ECK & Partners Limited in 22,488,364 ordinary shares is duplicated in the 50,077,685 ordinary shares in which Ilyas Tariq Khan is interested as a Director.

*Note 3:* TW Indus Limited held a direct interest in 19,339,914 ordinary shares. Ilyas Tariq Khan was beneficially interested in 100% of the share capital of TW Indus Limited and, therefore, Ilyas Tariq Khan was also interested in these 19,339,914 ordinary shares which are duplicated within the 50,077,685 ordinary shares in which Ilyas Tariq Khan was interested as a Director.

**(ii) Short Positions**

No person held short positions in the Shares and Underlying 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 30 September 2009, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and Underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30 September 2009, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

### (c) Share Options

Pursuant to the Company's Share Option Scheme, a duly authorised committee of the board of Directors of the Company may, at its discretion, grant options to eligible employees, including Executive Directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of (i) the closing price of the Shares of the Company on the Exchange on the date of grant of the particular option or (ii) the average of the closing prices of the Shares of the Company for the five trading days immediately preceding the date of the grant of the options or (iii) the nominal value of the shares.

Share options granted under the Share Option Scheme are exercisable as follows:

- (a) the first thirty percent of the options between the first and tenth anniversary of the date of grant;
- (b) the next thirty percent of the options between the second and tenth anniversary of the date of grant; and
- (c) the remaining options between the third and tenth anniversary of the date of grant.

The following table sets out information relating to the Share Option Scheme:

Date of options grant	Options granted	Options exercise price	Options lapsed since grant	Options outstanding	Options exercisable as at 30 September 2009
27 March 2002	24,824,470	HK\$0.704	(24,794,470)	30,000	30,000
18 March 2003	5,400,000	HK\$0.350	(5,400,000)	-	-
14 May 2003	1,500,000	HK\$0.350	(1,000,000)	-	-
18 June 2003	2,606,400	HK\$0.350	(2,606,400)	-	-
11 July 2003	31,200,000	HK\$0.350	(31,200,000)	-	-
1 December 2003	2,100,000	HK\$0.350	(2,100,000)	-	-
20 August 2004	1,500,000	HK\$0.350	-	-	-
24 March 2006	4,000,000	HK\$7.700	(1,000,000)	3,000,000	3,000,000
26 April 2006	18,000,000	HK\$7.700	-	18,000,000	18,000,000
29 January 2007	1,000,000	HK\$3.650	-	1,000,000	600,000
11 February 2008	11,750,000	HK\$1.800	-	11,750,000	3,525,000
29 December 2008	2,000,000	HK\$0.180	-	2,000,000	-
	<u>105,880,870</u>		<u>(68,100,870)<sup>(Note)</sup></u>	<u>35,780,000</u>	<u>25,155,000</u>

Note: Includes 51,856,400 of share options that have lapsed and are not available for re-use.

No options granted under the Share Option Scheme had been exercised during the nine months ended 30 September 2009.

Subsequent to 30 September 2009, 2,000,000 options had lapsed on 10 October 2009.

### (d) Competing Interests

So far as the Directors are aware, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates have any interests in a business which competes or may compete with the business of the Group.

## AUDIT COMMITTEE

The Company established an audit committee on 31 March 2000 with the written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive directors, Messrs. Joseph Tong Tze Kay, Daniel Yen Tzu Chen and Peter McIntyre Koenig. The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control systems.

The audit committee meets at least quarterly with the most recent meeting held on 10 November 2009. The unaudited consolidated financial statements of the Company for the nine months ended 30 September 2009 has been reviewed by the audit committee.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the nine months ended 30 September 2009. During the nine months ended 30 September 2008, the Company purchased through Stock Exchange 9,044,541 ordinary shares at prices between HK\$0.104 and HK\$1.078 which were cancelled on 16 April 2008, 14 July 2008, 12 September 2008 and 30 September 2008 respectively.

The Company has not redeemed any of its shares during the nine months ended 30 September 2009 (2008: Nil).

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

Hong Kong, 12 November 2009

As at the date of this report, the Directors of the Company are

*Executive Director:* Ilyas Tariq Khan

*Non-Executive Directors:* Johnny Chan Kok Chung, Ahmad S. Al-Khaled and  
Simon Jeremy Fry

*Independent Non-Executive Directors:* Daniel Yen Tzu Chen, Peter McIntyre Koenig  
and Joseph Tong Tze Kay