



CROSBY

CAPITAL LIMITED

Stock Code: 8088

1st Quarterly Report 2011  
For the three months ended 31 March

**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 Crosby Capital Limited 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 Crosby Capital Limited. The directors of Crosby Capital Limited, 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).

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group reports a reduced loss attributable to owners for the period under review of US\$1.8 million when compared to that of a loss of US\$3.2 million same period last year.

Revenue from continuing operations have increased to US\$0.9 million for the period under review when compared to US\$0.5 million same period last year. Shikumen Capital Management (HK) Limited ("Shikumen"), a wholly owned subsidiary acquired in September 2010, was the major contributor to the increase in the revenue of the Group for the period. The operating expenses (i.e. other administrative expenses and other operating expenses) from continuing operations for the period under review totaled US\$2.1 million. Excluding those of Shikumen of US\$0.6 million, they have been managed and controlled at a level of US\$1.5 million for the period under review as compared to that of US\$1.8 million same period last year.

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

Through Shikumen, the Group completed the initial closing of US\$80 million of BlackPine Private Equity Partners Fund, a new private equity fund managed by Shikumen and at the same time combining the expertise of the personnel of both Shikumen and Crosby. Shikumen is in discussions with various institutional investors and expects to achieve a final closing for BlackPine by the end of calendar year 2011.

## 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 three months ended 31 March 2011 (the "Review Period"), together with the comparative unaudited figures of the corresponding period in 2010, as follows:

		<b>(Unaudited) Three Months Ended 31 March</b>	
	<i>Notes</i>	<b>2011 US\$'000</b>	2010 US\$'000 (Restated)
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>884</b>	473
Cost of sales		<u>(109)</u>	<u>(8)</u>
<b>Gross profit</b>		<b>775</b>	465
Loss on financial assets at fair value through profit or loss		<b>(11)</b>	(218)
Gain on financial liabilities at fair value through profit or loss		<b>153</b>	–
Other income	3	<b>94</b>	411
Administrative expenses			
Amortisation of intangible assets		<b>(201)</b>	–
Other administrative expenses		<b>(2,032)</b>	(1,194)
		<b>(2,233)</b>	(1,194)
Other operating expenses		<u>(61)</u>	<u>(647)</u>
<b>Loss from operations</b>		<b>(1,283)</b>	(1,183)
Finance costs		<b>(534)</b>	(364)
Share of profit of a jointly controlled entity		<b>51</b>	25
<b>Loss before taxation</b>		<b>(1,766)</b>	(1,522)
Taxation	4	<b>(199)</b>	3
Loss for the period from continuing operations		<u>(1,965)</u>	<u>(1,519)</u>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	6	–	(1,806)
<b>Loss for the period</b>		<b>(1,965)</b>	<b>(3,325)</b>

		<b>(Unaudited) Three Months Ended 31 March</b>	
	<i>Note</i>	<b>2011 US\$'000</b>	2010 US\$'000 (Restated)
<b>Attributable to:</b>			
Owners of the Company			
Loss for the period from continuing operations		<b>(1,800)</b>	(1,376)
Loss for the period from discontinued operations		—	(1,778)
		<b>(1,800)</b>	(3,154)
Non-controlling interests			
Loss for the period from continuing operations		<b>(165)</b>	(143)
Loss for the period from discontinued operations		—	(28)
		<b>(165)</b>	(171)
<b>Loss for the period</b>		<b>(1,965)</b>	(3,325)
<b>Loss per share attributable to owners of the Company during the period</b>	7	<b>US cents</b>	US cents
Basic			
Continuing operations		<b>(0.37)</b>	(0.42)
Discontinued operations		—	(0.53)
		<b>(0.37)</b>	(0.95)
Diluted			
Continuing operations		<b>N/A</b>	N/A
Discontinued operations		<b>N/A</b>	N/A
		<b>N/A</b>	N/A

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited) Three Months Ended 31 March	
	<i>Note</i>	2011 <i>US\$'000</i>	2010 <i>US\$'000</i>
<b>Loss for the period</b>		<b>(1,965)</b>	(3,325)
<b>Other comprehensive income:</b>			
Available-for-sale investments			
Surplus/(Deficit) on revaluation		7	(18)
Recycle to income statement:			
Provision for impairment		–	1
Exchange differences on translating foreign operations		–	64
Other comprehensive income for the period, before and net of tax		<u>7</u>	<u>47</u>
<b>Total comprehensive income for the period, before and net of tax</b>		<b><u>(1,958)</u></b>	<b><u>(3,278)</u></b>
<b>Attributable to:</b>			
Owners of the Company	5	<b>(1,793)</b>	(3,116)
Non-controlling interests		<b><u>(165)</u></b>	<u>(162)</u>
<b>Total comprehensive income for the period, before and net of tax</b>		<b><u>(1,958)</u></b>	<b><u>(3,278)</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 2010 ("2010 Annual Report").

For the purpose of presenting discontinued operations, the comparative unaudited consolidated income statement and the related notes have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period as consistent with the Company's 2010 Annual Report.

These consolidated financial statements for the three months ended 31 March 2011 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 2010 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 2010 Annual Report.

## **3. Revenue and Other Income**

Revenue comprises fund management fee and wealth management services fee.

Other income mainly comprises interest income and bad debt recoveries.

## **4. Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the three months ended 31 March 2011 and 31 March 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.

## 5. 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 2011	108,221	271	77	6,903	191	-	(136,934)	(21,271)
Employee share-based compensation	-	-	-	48	-	-	-	48
Transactions with owners	-	-	-	48	-	-	-	48
Loss for the period	-	-	-	-	-	-	(1,800)	(1,800)
Other comprehensive income:								
Available-for-sale investments	-	-	-	-	7	-	-	7
Surplus on revaluation	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	7	-	(1,800)	(1,793)
<b>At 31 March 2011</b>	<b>108,221</b>	<b>271</b>	<b>77</b>	<b>6,951</b>	<b>198</b>	<b>-</b>	<b>(138,734)</b>	<b>(23,016)</b>
At 1 January 2010	106,444	4,872	77	11,973	318	(13)	(138,369)	(14,698)
Employee share-based compensation	-	-	-	144	-	-	-	144
Lapse of share options	-	-	-	(2,910)	-	-	2,910	-
Transactions with owners	-	-	-	(2,766)	-	-	2,910	144
Loss for the period	-	-	-	-	-	-	(3,154)	(3,154)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	-	-	55	-	55
Available-for-sale investments	-	-	-	-	(18)	-	-	(18)
Deficit on revaluation	-	-	-	-	1	-	-	1
Recycle to income statement:								
Provision for impairment	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(17)	55	(3,154)	(3,116)
At 31 March 2010	106,444	4,872	77	9,207	301	42	(138,613)	(17,670)

## 6. Discontinued Operations

	<b>(Unaudited)</b> <b>Three Months</b> <b>Ended 31 March</b>	
	<b>2011</b> <b>US\$'000</b>	<b>2010</b> <b>US\$'000</b>
<b>Revenue</b>	-	85
Cost of sales	-	(124)
<b>Gross loss</b>	-	(39)
Gain on financial assets at fair value through profit or loss	-	9
Other income	-	50
Other administrative expenses	-	(1,671)
Other operating expenses	-	(134)
<b>Loss from operations</b>	-	(1,785)
Finance costs	-	(21)
<b>Loss for the period</b>	-	(1,806)



## 7. 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.

	<b>(Unaudited)</b>	
	<b>Three Months</b>	
	<b>Ended 31 March</b>	
	<b>2011</b>	<b>2010</b>
<i>(US\$'000)</i>		
Consolidated loss attributable to owners of the Company		
Continuing operations	<b>(1,800)</b>	(1,376)
Discontinued operations	–	(1,778)
	<b><u>(1,800)</u></b>	<b><u>(3,154)</u></b>
<i>(Number)</i>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b><u>490,597,984</u></b>	<b><u>330,597,984</u></b>
Basic loss per share (US cents per share)		
Continuing operations	<b>(0.37)</b>	(0.42)
Discontinued operations	–	(0.53)
	<b><u>(0.37)</u></b>	<b><u>(0.95)</u></b>

### (b) Diluted loss per share

No diluted loss per share for the three months ended 31 March 2011 and 31 March 2010 are shown, as the outstanding share options were anti-dilutive.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 and 31 March 2010.

## DISCLOSURE OF INTERESTS

### (a) Directors

As at 31 March 2011, 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
					%
Jeffrey Lau Chun Hung (Note 1)	-	-	130,000,000	130,000,000	26.50
Johnny Chan Kok Chung (Note 2)	15,155,320	477,738	-	15,633,058	3.19
Ulric Leung Yuk Lun	17,000,000	-	-	17,000,000	3.47
Joseph Tong Tze Kay	500,000	-	-	500,000	0.10
Daniel Yen Tzu Chen	200,000	-	-	200,000	0.04

#### Notes:

1. Crosby Management Holdings Limited held 130,000,000 ordinary shares of the Company. Crosby Management Holdings Limited was beneficially owned as 34.7% by Jeffrey Lau Chun Hung who is entitled to exercise more than 30% of the voting power at the general meetings of Crosby Management Holdings Limited and, accordingly, he is deemed to be interested in 130,000,000 ordinary shares owned by Crosby Management Holdings Limited.
2. 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 %
Johnny Chan Kok Chung	26 April 2006	HK\$7.70	6,000,000	
	11 February 2008	HK\$1.80	3,000,000	
	7 October 2010	HK\$0.158	2,800,000	
			11,800,000	2.41
Jeffrey Lau Chun Hung	7 October 2010	HK\$0.158	3,000,000	0.61
Ulric Leung Yuk Lun (Note)	7 October 2010	HK\$0.158	1,500,000	0.31
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	0.36
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	0.36
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	0.36

*Note:* Mr. Ulric Leung Yuk Lun also owns Tranche 1 Convertible Bonds for a principal sum of HK\$5,000,000 convertible into 27,777,777 shares at the initial conversion price of HK\$0.18 per share, which was subsequently increased to 28,970,392 shares upon the reset of conversion price to HK\$0.17259 per share on 4 April 2011, representing 5.66% and 5.91% of the total ordinary share capital of the Company in issue respectively.

### (iii) Short positions

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

Save as disclosed above, as at 31 March 2011, 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 31 March 2011, 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

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 %
Crosby Management Holdings Limited (Note 1)	130,000,000	–	26.50
Nelson Tang Yu Ming (Note 1 and 2)	130,000,000	4,600,000	27.44
TBV Holdings Limited (Note 3)	34,176,940	–	6.97
Dr. Yeung Sau Shing, Albert (Note 4)	–	344,444,444	70.21
Luk Siu Man, Semon (Note 4)	–	344,444,444	70.21
Main Wealth Enterprises Limited (Note 5)	15,000,000	233,333,334	50.62
Lau Kit Mei (Note 5)	15,000,000	233,333,334	50.62
Greyhound International Limited (Note 6)	–	237,222,222	48.35
Wu Ting Fai, James (Note 6)	–	237,222,222	48.35
Sodikin (Note 7)	15,000,000	216,666,666	47.22
Sun Hung Kai Strategic Capital Limited ("SHK Strategic") (Note 8)	–	83,333,333	16.99
Shipsape Investments Limited ("Shipsape") (Note 8)	–	83,333,333	16.99
Sun Hung Kai & Co. Limited ("SHK & Co.") (Note 9)	–	83,333,333	16.99
AP Emerald Limited ("AP Emerald") (Note 9)	–	83,333,333	16.99
AP Jade Limited ("AP Jade") (Note 9)	–	83,333,333	16.99
Allied Properties (H.K.) Limited ("APL") (Note 9)	–	83,333,333	16.99
Allied Group Limited ("AGL") (Note 9)	–	83,333,333	16.99
Lee Seng Huang (Note 10)	–	83,333,333	16.99
Lee Seng Hui (Note 10)	–	83,333,333	16.99
Lee Su Hwei (Note 10)	–	83,333,333	16.99
Ng Chun Fai Frank (Note 11)	–	40,388,888	8.23

Notes:

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 who is entitled to exercise more than 30% of the voting power at the general meetings of Crosby Management Holdings Limited and, accordingly, he is deemed to be interested in 130,000,000 ordinary shares owned by Crosby Management Holdings Limited.
2. Nelson Tang Yu Ming was granted 4,600,000 options to subscribe for Shares at an exercise price of HK\$0.158 on 7 October 2010.
3. 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.
4. Dr. Yeung Sau Shing, Albert owns 344,444,444 underlying shares which will be allotted and issued upon the full conversion of Tranche 2 Convertible Bonds for a principal sum of HK\$62 million at the initial conversion price of HK\$0.18 per share. Ms. Luk Siu Man, Semon, as the spouse of Dr. Yeung Sau Shing, Albert, is deemed to be interested in the 344,444,444 underlying shares for the purposes of the SFO. Following the reset of conversion price to HK\$0.17259 per share on 4 April 2011, 359,232,864 shares will be allotted and issued upon the aforesaid full conversion, representing 73.22% of the total ordinary share capital of the Company in issue.
5. Main Wealth Enterprises Limited owns 248,333,333 underlying shares, out of which 233,333,333 will be allotted and issued upon the full conversion of Tranche 1 and 2 Convertible Bonds for a total principal sum of HK\$42 million at the initial conversion price of HK\$0.18 per share; and 15,000,000 shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company at an exercise price of HK\$0.15 per share. Lau Kit Mei is deemed to be interested in these shares through her 100% interests in Main Wealth Enterprises Limited. Following the reset of conversion price to HK\$0.17259 per share on 4 April 2011, 243,351,295 shares will be allotted and issued upon the aforesaid full conversion, increasing its aggregate interest from 50.62% to 52.66% of the total ordinary share capital of the Company in issue.
6. Greyhound International Limited owns 237,222,222 underlying shares, out of which 222,222,222 will be allotted and issued upon the full conversion of Tranche 1 Convertible Bonds for a principal sum of HK\$40 million at the initial conversion price of HK\$0.18 per share; and 15,000,000 shares will be allotted and issued upon its exercise of the subscription rights attached to certain warrants of the Company at the initial exercise price of HK\$0.15 per share. Wu Ting Fai, James is deemed to be interested in these shares through his 100% interests in Greyhound International Limited. Following the reset of conversion price to HK\$0.17259 per share on 4 April 2011, 231,763,138 shares will be allotted and issued upon the aforesaid full conversion, increasing its aggregate interest from 48.35% to 50.03% of the total ordinary share capital of the Company in issue.
7. Sodikin owns 231,666,666 underlying shares, out of which 216,666,666 will be allotted and issued upon the full conversion of Tranche 1 Convertible Bonds for a principal sum of HK\$39 million at the initial conversion price of HK\$0.18 per share; and 15,000,000 shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company at an exercise price of HK\$0.15 per share. Following the reset of conversion price to HK\$0.17259 per share on 4 April 2011, 225,969,059 shares will be allotted and issued upon the aforesaid full conversion, increasing his aggregate interest from 47.22% to 49.12% of the total ordinary share capital of the Company in issue.
8. SHK Strategic is a wholly-owned subsidiary of Shipshape which in turn is wholly owned by SHK & Co. Therefore SHK & Co. and Shipshape are deemed to have an interest in the shares in which SHK Venture is interested. SHK Strategic owns Tranche 1 Convertible Bonds for a principal sum of HK\$15 million convertible into 83,333,333 shares at the initial conversion price of HK\$0.18 per share, which was reset to HK\$0.17259 per share on 4 April 2011 and 86,911,176 shares will be allotted and issued upon the aforesaid full conversion, representing 17.72% of the total ordinary share capital of the Company in issue.

9. SHK & Co. is a 62.47% owned subsidiary of AP Emerald. AP Emerald is wholly owned by AP Jade which in turn is a wholly owned subsidiary of APL. APL is a 72.32% owned subsidiary of AGL. Accordingly, AGL, APL, AP Jade and AP Emerald are deemed to have an interest in the shares in which SHK & Co. is interested.
10. Lee Su Hwei, Lee Seng Huang and Lee Seng Hui are trustees of Lee and Lee Trust ("LLT") which owns 53.01% interests in AGL. Accordingly, Lee Su Hwei, Lee Seng Huang, Lee Seng Hui and LLT are deemed to have an interest in the said underlying shares in which AGL is interested.
11. Ng Chun Fai Frank owns 40,388,888 underlying shares, out of which 38,888,888 will be allotted and issued upon the full conversion of Tranche 1 Convertible Bonds for a principal sum of HK\$7 million at the initial conversion price of HK\$0.18 per share; and 1,500,000 will be allotted and issued upon exercise of the subscription rights attached to the options of the Company granted on 7 October 2010 with an exercise price of HK\$0.158. Following the reset of conversion price to HK\$0.17259 per share on 4 April 2011, 40,558,549 shares will be allotted and issued upon the aforesaid full conversion, increasing his aggregate interest from 8.23% to 8.27% of the total ordinary share capital of the Company in issue.

## **(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 31 March 2011, 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 31 March 2011, 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	Options exercisable as at 31 March 2011
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	7,750,000
29 December 2008	2,000,000	HK\$0.180	-	2,000,000	1,200,000
7 October 2010	18,700,000	HK\$0.158	-	18,700,000	-
	<u>124,580,870</u>		<u>(79,100,870)</u> <sup>(Note)</sup>	<u>43,480,000</u>	<u>23,980,000</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 three months ended 31 March 2011.

#### (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 12 May 2011. The unaudited financial statements for the three months ended 31 March 2011 have 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 three months ended 31 March 2011 and 31 March 2010. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the three months ended 31 March 2011 and 31 March 2010.

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

Hong Kong, 12 May 2011

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

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

*Non-Executive Director:* Ahmad S. Al-Khaled

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