



CROSBY

CAPITAL LIMITED

Stock Code: 8088

2010

3<sup>rd</sup> Quarterly Report

For the nine months ended 30 September

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

**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 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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*This report, 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 report 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 report misleading.*

## ABOUT CROSBY CAPITAL LIMITED

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

The Group is engaged in the businesses of asset management and direct investment. Its subsidiary, Crosby Asset Management Inc. ("CAM"), which previously carried out the Group's asset management business, is quoted on the AIM of the London Stock Exchange (CSB LN). Following the Crosby Restructuring, CAM has become an investment company as defined by AIM rules since the completion of the disposal of asset management business to the Company on 4 October 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

Following the completion of acquisition of Shikumen Capital Management (HK) Limited (the "Shikumen Acquisition") on 13 September 2010, this is the first quarter we included the financial results of Shikumen since the completion date in the financial results of the Group. Revenue increased to US\$1.4 million for the quarter under review from US\$0.5 million for the 2nd quarter 2010 though decreased to US\$2.4 million for the nine months ended 30 September 2010 when compared to US\$2.7 million for the same period last year. The Group has also continued to constrain costs during the period. Total operating expenses (being other administrative expenses plus other operating expenses) for the nine months ended 30 September 2010 were US\$9.9 million compared with US\$14.9 million for the same period last year. The Group reports a reduced loss attributable to owners for the nine months ended 30 September 2010 of US\$6.7 million when compared to a loss of US\$13.9 million for the same period last year.

### Crosby Restructuring

As mentioned in the announcement dated 25 June 2010 and the circular dated 26 July 2010, the Group had undertaken an internal restructuring of its business, assets and liabilities for the purpose of streamlining its existing business and company structure. The Group was engaged in the businesses of merchant banking, asset management and direct investment and has been carrying out a dramatic cost cutting exercise to reduce its loss significantly. The Group plans to focus its resources on its asset management services (which includes fund management 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 ECK Partners Holdings Limited in which Mr. Ilyas Tariq Khan is beneficially interested in (the "Disposal"). The Disposal was completed on 4 October 2010 after all the conditions were fulfilled including the regulatory approval and placing of Tranche 1 New Bonds. Mr. Ilyas Tariq Khan stepped down from the office of Chairman and Chief Executive Officer and also ceased to act as an Executive Director of the Company with effect from 4 October 2010 upon the completion. The merchant banking business will therefore cease to be related to the Group going forward. The Shikumen Acquisition is also expected to add synergy to the Group in terms of funds portfolio and expertise, and therefore strengthen the asset management business of the Group. This is a milestone for the Group in repositioning itself as an asset management service group.

Following the completion of the disposal of the asset management business from CAM to the Company on 4 October 2010, the Company becomes the direct holding company of the asset management business (which includes fund management and wealth management businesses).

## **Repurchase and Cancellation of Existing Bonds and Placing of New Bonds**

The Company issued the zero coupon convertible bonds due 2015 with aggregate principal of up to HK\$250 million (the "New Bonds"), comprising Tranche 1 and Tranche 2, and repurchased the existing US\$75 million zero coupon convertible bonds due 2011 (the "Existing Bonds") under the Deed of Settlement pursuant to the terms of the Existing Bonds. The consideration for repurchasing all the outstanding Existing Bonds comprises HK\$156 million in cash and an aggregate of 60 million warrants issued to the Existing Bondholders. The cash part of the consideration of HK\$156 million for the purchase of the Existing Bonds was settled by the proceeds from the Tranche 1 New Bonds. The placing of the Tranche 1 New Bonds was completed on 4 October 2010 in accordance with the terms and conditions of the Placing Agreement pursuant to which the Tranche 1 New Bonds in the aggregate principal amount of HK\$160 million have been successfully placed.

## 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 2010 (the "Review Periods"), together with the comparative unaudited figures of the corresponding periods in 2009, as follows:

	Notes	(Unaudited) Nine months ended 30 September		(Unaudited) Three months ended 30 September	
		2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>Revenue</b>	3	2,392	2,735	1,364	631
Cost of sales		(146)	(338)	(7)	(16)
<b>Gross profit</b>		2,246	2,397	1,357	615
Gain on financial assets at fair value through profit or loss		115	1,104	124	1,954
Gain on financial liabilities at fair value through profit or loss		–	2	–	–
Other income	3	4,513	3,450	332	325
Administrative expenses					
Restructuring credit/(expenses)	4	23	(580)	(92)	–
Amortisation of intangible assets		(41)	–	(41)	–
Impairment of intangible assets		–	(10)	–	–
Other administrative expenses		(8,744)	(12,103)	(2,435)	(3,319)
		(8,762)	(12,693)	(2,568)	(3,319)
Impairment of available-for-sale investments		(5)	(1,458)	54	–
Reversal of impairment on available-for-sale investments		79	–	79	–
Impairment of loan receivable		(1,514)	(4,937)	(493)	36
Other operating expenses		(1,196)	(2,810)	(177)	(1,121)
<b>Loss from operations</b>		(4,524)	(14,945)	(1,292)	(1,510)
Finance costs		(1,217)	(1,153)	(427)	(391)
Share of losses of associates		–	(38)	–	(39)
Share of profits of jointly controlled entities		70	200	19	127
<b>Loss before taxation</b>		(5,671)	(15,936)	(1,700)	(1,813)
Taxation	5	(96)	33	(99)	9
<b>Loss for the period</b>		(5,767)	(15,903)	(1,799)	(1,804)
<b>Attributable to:</b>					
Owners of the Company		(6,670)	(13,932)	(1,886)	(1,526)
Non-controlling interests		903	(1,971)	87	(278)
<b>Loss for the period</b>		(5,767)	(15,903)	(1,799)	(1,804)
Dividend		–	–	–	–
<b>Loss per share attributable to owners of the Company</b>	6	US cents	US cents	US cents	US cents
– Basic		(1.97)	(4.21)	(0.53)	(0.46)
– Diluted		N/A	N/A	N/A	N/A

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Nine months ended 30 September		(Unaudited) Three months ended 30 September	
	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
<b>Loss for the period</b>	(5,767)	(15,903)	(1,799)	(1,804)
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations	176	35	111	51
Available-for-sale investments				
Surplus/(Deficit) on revaluation	389	(619)	460	77
Recycle to income statement:				
Provision for impairment	5	1,458	(54)	–
Reversal of impairment	(79)	–	(79)	–
(Gain)/Loss upon disposal	(285)	367	–	(69)
Share of other comprehensive income of associates	–	(44)	–	(17)
Share of other comprehensive income of jointly controlled entities	–	11	–	(5)
Other comprehensive income for the period, before and net of tax	<u>206</u>	<u>1,208</u>	<u>438</u>	<u>37</u>
<b>Total comprehensive income for the period, before and net of tax</b>	<b><u>(5,561)</u></b>	<b><u>(14,695)</u></b>	<b><u>(1,361)</u></b>	<b><u>(1,767)</u></b>
<b>Attributable to:</b>				
Owners of the Company	(6,532)	(12,863)	(1,507)	(1,483)
Non-controlling interests	<u>971</u>	<u>(1,832)</u>	<u>146</u>	<u>(284)</u>
	<b><u>(5,561)</u></b>	<b><u>(14,695)</u></b>	<b><u>(1,361)</u></b>	<b><u>(1,767)</u></b>

# NOTES TO THE UNAUDITED CONSOLIDATED INCOME STATEMENT

## 1. *Basis of presentation*

The Company acts as the holding company of the Group. The Group was principally engaged in the businesses of merchant banking, asset management and direct investment. Subsequent to the completion of disposal of the merchant banking assets and corporate finance and financial advisory services businesses on 4 October 2010, the Group focuses on the businesses of 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 ("IFRSs") 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 financial instruments classified as available-for-sale and at fair value through profit or loss which are measured at fair values.

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 2009 ("2009 Annual Report").

These consolidated financial statements for the nine months ended 30 September 2010 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 2009 Annual Report, which have been prepared in accordance with IFRSs.

The principal accounting policies adopted to prepare the unaudited consolidated financial statements are consistent with those adopted to prepare to the Company's 2009 Annual Report, except for the adoption of IAS 27.

Following the adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008) which is effective for the accounting periods beginning on or after 1 July 2009, the effects of all transactions with non-controlling interests are to be recorded in equity if there is change in control that do not result in a loss of control. When there is loss in control, a gain or loss is recognised in profit or loss. Any remaining interest in the entity is to be re-measured to fair value. In addition, total comprehensive income is to be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. These changes are applied prospectively from 1 January 2010. The adoption of IAS 27 had no impact on the unaudited consolidated financial statements.

## 3. *Revenue and other income*

Revenue comprises fund management fee and wealth management services fee.

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

## 4. *Restructuring credit/(expenses)*

Restructuring credit/(expenses) represents redundancy costs, provision for the discounted net present value of the future property operating lease rental payments under the operating leases, on the basis that no sublet of the property is achieved for the remaining term of the lease and provision against website, software and system 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% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong for the nine months and three months ended 30 September 2010. 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 owners of the Company

### (a) Basic loss per share

Basic loss per share is calculated by dividing consolidated loss attributable to owners 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	
	2010	2009	2010	2009
<i>(US\$'000)</i> Consolidated loss attributable to owners of the Company	(6,670)	(13,932)	(1,886)	(1,526)
<i>(Number)</i> Weighted average number of ordinary shares for the purpose of calculating basic loss per share	338,217,032	330,597,984	353,206,680	330,597,984
Basic loss per share (US cents per share)	(1.97)	(4.21)	(0.53)	(0.46)

### (b) Diluted loss per share

No diluted loss per share is shown for the nine months and three months ended 30 September 2010 and 30 September 2009 as the outstanding share options were anti-dilutive.



## 7. Movements in reserves

	Share premium	Capital reserve	Capital redemption reserve	Employee share-based compensation reserve	Investment revaluation reserve	Foreign exchange reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2010 (Audited)	106,444	4,872	77	11,973	318	(13)	(138,369)	(14,698)
Issue of new shares	1,033	-	-	-	-	-	-	1,033
Employee share-based compensation	-	-	-	464	-	-	-	464
Lapse of share options	-	-	-	(4,063)	-	-	3,877	(186)
Effect on exercising share options of a subsidiary	-	-	-	(32)	-	-	-	(32)
Transactions with owners	1,033	-	-	(3,631)	-	-	3,877	1,279
Loss for the period	-	-	-	-	-	-	(6,670)	(6,670)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	-	-	152	-	152
Available-for-sale investments								
Surplus on revaluation	-	-	-	-	345	-	-	345
Recycle to income statement:								
Provision for impairment	-	-	-	-	5	-	-	5
Reversal of impairment	-	-	-	-	(79)	-	-	(79)
Gain upon disposal	-	-	-	-	(285)	-	-	(285)
Total comprehensive income for the period	-	-	-	-	(14)	152	(6,670)	(6,532)
<b>At 30 September 2010 (Unaudited)</b>	<b>107,477</b>	<b>4,872</b>	<b>77</b>	<b>8,342</b>	<b>304</b>	<b>139</b>	<b>(141,162)</b>	<b>(19,951)</b>
At 1 January 2009 (Audited)	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								
Deficit on revaluation	-	-	-	-	(760)	-	-	(760)
Recycle to income statement:								
Provision for impairment	-	-	-	-	1,458	-	-	1,458
Loss 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)
At 30 September 2009 (Unaudited)	106,444	4,872	77	12,832	242	(15)	(137,312)	(12,860)

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

## DISCLOSURE OF INTERESTS

### (a) Directors

As at 30 September 2010, 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 & 3)	8,249,407	–	8,328,278	16,577,685	3.60
Johnny Chan Kok Chung (Note 4)	15,155,320	477,738	–	15,633,058	3.39
Joseph Tong Tze Kay	500,000	–	–	500,000	0.11
Peter McIntyre Koenig (Note 5)	350,000	–	–	350,000	0.08
Daniel Yen Tzu Chen	200,000	–	–	200,000	0.04

*Note 1:* TW Indus Limited held 2,339,914 ordinary shares. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

*Note 2:* ECK & Partners Limited held 5,988,364 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 5,988,364 ordinary shares owned by ECK & Partners Limited.

*Note 3:* Ilyas Tariq Khan stepped down from the office of Chairman and Chief Executive Officer of the Company and also ceased to act as an Executive Director of the Company with effect from 4 October 2010.

*Note 4:* 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.

*Note 5:* Peter McIntyre Koenig resigned as Independent Non-Executive Director of the Company with effect from 31 October 2010.

Subsequent to 30 September 2010, Mr. Ulric Leung Yuk Lun and Mr. David John Robinson Herratt were appointed as an Executive Director and an Independent Non-Executive Director of the Company respectively, with effect from 21 October 2010. Mr. Ulric Leung Yuk Lun held 17,000,000 ordinary shares of the Company as at the date of appointment.

(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 (Note 1)	26 April 2006	HK\$7.70	6,000,000	
	11 February 2008	HK\$1.80	2,500,000	
			8,500,000	1.85
Johnny Chan Kok Chung (Note 2)	26 April 2006	HK\$7.70	6,000,000	
	11 February 2008	HK\$1.80	3,000,000	
			9,000,000	1.95
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	0.38
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	0.38
Peter McIntyre Koenig (Note 3)	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	0.38
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	0.38

*Note 1:* Ilyas Tariq Khan stepped down from the office of Chairman and Chief Executive Officer of the Company and also ceased to act as an Executive Director of the Company with effect from 4 October 2010.

*Note 2:* Johnny Chan Kok Chung was granted 2,800,000 options to subscribe for shares in the Company at an exercise price of HK\$0.158 on 7 October 2010.

*Note 3:* Peter McIntyre Koenig resigned as Independent Non-Executive Director of the Company with effect from 31 October 2010.

Subsequent to 30 September 2010, Mr. Ulric Leung Yuk Lun was appointed as an Executive Director of the Company with effect from 21 October 2010 and was granted 1,500,000 options to subscribe for shares in the Company at an exercise price of HK\$0.158 on 7 October 2010. Furthermore, he is also interested in the principal of HK\$5,000,000 of the zero coupon convertible bonds due 2015 issued by the Company on 4 October 2010, which is convertible into 27,777,777 ordinary shares of the Company.

*(iii) Short positions*

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

*(iv) Interests in the shares of the Associated Corporation*

Name of Directors	Associated Corporation	Personal interest	Corporate interest	Aggregate long position in shares of the Associated Corporation	Percentage which the aggregate long position in shares of the Associated Corporation represents to the issued share capital of the Associated Corporation %
Ilyas Tariq Khan (Note 1, 2 & 3)	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

*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.

*Note 3:* Ilyas Tariq Khan resigned as Non-Executive Director of Crosby Asset Management Inc. on 4 October 2010.

(v) *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 ( <i>Note</i> )	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

*Note* : Ilyas Tariq Khan resigned as Non-Executive Director of Crosby Asset Management Inc. on 4 October 2010.

Save as disclosed above, as at 30 September 2010, none of the Directors or chief executive of the Company had any interests and 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) Substantial Shareholders and Other Persons**

As at 30 September 2010, 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 is expected, directly or indirectly, to be 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.

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

<b>Name</b>	<b>Number or approximate attributable number of ordinary shares</b>	<b>Aggregate long position in underlying shares of the Company</b>	<b>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</b>
Crosby Management Holdings Limited <i>(Note 1)</i>	130,000,000	–	28.22
Nelson Tang Yu Ming <i>(Note 1)</i>	130,000,000	–	28.22
Jeffrey Lau Chun Hung <i>(Note 1)</i>	130,000,000	–	28.22
TBV Holdings Limited <i>(Note 2)</i>	34,176,940	–	7.42

*Note 1:* Crosby Management Holdings Limited held 130,000,000 ordinary shares of the Company. Crosby Management Holdings Limited was beneficially owned as 52% by Nelson Tang Yu Ming and 34.7% by Jeffrey Lau Chun Hung. Both of them are entitled to exercise more than 30% of the voting power at the general meetings of Crosby Management Holdings Limited and, accordingly, they are deemed to be interested in 130,000,000 ordinary shares owned by Crosby Management Holdings Limited.

*Note 2:* 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 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 2010, 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 2010, 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 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 Stock 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 Company's Share Option Scheme are exercisable as follows:

- (a) the first 30% of the options between the first and tenth anniversary of the date of grant;
- (b) the next 30% 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 per share	Options lapsed since grant	Options outstanding	Option exercisable as at 30 September 2010
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	(2,000,000)	2,000,000	2,000,000
26 April 2006	18,000,000	HK\$7.700	(6,000,000)	12,000,000	12,000,000
29 January 2007	1,000,000	HK\$3.650	-	1,000,000	1,000,000
11 February 2008	11,750,000	HK\$1.800	(4,000,000)	7,750,000	4,650,000
29 December 2008	2,000,000	HK\$0.180	-	2,000,000	600,000
	<b>105,880,870</b>		<b>(79,100,870)</b> <sup>(Note)</sup>	<b>24,780,000</b>	<b>20,280,000</b>

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

Subsequent to 30 September 2010, the Company further granted 18,700,000 options to the directors and employees of the Company under the Company's Share Option Scheme at an exercise price of HK\$0.158 on 7 October 2010.

No options granted under the Share Option Scheme had been exercised during the nine months ended 30 September 2010.

During the nine months ended 30 September 2010, 9,000,000 options were lapsed on 31 January 2010.

#### (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 David John Robinson Herratt. 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 11 November 2010. The unaudited consolidated financial statements of the Company for the nine months ended 30 September 2010 has been reviewed by the audit committee.

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

The Company has not redeemed any of its shares during the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil). 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 2010 (nine months ended 30 September 2009: Nil).

By Order of the Board  
**CROSBY CAPITAL LIMITED**  
**Johnny Chan Kok Chung**  
*Executive Director*

Hong Kong, 11 November 2010

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

<i>Executive Directors:</i>	Johnny Chan Kok Chung and Ulric Leung Yuk Lun
<i>Non-Executive Director:</i>	Ahmad S. Al-Khaled
<i>Independent Non-Executive Directors:</i>	Daniel Yen Tzu Chen, Joseph Tong Tze Kay and David John Robinson Herratt