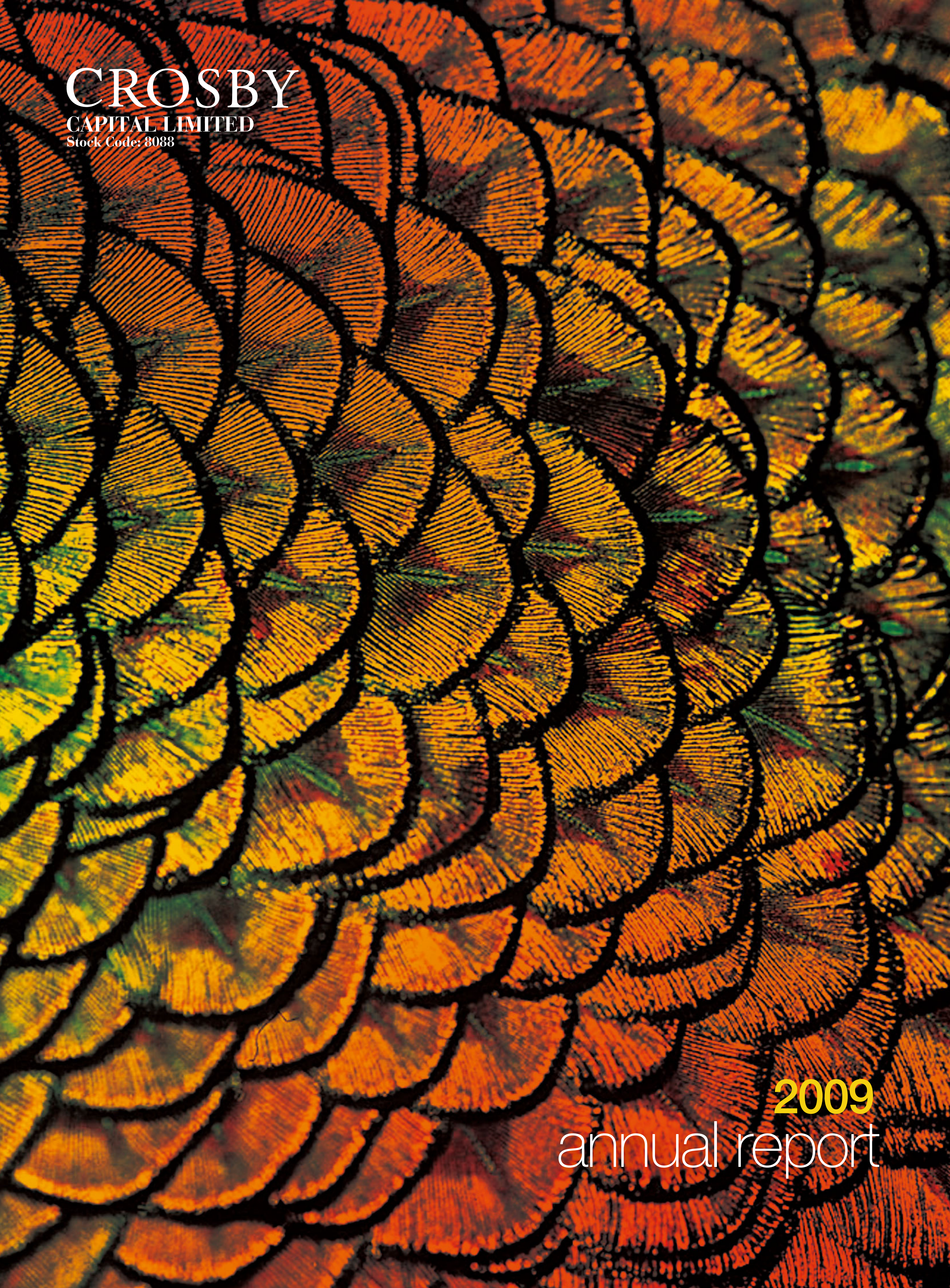


CROSBY
CAPITAL LIMITED
Stock Code: 8088

2009
annual report

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.

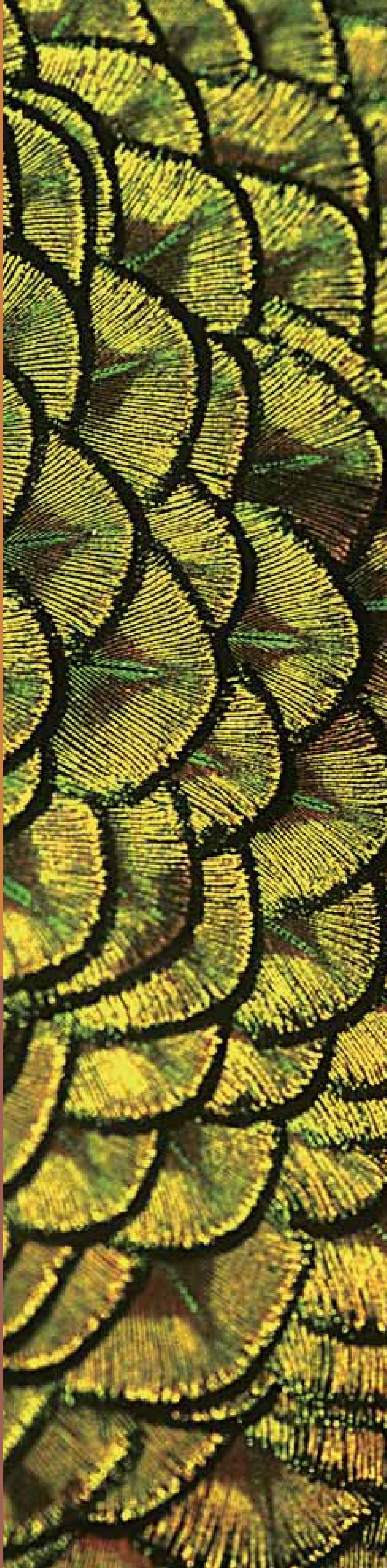
The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the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

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 the Growth Enterprise Market of the Stock 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.

Contents

Expressed in United States dollars ("US$")

The Chinese version of this annual report is provided for reference only.
In the event of any inconsistency between the Chinese and English versions, the English version shall prevail.

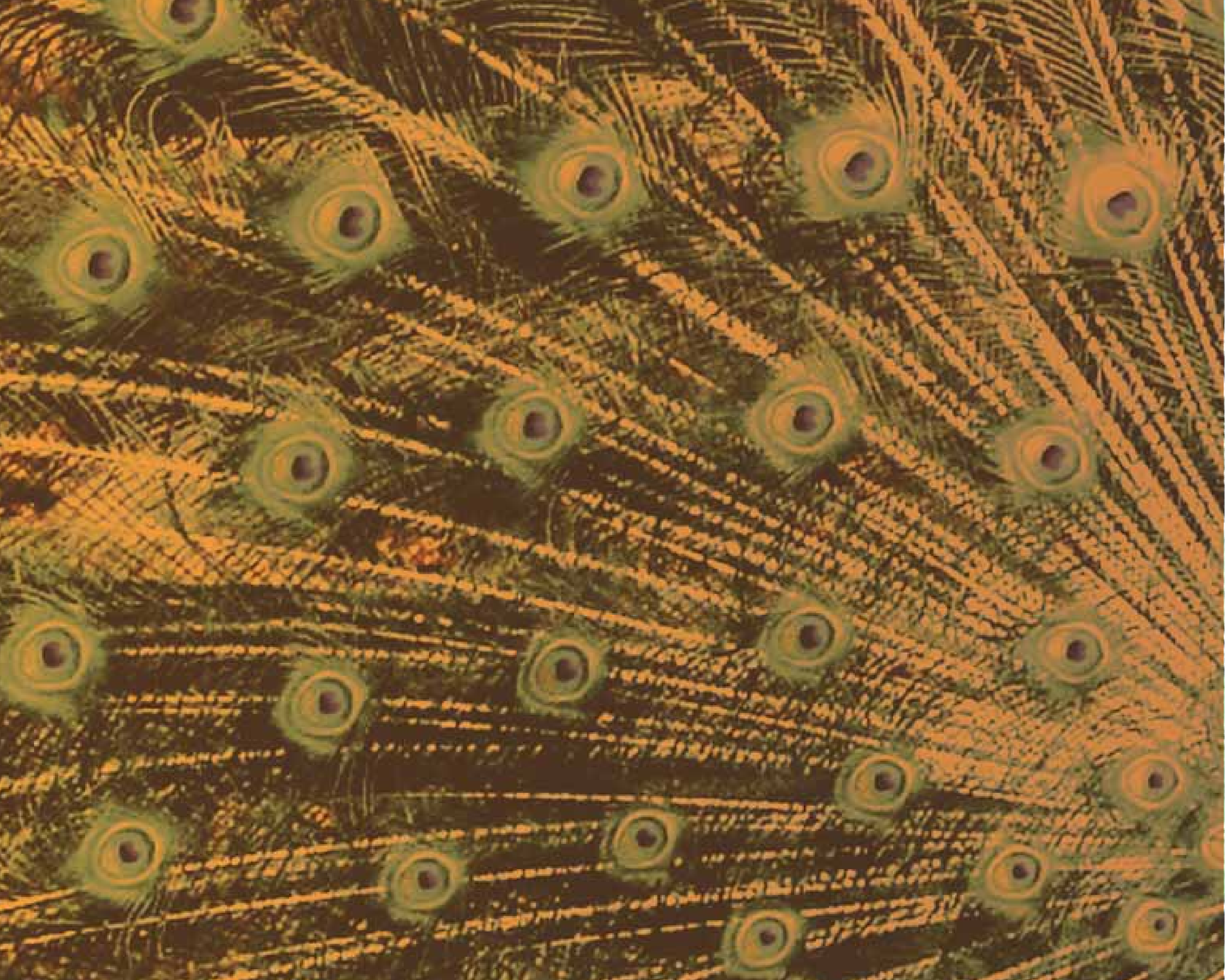


About Crosby Capital Limited

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 London Stock Exchange's AIM (CSB LN).

A more detailed discussion of the Group's business is contained in the Chairman's Report and in the Management Discussion and Analysis section of this report.



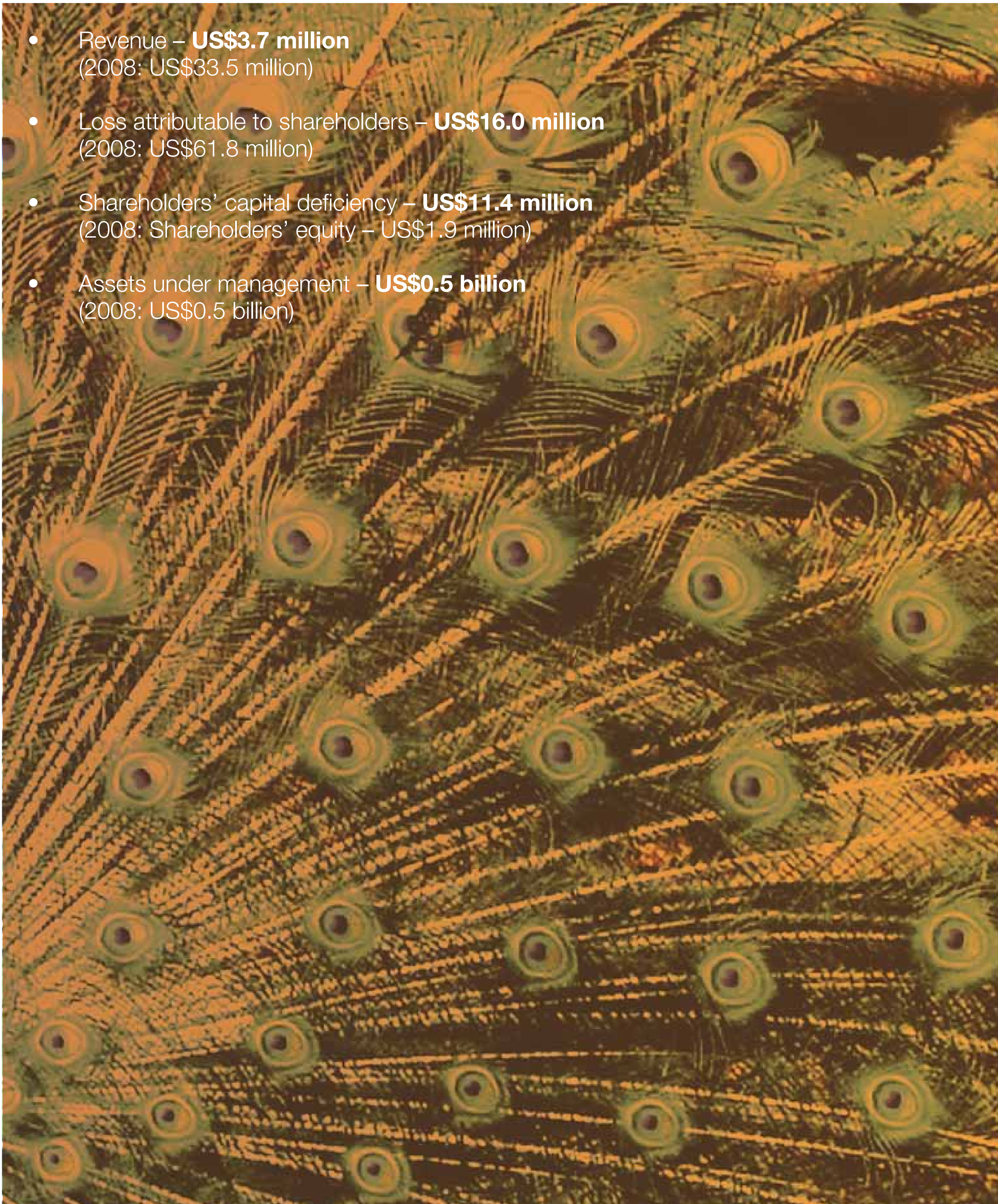
Highlights

- Revenue – **US$3.7 million**
  (2008: US$33.5 million)

- Loss attributable to shareholders – **US$16.0 million**
  (2008: US$61.8 million)

- Shareholders' capital deficiency – **US$11.4 million**
  (2008: Shareholders' equity – US$1.9 million)

- Assets under management – **US$0.5 billion**
  (2008: US$0.5 billion)



CHAIRMAN'S REPORT

A dramatic and sustained cost cutting exercise has led to a significant reduction in the losses that have been reported by the Group. The core asset management activities of the Group's UK listed subsidiary, Crosby Asset Management Inc., continued to suffer from the ill timed acquisition of Forsyth Partners and much of the year was devoted to cleaning up the residue of that troubled operation.

Our asset management activities now revolve around our long established Asian based business with Crosby HK continuing the management of various private equity funds and our wealth management operations experienced modest and sustained growth in the backdrop of a recovery of the China/HK markets.

The merchant banking business which is wholly owned by Crosby continues to progress with its core focus being on oil and gas and metals and mining and that deal flow have picked up towards the end of 2009.

At Orchard Petroleum ("Orchard") oil production has remained stable, although its drilling operations have been funded by taking on debt. Orchard is currently in negotiations with its key creditor regarding the repayment of the debt, and as a result, its outlook is unclear. Crosby is a small minority shareholder in Orchard and therefore not directly able to influence these negotiations. As a result, it is not possible to determine what the potential outcome or value of the investment might be in the future. We will provide updates as they become available.

The outlook for 2010 at Crosby remains uncertain but we will focus on cutting costs and trying to create value as economically as possible. In the meantime, we will seek to preserve cash.

I would like to thank the staff of Crosby for their loyalty and continued hard work. My thanks also goes to our shareholders for their continued patience.

Ilyas Khan
Chairman
25 March 2010

Management Discussion and Analysis

Financial Results

The consolidated financial results are summarised below:

	2009	2008
	US$'000	US$'000
Revenue	**3,655**	33,506
Loss from operations	**(16,736)**	(71,316)
Loss for the year	**(18,133)**	(72,808)
Loss attributable to owners of the Company	**(16,036)**	(61,791)
	US cents	US cents
Loss per share – basic	**(4.85)**	(18.49)

Revenue

A breakdown of revenue between advisory fees from corporate finance activities, fee income from fund management activities and service fees from wealth management activities is provided in Note 6 to the financial statements. The decrease in turnover to US$3.7 million for 2009 from US$33.5 million for 2008 is mainly due to the decrease in the service fees from all business segments following the financial crisis and the closure of Forsyth asset management business.

The Group generated a net profit on financial assets and liabilities at fair value through profit or loss totalling US$3.1 million for 2009 as compared to a net loss incurred totalling US$33.5 million for 2008. This profit is mainly attributable to the increase in fair values of some financial assets at fair value through profit or loss acquired during the year, offset by the impairment of ESK Limited and derivatives embedded in loan receivable as detailed in Note 23 to the financial statements.

Management Discussion and Analysis

Administrative Expenses

The restructuring expenses of US$2.6 million was incurred mainly due to the additional provision on the onerous contract in respect of operating lease as detailed in Note 8 to the financial statements relating to the restructuring of Forsyth asset management business.

Other administrative expenses decreased to US$12.7 million for 2009 from US$36.1 million for 2008. The majority of these expenses is made up of Directors' remuneration and employee emoluments, further details of which are provided in Note 14(c) of the financial statements, which decreased to US$9.0 million for 2009 from US$27.1 million for 2008. The decrease in Directors' remuneration and employee emoluments is due to the following factors:

- Decrease of salaries and pensions expense by US$10.7 million to US$9.2 million for 2009 from US$19.9 million for 2008 mainly due to significant reduction in number of staff during the year upon the closure of Forsyth asset management business;

- Decrease in commissions paid and payable by US$2.1 million to US$0.4 million for 2009 from US$2.5 million for 2008 mainly due to the decrease in turnover of the Group's wealth management business to which the commissions directly correlate; and

- Release of provision for bonus of US$2.1 million deferred from prior years.

Similarly, office premises costs, included in other administrative expenses, have also been reduced during the year as we have closed our Singapore office and moved to smaller and lower cost offices in London and Hong Kong.

Other operating expenses

Other operating expenses of US$3.0 million for 2009 decreased from US$9.4 million in 2008. The decrease is largely due to provision made for legal claim in 2008 as detailed in Note 35 of the financial statements.

Segment Results

An analysis of the results by operating segments is provided in Note 5 to the financial statements. Commentary on the results by operating segments provided in the Chairman's Report.

Finance Costs

An analysis of the finance costs is provided in Note 9 to the financial statements. The finance costs in 2009 mainly represent US$1.4 million (2008: US$1.3 million) of notional effective interest on the convertible bond issued during 2006.

Minority Interests

The credit to minority interests in the consolidated income statement for 2009 of US$2.1 million (2008: US$11.0 million) mainly consists of 13.55% (2008:15.28%) minority shareholders of CAM share of its losses.

Management Discussion and Analysis

Financial Position and Resources

The consolidated statement of financial position is summarised below:

	2009	2008	Decrease
	US$'000	US$'000	%
Total assets	**21,107**	41,771	(49)
Net current assets	**9,318**	22,127	(58)
(Capital deficiency)/Equity attributable to owners of the Company	**(11,392)**	1,943	(686)
(Capital deficiency)/Total equity	**(10,497)**	4,841	(317)

Significant Investments

At 31 December 2009, the Group had available-for-sale investments of US$0.6 million (2008: US$1.9 million), financial assets at fair value through profit or loss of US$8.6 million (2008: US$9.8 million) and loan receivable of US$1.3 million (2008: US$7.8 million). Details of these investments and loan receivable are set out in Notes 19, 23 and 24 to the financial statements respectively. Details of the Group's risk management policy and exposure to market risk are set out in Note 40 to the financial statements.

The Group has no existing plans to make new material investments during the coming year other than those arising from the ordinary course of its merchant banking business.

Liquidity

At the end of 2009, the Group had cash and cash equivalents balances of US$7.8 million decreased from US$17.0 million and net current assets of US$9.3 million decreased from US$22.1 million. Further details of the current assets are set out in Notes 22, 23 and 24 to the financial statements. Details of the Group's risk management policy and exposure to liquidity risk are set out in Note 40 to the financial statements.

Gearing

On 8 March 2006, Crosby sold a US$75 million zero coupon convertible bond to Goldman Sachs International, raising net proceeds of US$72.8 million for the Group after expenses. The convertible bond has a five-year term and provides bondholders with a premium on redemption in March 2011 at 116.1% of its principal, or the ability, at their choice to either convert into newly issued shares of Crosby at HK$0.7665 per share or exchange for existing shares of CAM owned by Crosby at £0.9975 per share. As at 31 December 2009, US$55 million of the convertible bond had been converted into 556,666,011 new shares of Crosby. No further Crosby shares can be issued under the terms of the convertible bond. The maximum amount by which the Group's stake in CAM could now be reduced if all remaining bondholders elect to exchange for CAM shares is 4.70%, or 11,453,287 shares, leaving the Group with a majority stake of at least 81.75% at 31 December 2009.

Management Discussion and Analysis

The Group has been approached by certain bond holders on a possible restructuring of the convertible bond, which may include a change in the terms of the convertible bond and an extension of the maturity date as set out in Note 3(a) to the financial statements.

At 31 December 2009, the Group had no other significant debt.

Details of the Group's financial risk management objective and policies and exposure to capital risk are set out in Note 40 to the financial statements.

Charges

There are no charges on Group's investments and assets other than those detailed in the above section.

Commitments and Contingent Liabilities

At 31 December 2009, the Group had no significant commitments, other than under operating leases for the rental of its office premises as set out in Note 34 to the financial statements, and no contingent liabilities, including pension obligations, other than those set out in Note 35 to the financial statements.

Equity Structure

An analysis of the movements in equity during the year is provided in the consolidated statement of changes in equity on pages 35 to 36 of the financial statements.

At 31 December 2009, the issued ordinary share capital of the Company was 301,347,984 shares. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the year ended 31 December 2009.

At 31 December 2009, the number of non-voting convertible deferred shares issued by the Company was 29,250,000 shares which remained unchanged during the year. The non-voting convertible deferred shares have the following rights and restrictions:

(i) The holder is not entitled to vote at any general meetings of the Company;
(ii) The deferred shares rank pari passu with ordinary shares in respect of all distributions;
(iii) Each deferred share can be converted into one ordinary share upon 14 days prior written notice to the Company and there is no expiration date for the right of conversion; and
(iv) The deferred shares have no redemption rights.

Minority Interests

Minority interests in the consolidated statement of financial position decreased to US$0.9 million at 31 December 2009 from US$2.9 million at 31 December 2008. The balance at 31 December 2009 represents the minority shareholders of CAM representing 13.55% of its issued share capital which includes the 43.86% minority shareholders interest in the Group's wealth management operating subsidiary within CAM.

Employee Information

As at 31 December 2009, the Group had 50 full-time employees (2008: 70). Details of the Directors' remuneration and employees' emoluments during the year are provided in Note 14 to the financial statements.

The remuneration packages of the Group's Directors and employees are kept at a competitive level to attract, retain and motivate Directors and employees of the quality required to run the Group successfully. In general, remuneration consists of a combination of a fixed salary paid in cash and a performance linked bonus paid in cash and options. A portion of the bonus may be deferred subject to the achievement of certain pre-determined targets and conditions. Options are either struck at or out-of the money. The Group's remuneration policies and practices are reviewed annually and benchmarked against a peer group of international financial institutions.

Retirement Benefit Schemes

Details of the Group's retirement benefit schemes is set out in Note 3(o)(ii) to the financial statements.

Foreign Currency Exposure

Details of the Group's financial risk management objectives and policies and exposure to foreign currency risk are set out in Note 40 to the financial statements.

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the year ended 31 December 2009. Details of the acquisitions and disposals during the year are provided in Notes 38 and 39 to the financial statements.

Profiles of Directors and Senior Management

Profiles of Directors

Ilyas Tariq Khan, *Chairman and Chief Executive Officer*
Ilyas, aged 47, founded Crosby in December 1998 and is also responsible for the Merchant Banking activities of the Crosby Group.

Prior to December 1998, Ilyas was a senior member of the management team of the International Markets Division, and a managing director of Nomura, with specific responsibility for investment banking and fixed income business in non-Japan Asia.

Ilyas has worked at other financial institutions such as Citicorp, UBS, Nomura and Schroders. At both Citicorp and UBS, Ilyas initiated, built, and then managed regional corporate finance and capital market businesses in Asia and was responsible for a number of landmark transactions and "deals of the year" across Asia.

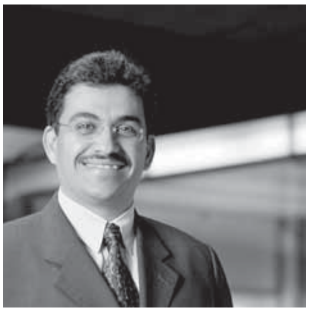
Ilyas is an independent non-executive director of London listed Speymill Group PLC and a non-executive director of Conister Trust, a licensed bank in the Isle of Man. He is also the Chairman of London based charity Leonard Cheshire Group, a globally prominent non-government organization that works for the enhancement of the quality of life of disabled people.

Johnny Chan Kok Chung
Johnny, aged 50, co-founded with Ilyas Khan in December 1998 and sits on the Board of Crosby Capital Limited. He is Chairman of Crosby Asset Management (HK) Limited and Crosby Wealth Management (Hong Kong) Limited, both respectively regulated entities by the HKSFC. He oversees the development of Crosby's asset and wealth management businesses in Asia.

He is the Chief Investment Officer of Softech, the manager of the Hong Kong Government Applied Research Fund and acts in the same capacity in Crosby Asset Management (Hong Kong) Limited, as the manager of the Crosby China Chips Fund and the JAIC Crosby Fund.

He has acted as the Chairman of the Hong Kong Venture Capital and Private Equity Association since June 2007. He served as a panel member on the HKSAR Government Small Entrepreneur Research Assistance Programme (SERAP) between 2001-2006. Since April 2008, he has served as a member of the Hong Kong Trade Development Council's Financial Services Advisory Committee.

Johnny has over 25 years of experience in investment management and investment banking.



Ahmad S. Al-Khaled
Ahmad, aged 43, is the Chief Operating Officer of TBV Holdings Limited, a global Venture Capital firm that invests in private and publicly held companies in high growth sectors. Ahmad is also the Assistant Deputy Director and Head of Investment Funds Division at the Kuwait Fund for Arab Economic Development which he joined in 1995. His responsibility is to lead a team of investment professionals in strategizing, analysing, investing and monitoring a portfolio of investment funds that include hedge funds, long only equity, fixed income, private equity and real estate funds.

Profiles of Directors and Senior Management

Daniel Yen Tzu Chen
Daniel, aged 54, joined the Board in December 2002. He currently serves on the board of Hudson Holding Pte Ltd., a property and investment holding company based in Singapore. He is also a managing director and Founder of P.T. Universal Sejati, an Indonesian trading company that deals in commodity metals, chemicals, machinery and mining products.

Daniel has an accounting and business background and has over 20 years experience throughout the Southeast Asian region particularly in Indonesia and Singapore.

Peter McIntyre Koenig
Peter, aged 65, joined the Board in May 2004 with a financial and business background having over 30 years experience in journalism, including senior editorial positions for respected financial publications including the Institutional Investor, Euromoney, the Independent on Sunday, Bloomberg News and the Sunday Times. Peter is a director of the Food Commission, a non-profit group concerned with food and health issues.

Joseph Tong Tze Kay
Joseph, aged 47, joined the Board in August 2004 with a financial and business background including senior positions with Universal Music Limited, Softbank China Venture Investments Limited and Nomura China Investments Limited. Joseph is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and has degree in Accounting and Statistics from the University of Southampton, England. Joseph has been an independent non-executive director of Netease, Inc., listed on NASDAQ, since March 2003.

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The principal activities of the Company's principal subsidiaries and associates as at 31 December 2009 are set out in Notes 41 and 17 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 31 to 122.

The Directors do not recommend the payment of a dividend for the year.

SHARE CAPITAL

There have been no movements in the share capital of the Company during the year.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the financial statements on pages 35 to 36 and 93 to 94 respectively.

DISTRIBUTABLE RESERVE

There is no reserve available for distribution to shareholders as at 31 December 2009 and 31 December 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 123.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in Note 32 to the financial statements.

DONATIONS

The Group made charitable and other donations during the year amounting to approximately US$2,000 (2008: US$15,000).

DIRECTORS

The Directors of the Company during the year were as follows:

Executive Director:

Ilyas Tariq Khan (Chairman and Chief Executive Officer)

Non-Executive Directors:

Johnny Chan Kok Chung
Ahmad S. Al-Khaled
Simon Jeremy Fry

Independent Non-Executive Directors:

Daniel Yen Tzu Chen
Peter McIntyre Koenig
Joseph Tong Tze Kay

The following change in Director took place since the year end:

Simon Jeremy Fry (resigned on 31 January 2010)

In accordance with article 87 of the Company's Articles of Association, Messrs. Daniel Yen Tzu Chen and Peter McIntyre Koenig retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Company's Directors' remuneration are set out in Note 14(a) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 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 (Note 4)	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.

Note 4: Simon Jeremy Fry resigned as Non-Executive Director of the Company on 31 January 2010.

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

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

(iii) 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 (Note)	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

Note: Simon Jeremy Fry was granted 6,000,000 options on 26 April 2006 and 3,000,000 options on 11 February 2008 respectively, which were lapsed upon his resignation as Non-Executive Director of the Company on 31 January 2010.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (continued)

(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 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)	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 (Note 3)	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.

Note 3: Simon Jeremy Fry resigned as Executive Director and Chief Executive Officer of Crosby Asset Management Inc. on 31 January 2010.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(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 (Note)	11 January 2008	22.25 pence	1,200,000	0.49

Note : Simon Jeremy Fry was granted 1,200,000 options on 11 January 2008, which were lapsed upon his resignation as Executive Director and Chief Executive Officer of CAM on 31 January 2010.

Save as disclosed above, as at 31 December 2009, 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2009, the following persons, other than the Directors or chief executive of the Company, had interests and 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
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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

(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 December 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 31 December 2009, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

MAJOR CLIENTS AND SUPPLIERS

The Group is mainly engaged in the business of investment banking and asset management and its income is primarily derived from the return on investments and the disclosure of information regarding customers and suppliers would not be meaningful.

CONNECTED TRANSACTIONS

The Group had no connected transactions during the year that require disclosure under the GEM Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2009, the Group had no advances outstanding which were non-trading in nature and exceeded 8% of the total assets of the Group as at 31 December 2009 which was required to be disclosed under Rule 17.22 of the GEM Listing Rules.

COMPETING INTERESTS

The Directors are not aware of any business or interest, as at 31 December 2009, of the Directors, initial management shareholders of the Company or their respective associates which was required to be disclosed under Rule 11.04 of the GEM Listing Rules.

Directors' Report

FULL NAME AND QUALIFICATIONS OF COMPANY SECRETARY AND THE COMPLIANCE OFFICER

The Company Secretary of the Company is Winnie Sin Wing Hung. She is a member of the Institute of Chartered Accountants in England and Wales and is also a member of the Hong Kong Institute of Certified Public Accountants.

The Compliance Officer of the Company is Johnny Chan Kok Chung. He holds a post-graduate diploma from the Securities Institute of Australia and is an Associate of the Securities Institute of Australia. He also has an MBA in International Business and a BA degree in Economics.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these financial statements.

AUDITORS

The financial statements have been audited by Messrs. Grant Thornton who will retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Ilyas Tariq Khan
Chairman

25 March 2010

(a) Corporate Governance Practices

During the financial year ended 31 December 2009, the Company has complied with the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except for the following deviations:–

1. **Code Provision A.2.1**

   Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual.

   The positions of Chairman and CEO of the Company are both currently carried on by the same person. The Board of Directors of the Company (the "Board") considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

2. **Code Provision E.1.1**

   Code Provision E.1.1 provides that in respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of the meeting. At the Company's Annual General Meeting on 7 May 2009, the Chairman proposed separate resolutions for each substantially separate issue. However, the proposals for the re-election of three directors to the Board were not divided into three separate resolutions in order to ensure the Annual General Meeting was conducted on a timely basis notwithstanding the fact that there were four additional resolutions being proposed at the meeting as special business.

3. **Code Provision E.1.2**

   Code Provision E.1.2 provides that the Chairman of the Board should attend the annual general meeting to answer questions at the annual general meeting. The Chairman of the Company, Mr. Ilyas Khan, had not attended the Company's annual general meeting on 7 May 2009 due to an important family matter requiring him to be overseas. However, Mr. Khan had, by prior arrangement, deputized Mr. Johnny Chan to chair the Annual General Meeting and answer any questions from shareholders.

Corporate Governance Report

(b) Directors' Securities Transactions

(i) The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules.

(ii) Having made specific enquiries of all Directors of the Company, the Company is satisfied that the Directors of the Company have complied with the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules, and with the Company's code of conduct regarding Directors' securities transactions.

(c) Board of Directors

(i) The Board is comprised of seven Directors, of which three are Independent Non-Executive Directors, as follows:

Chairman and Chief Executive Officer:	Ilyas Tariq Khan
Non-Executive Director:	Johnny Chan Kok Chung
Non-Executive Director:	Simon Jeremy Fry
Non-Executive Director:	Ahmad S. Al-Khaled
Independent Non-Executive Director:	Daniel Yen Tzu Chen
Independent Non-Executive Director:	Peter McIntyre Koenig
Independent Non-Executive Director:	Joseph Tong Tze Kay

The biographies of the Directors are set out under the "Profiles of Directors and Senior Management" on pages 10 and 11, and are posted on the Company's website (www.crosby.com).

(ii) There have been five meetings of the Board during the financial year.

(iii) Attendance of individual Directors at meetings of the Board held during the year was as follows:

Name of Director	**No. of Board Meetings Attended**
Ilyas Tariq Khan	4
Johnny Chan Kok Chung	5
Simon Jeremy Fry	5
Ahmad S. Al-Khaled	2
Daniel Yen Tzu Chen	4
Peter McIntyre Koenig	4
Joseph Tong Tze Kay	4

(c) Board of Directors (continued)

(iv) The principal role of the Board is to provide strategic leadership to the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Group's strategic aims, oversees the allocation of financial and human resources and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to shareholders and others are met and understood. The Board meets at least quarterly to review and discuss the Group's performance, strategy and business opportunities available. The Board also reviews and approves the Quarterly, Interim and Annual Reports of the Company. The Board has delegated the day-to-day running of the Group to the Chief Executive Officer and the Group's management team. However, the Board retains responsibility for:

- Approving annual operating and capital expenditure budgets and any material changes to them;
- Approving the remuneration of the Directors (based on the recommendations of the Remuneration Committee);
- Approving the appointment of Directors (based on recommendations of the Nomination Committee);
- Approving the Interim and Annual Reports (based on recommendations of the Audit Committee);
- Approving any decision to cease to operate all or any material part of the business;
- Approving any changes relating to the Group's capital structure, including the reduction of capital, share issues and share buy backs; and
- Approval of dividend policy and declaration of interim and final dividends.

(v) The Company has complied with Rules 5.05(1) and (2) relating to the appointment of sufficient number of Independent Non-Executive Directors. An Independent Non-Executive Director has appropriate professional qualifications, or accounting or related financial management expertise.

(vi) The Company considers that each of its Independent Non-Executive Directors are independent in accordance with the guidelines for assessing independence set out in Rule 5.09 of the Listing Rules.

(vii) The Company considers that there is no relationship (including financial, business, family or other material/relevant relationship) among the members of the Board.

(viii) During the year, the Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

Corporate Governance Report

(d) Chairman and Chief Executive Officer

(i) The Chairman and Chief Executive Officer of the Board is Ilyas Tariq Khan.

(ii) The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired.

(e) Non-Executive Directors

The Non-Executive Directors were appointed for fixed terms of one year and thereafter are terminable on three month's written notice from either party. Every Director is subject to retirement by rotation at least once every three years. All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.

(f) Remuneration of Directors

(i) The Company established a Remuneration Committee on 11 August 2005. The Committee meets at least once a year. The terms of reference of the Remuneration Committee are posted on the Company's website (www.crosby.com). The principal functions of the Remuneration Committee include: recommending to the Board the policy and structure for the remuneration of the Chairman, Executive Director and senior management (as determined by the Board), determining the specific remuneration packages of the Chairman, Executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Chairman, Executive Directors and senior management, ensuring no Director is involved in deciding his or her own remuneration, and approving the service contracts of Directors. The Remuneration Committee also fulfils the role of an Options Committee for the Employee Share Option Scheme and its main duty in this context is to approve the grant of options to relevant employees.

(ii) The Remuneration Committee, comprised of a majority of Independent Non-Executive Directors, is chaired by Peter McIntyre Koenig, an Independent Non-Executive Director, and its membership includes Johnny Chan Kok Chung and Daniel Yen Tzu Chen. However, Johnny Chan Kok Chung takes no part in setting his own remuneration and is not present when the Remuneration Committee discusses his remuneration.

(iii) There was no Remuneration Committee meeting during the year.

(iv) The Remuneration Committee determined the specific remuneration packages of all the Executive Directors and senior management.

(g) Nomination of Directors

(i) The Company established a Nomination Committee on 11 August 2005. The terms of reference of the Nomination Committee are posted on the Company's website (www.crosby.com). The principal function of the Nomination Committee is the consideration and nomination of candidates to fill casual vacancies to the Board.

(ii) The Nomination Committee comprised a majority of Independent Non-Executive Directors, is chaired by Daniel Yen Tzu Chen, and its membership includes Ilyas Tariq Khan and Joseph Tong Tze Kay.

(iii) There have been no vacancies or appointments to the Board and accordingly the Nomination Committee did not meet during the year.

(h) Auditors' Remuneration

Auditors' remuneration for the year ended 31 December 2009 was US$130,000 (2008: US$295,000). During the year, the Group has paid in aggregate to its external auditors fees of US$28,000 (2008: US$123,000) for non-audit related activities in respect of the review of the Quarterly and Interim Reports for 2009 of the Company and its 86.45% subsidiary, Crosby Asset Management Inc., for taxation services of certain subsidiaries of the Group.

(i) Audit Committee

(i) The Company established an Audit Committee on 31 March 2000 with the written terms of reference. The terms of reference are available on the Company's website (www.crosby.com). The Audit Committee comprises three Independent Non-Executive Directors, Joseph Tong Tze Kay (Chairman), Daniel Yen Tzu Chen and Peter McIntyre Koenig. The duties of the Audit Committee include: managing the relationship with the Group's external auditors, reviewing the financial information of the Company, and overseeing the Company's financial reporting process and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

(ii) The Audit Committee met four times during the year ended 31 December 2009.

(iii) The Audit Committee has met with the Auditors and the Chief Financial Officer during the year to review the 2008 Annual Report and the Quarterly Report for the quarters ended 31 March 2009 and 30 September 2009, and the Interim Report for the six months ended 30 June 2009. The Audit Committee has also met to review these annual figures and was satisfied with the outcome of its review.

(iv) The composition of the Audit Committee meets the requirements of Rule 5.28 of the Listing Rules.

Corporate Governance Report

(j) Internal Control

The Board is responsible for maintaining a strong system of internal control and risk management to safeguard shareholders' investments and the Group's assets. The definition of internal control applied by the Board is that, stated in "Internal Control – Integrated Framework", issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSCO") in the United States in 1992 as recommended by the Hong Kong Institute of Certified Public Accountants, of a process designed to provide reasonable assurance regarding the achievement of objectives in relation to the following:

(i) Effectiveness and efficiency of operations;

(ii) Reliability of financial reporting; and

(iii) Compliance with applicable laws and regulations.

The Group's system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, but not an absolute, assurance in this respect. In addition, it cannot guarantee against material misstatement or loss.

Through the Group's risk management framework, there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group, including business, financial, compliance, legal and operating risks. As part of this process, the Company conducted a review of the effectiveness of its system of internal control during the year ended 31 December 2009. The Board, based on recommendations of the Audit Committee, has concluded that the internal control systems are effective and adequate, and that there are no significant areas of concern which may affect shareholders. The review covered all material controls including financial, operational and compliance controls, and risk management. The criteria the Board use to assess the effectiveness of the system of internal control included:

(i) The nature and extent of the risks facing the Group;

(ii) The extent and categories of risk that the Board regards as acceptable for the Group to bear;

(iii) The likelihood of the risks materialising and the financial impact of the risks;

(iv) The Group's ability to reduce the incidence and impact on the business of risks that do materialise; and

(v) The costs of operating particular controls relative to the benefit thereby obtained.

The Board will review the risk management framework and the effectiveness of internal control on at least an annual basis.

The Board, based on the recommendations of the Audit Committee, has considered the need for an Internal Audit function during the year and has decided, after taking into account of the size of the Group, the scale, diversity and complexity of its activities, the number of employees, the level of external oversight that companies within the Group receive from regulatory bodies, as well as cost/benefit considerations, that an Internal Audit function is not yet justified. This decision will be reviewed annually.

(j) Internal Control (continued)

Price-Sensitive Information

With regard to procedures and internal controls for the handling and dissemination of price sensitive information, the Company:

(i) is aware of its obligations under the GEM Listing Rules and the overriding principle that information which is expected to be price-sensitive should be announced immediately;

(ii) conducts its affairs with close regard to the "Guide on Disclosure of Price-sensitive Information" issued by the Hong Kong Stock Exchange;

(iii) has implemented its own share dealing procedures that imposes a strict prohibition on the unauthorised use of confidential or insider information; and

(iv) has established and implemented procedures for responding to external enquiries about the Group's affairs.

(k) Share interests of senior management

The number of shares held by senior management are set out in the Directors' Report on pages 12 to 20.

(l) Shareholders

The Board recognises its responsibility to represent the interest of all shareholders and to maximise shareholder value and this section of the Corporate Governance Report details the Group's policies and actions in this respect.

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an Extraordinary General Meeting (EGM) to be convened, stating the objects of the meeting, and deposited with our Company Secretary at 18th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong. The meeting shall be held within two months after the deposit of such requisition.

The procedures for shareholders to put forward proposals at an Annual General Meeting ("AGM") or EGM require that a written notice of those proposals be submitted by the shareholders to the Company Secretary at 18th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution.

Enquiries to be put to the Board should be made in writing and directed to the Company Secretary at 18th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

Corporate Governance Report

(I) Shareholders (continued)

The most recent shareholders meetings were as follows:–

AGM held at 10:00 a.m. on 7 May 2009 at The Executive Centre, Level 18, Wheelock House, 20 Pedder Street, Central, Hong Kong. The major items discussed were:

(i) Consider and adoption of the audited financial statements for the year ended 31 December 2008.

(ii) Re-election of Ilyas Tariq Khan, Johnny Kok Chung Chan and Simon Jeremy Fry as Directors, and authorise the Directors to fix the Directors' remuneration.

(iii) Re-appointment of Grant Thornton as the Auditors of the Company, and authorise the Directors to fix their remuneration.

(iv) Approval of the amendment of the Articles of Association of the Company.

All the above resolutions received sufficient votes to be duly carried.

The dates and prospective dates that are important to shareholders in the coming financial year are summarised as follows:–

7 May 2010	2009 Annual General Meeting
13 May 2010	1st Quarterly Result Announcement
12 August 2010	Interim Result Announcement
11 November 2010	3rd Quarterly Result Announcement

Details of dates that are important to shareholders can be found on the Company's website www.crosby.com.

As at 31 December 2009, the public float capitalisation was approximately US$1,505,000 and the number of issued shares on the public float, represents 45.50% of the outstanding issued share capital of the Company.

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Crosby Capital Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Crosby Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 122, which comprise the consolidated and Company statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditors' Report

Auditors' responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter – material uncertainty regarding the going concern assumption

Without qualifying our opinion, we draw your attention to Note 3(a) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2009, the Group's total liabilities exceeded its total assets by approximately US$10,497,000 and the Group also incurred a loss attributable to the owners of the Company of approximately US$16,036,000 for the year then ended. These conditions, along with other matters as disclosed in Note 3(a) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Grant Thornton

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building,
41 Connaught Road Central,
Hong Kong

25 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Revenue	6	**3,655**	33,506
Cost of sales		**(451)**	(12,274)
Gross profit		**3,204**	21,232
Gain/(Loss) on financial assets at fair value through profit or loss	23(b)	**3,072**	(33,493)
Gain on financial liabilities at fair value through profit or loss	28	**2**	398
Other income	7	**3,949**	6,057
Administrative expenses			
Restructuring expenses	8	**(2,622)**	(6,968)
Amortisation of intangible assets	21	**–**	(314)
Impairment of intangible assets	21	**–**	(9,788)
Write off of intangible assets	21	**–**	(468)
Other administrative expenses		**(12,747)**	(36,077)
		(15,369)	(53,615)
Distribution expenses		**(3)**	(47)
Impairment of available-for-sale investments	19	**(1,651)**	–
Impairment of associates	17	**(389)**	–
Impairment of a jointly controlled entity	18	**(128)**	–
Impairment of loan receivable	24	**(6,440)**	(2,496)
Other operating expenses		**(2,983)**	(9,352)
Loss from operations		**(16,736)**	(71,316)
Finance costs	9	**(1,542)**	(1,633)
Share of (losses)/profits of associates	17	**(42)**	24
Share of profits/(losses) of jointly controlled entities	18	**128**	(10)
Loss before taxation	10	**(18,192)**	(72,935)
Taxation	11(a)	**59**	127
Loss for the year		**(18,133)**	(72,808)
Attributable to:			
Owners of the Company	12	**(16,036)**	(61,791)
Minority interests		**(2,097)**	(11,017)
Loss for the year		**(18,133)**	(72,808)
Loss per share attributable to owners of the Company during the year	13	**US cents**	US cents
– Basic		**(4.85)**	(18.49)
– Diluted		**N/A**	N/A

The notes on pages 38 to 122 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Loss for the year		**(18,133)**	(72,808)
Other comprehensive income:			
Exchange differences on translating foreign operations		**46**	48
Available-for-sale investments			
Deficit on revaluation	19	**(682)**	(1,491)
Recycle to income statement:			
Provision for impairment	10	**1,651**	–
Gain upon disposal	7	**(38)**	–
Loss upon disposal	10	**362**	155
Share of other comprehensive income of associates	17	**(52)**	(187)
Share of other comprehensive income of jointly controlled entities	18	**11**	(5)
Other comprehensive income for the year, before and net of tax		**1,298**	(1,480)
Total comprehensive income for the year, before and net of tax		**(16,835)**	(74,288)
Attributable to:			
Owners of the Company		**(14,889)**	(63,045)
Minority interests		**(1,946)**	(11,243)
Total comprehensive income for the year, before and net of tax		**(16,835)**	(74,288)

The notes on pages 38 to 122 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	639	458
Interests in associates	17	–	153
Interests in jointly controlled entities	18	16	307
Available-for-sale investments	19	607	1,854
Note receivable	20	508	485
Intangible assets	21	21	21
		1,791	3,278
Current assets			
Trade and other receivables	22	1,488	3,805
Tax recoverable		74	82
Financial assets at fair value through profit or loss	23	8,560	9,771
Loan receivable	24	1,348	7,844
Cash and cash equivalents	25	7,846	16,991
		19,316	38,493
Current liabilities			
Trade and other payables	26(a)	3,395	9,160
Deferred income		27	408
Provision for taxation		–	2,261
Current portion of obligations under finance leases	27	367	316
Financial liabilities at fair value through profit or loss	28	–	2
Provision for liabilities	26(b)	6,209	4,219
		9,998	16,366
Net current assets		9,318	22,127
Total assets less current liabilities		11,109	25,405
Non-current liabilities			
Loan payable	38(b)	54	52
Obligations under finance leases	27	144	532
Convertible bond	29	21,408	19,980
		21,606	20,564
Net (liabilities)/assets		(10,497)	4,841
EQUITY			
Share capital	30	3,306	3,306
Reserves	31	(14,698)	(1,363)
(Capital deficiency)/Equity attributable to owners of the Company		(11,392)	1,943
Minority interests		895	2,898
(Capital deficiency)/Total equity		(10,497)	4,841

Johnny Chan Kok Chung
Director

Ilyas Tariq Khan
Director

The notes on pages 38 to 122 form part of these financial statements.

Statement of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		–	1
Interests in subsidiaries	16	28,747	24,327
		28,747	24,328
Current assets			
Other receivables		22	18
Cash and cash equivalents		129	644
		151	662
Current liabilities			
Other payables		66	106
Financial liabilities at fair value through profit or loss	28	–	2
		66	108
Net current assets		85	554
Total assets less current liabilities		28,832	24,882
Non-current liabilities			
Convertible bond	29	21,408	19,980
Net assets		7,424	4,902
EQUITY			
Share capital	30	3,306	3,306
Reserves	31	4,118	1,596
Total equity		7,424	4,902

Johnny Chan Kok Chung
Director

Ilyas Tariq Khan
Director

The notes on pages 38 to 122 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Equity attributable to owners of the Company									Minority interests	Total equity
	Share capital	*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	US$'000	US$'000	US$'000
At 1 January 2008	3,363	106,895	4,872	20	9,285	312	100	(63,231)	61,616	19,663	81,279
Repurchase of own shares for cancellation	(57)	(451)	–	57	–	–	–	(57)	(508)	–	(508)
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	45	45
Employee share-based compensation	–	–	–	–	4,081	–	–	–	4,081	146	4,227
Effect on exercising share options of a subsidiary	–	–	–	–	(21)	–	–	–	(21)	(5)	(26)
Lapse of share options	–	–	–	–	(1,422)	–	–	1,242	(180)	180	–
Additional investments in subsidiaries	–	–	–	–	–	–	–	–	–	(230)	(230)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(5,658)	(5,658)
Transactions with owners	(57)	(451)	–	57	2,638	–	–	1,185	3,372	(5,522)	(2,150)
Loss for the year	–	–	–	–	–	–	–	(61,791)	(61,791)	(11,017)	(72,808)
Other comprehensive income:											
Exchange differences on translating foreign operations	–	–	–	–	–	–	43	–	43	5	48
Available-for-sale investments											
Deficit on revaluation	–	–	–	–	–	(1,290)	–	–	(1,290)	(201)	(1,491)
Recycle to income statement:											
Loss upon disposal	–	–	–	–	–	155	–	–	155	–	155
Share of other comprehensive income of associates	–	–	–	–	–	–	(158)	–	(158)	(29)	(187)
Share of other comprehensive income of jointly controlled entities	–	–	–	–	–	–	(4)	–	(4)	(1)	(5)
Total comprehensive income for the year	–	–	–	–	–	(1,135)	(119)	(61,791)	(63,045)	(11,243)	(74,288)
At 31 December 2008	**3,306**	**106,444**	**4,872**	**77**	**11,923**	**(823)**	**(19)**	**(123,837)**	**1,943**	**2,898**	**4,841**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Equity attributable to owners of the Company									Minority interests	Total equity/ (Capital deficiency)
	Share capital	*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	US$'000	US$'000	US$'000
At 1 January 2009	3,306	106,444	4,872	77	11,923	(823)	(19)	(123,837)	1,943	2,898	4,841
Employee share-based compensation	–	–	–	–	1,554	–	–	–	1,554	(14)	1,540
Lapse of share options	–	–	–	–	(1,504)	–	–	1,504	–	–	–
Additional investment in a subsidiary	–	–	–	–	–	–	–	–	–	(43)	(43)
Transactions with owners	–	–	–	–	50	–	–	1,504	1,554	(57)	1,497
Loss for the year	–	–	–	–	–	–	–	(16,036)	(16,036)	(2,097)	(18,133)
Other comprehensive income:											
Exchange differences on translating foreign operations	–	–	–	–	–	–	42	–	42	4	46
Available-for-sale investments											
(Deficit)/Surplus on revaluation	–	–	–	–	–	(834)	–	–	(834)	152	(682)
Recycle to income statement:											
Provision for impairment	–	–	–	–	–	1,651	–	–	1,651	–	1,651
Gain upon disposal	–	–	–	–	–	(38)	–	–	(38)	–	(38)
Loss upon disposal	–	–	–	–	–	362	–	–	362	–	362
Share of other comprehensive income of associates	–	–	–	–	–	–	(45)	–	(45)	(7)	(52)
Share of other comprehensive income of jointly controlled entities	–	–	–	–	–	–	9	–	9	2	11
Total comprehensive income for the year	–	–	–	–	–	1,141	6	(16,036)	(14,889)	(1,946)	(16,835)
At 31 December 2009	**3,306**	**106,444**	**4,872**	**77**	**11,973**	**318**	**(13)**	**(138,369)**	**(11,392)**	**895**	**(10,497)**

* The total of these reserves amounts to a deficiency of US$14,698,000 (2008: US$1,363,000).

The notes on pages 38 to 122 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Cash flows from operating activities			
Cash used in from operations	36	**(8,874)**	(14,648)
Tax paid		**(2,318)**	(46)
Tax refund		**122**	3
Interest paid		**(110)**	(226)
Net cash outflow from operating activities		**(11,180)**	(14,917)
Cash flows from investing activities			
Acquisition of additional interests in subsidiaries	38	**(264)**	(928)
Acquisition of the Forsyth Business		**–**	(355)
Acquisition of a jointly controlled entity		**–**	(4)
Interest received		**20**	895
Loan to an associate	17	**(375)**	–
Loan repayment from investee and related companies		**–**	772
Loans to investee and related companies, net		**–**	(2,609)
Net advance to other receivables		**(35)**	(194)
Proceeds from interest in oil and gas exploration prospects		**–**	15,000
Proceeds from disposals of associates	17(b)	**50**	500
Proceeds from disposals of available-for-sale investments	19	**565**	2,500
Proceeds from disposals of property, plant and equipment		**11**	1,768
Purchase of property, plant and equipment		**(514)**	(5,239)
Repayment from loan receivable	24	**2,900**	–
Net cash inflow from investing activities		**2,358**	12,106
Cash flows from financing activities			
Dividend paid to minority shareholders		**–**	(5,658)
Drawdowns of loan receivable		**–**	16,410
Inception of finance lease obligations		**–**	1,367
Proceeds from exercise of share options of a subsidiary		**–**	84
Repayment of finance lease obligations		**(337)**	(588)
Repayment of loan receivable		**–**	(16,410)
Repurchase of own shares		**–**	(508)
Net cash outflow from financing activities		**(337)**	(5,303)
Net decrease in cash and cash equivalents		**(9,159)**	(8,114)
Effect of exchange rate fluctuations, net		**14**	9
Cash and cash equivalents as at 1 January		**16,991**	25,096
Cash and cash equivalents as at 31 December		**7,846**	16,991

The notes on pages 38 to 122 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of 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 Company's shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000.

The Company acts as the holding company of the Group. The Group is principally engaged in the businesses of merchant banking, asset management and direct investment. Details of principal activities of its principal subsidiaries are set out in Note 41 to the financial statements.

The consolidated financial statements on pages 31 to 122 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB") and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by IASB. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The financial statements for the year ended 31 December 2009 were approved by the Board of Directors on 25 March 2010.

2. ADOPTION OF NEW OR AMENDED IFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new IFRSs"), which are relevant to and effective for the consolidated financial statements for the annual period beginning on 1 January 2009:

IAS 1 (Revised)	Presentation of Financial Statements
IFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments

The adoption of IAS 1 (Revised) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also 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 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

The adoption of IFRS 7 (Amendments) require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierachy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

The adoption of IFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

At the date of authorisation of these financial statements, the following new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IAS 24 (Revised 2009)	Related Party Disclosures[5]
IAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[3]
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
IFRS 1 (Revised 2009)	First-time Adoption of IFRSs[1]
IFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[2]
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[4]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[2]
IFRS 3 (Revised 2008)	Business Combinations[1]
IFRS 9	Financial Instruments[6]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 18	Transfers of Assets from Customers[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[4]
Various	Annual Improvements to IFRS 2009[7]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013
7 Generally effective for annual periods beginning on or after 1 July 2009 and later unless otherwise stated in the specific IFRS

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Notes to the Financial Statements

For the year ended 31 December 2009

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

The Directors are currently assessing the impact of other new and amended IFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these IFRSs is unlikely to have a significant impact on the Group's results and financial position except those listed below:

IFRS 9 Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in income statement except for those on certain equity investments which will be presented in other comprehensive income. The Directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Directors do not expect the standard to have a material effect on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the financial statements, if any, are disclosed in Note 2 to the financial statements.

The 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 value. The measurement bases are fully described in the accounting policies below.

In preparing the financial statements, the Directors have considered the operations of the Group as a going concern notwithstanding the Group's total liabilities exceeded its total assets by approximately US$10,497,000 as at 31 December 2009 (2008: Net assets of US$4,841,000), the Group incurred a loss attributable to owners of the Company of approximately US$16,036,000 (2008: US$61,791,000) and the convertible bond is due for repayment in March 2011. The Directors have prepared the financial statements based on the assumption that the Group can continue as a going concern and are of the view that the Group will have sufficient working capital to finance its operations for twelve months from the date of signing these financial statements, after taking into consideration the followings:

(i) the Group has been approached by certain convertible bond holders on a possible restructuring of the convertible bond, which may include a change in the terms of the convertible bond and an extension of the maturity date; and

(ii) the Group continues to implement measures to tighten cost controls over various administrative expenses and to attain positive cash flow operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The Directors of the Company believe that the aforementioned restructuring of convertible bond and cost control measures will be successful. Having regard to the cash flow projection of the Group, which has been prepared assuming that these measures are successful, the Directors of the Company are of the opinion that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital requirement.

Should the Group be unable to generate sufficient cash flows and/or secure the support of convertible bond holders, the Group might not be able to continue in business as a going concern. Accordingly, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the 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 financial statements, are set out in Note 4 to the financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "the Group") made up to 31 December each year. Material intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated on consolidation. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted when necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interests represent the portion of the profit or loss and the net assets of subsidiaries attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities. Minority interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

Notes to the Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

In consolidated financial statements, acquisition of subsidiaries (other than for those entities under common control) are subject to application of the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets in the consolidated statement of financial position. If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

In the Company's statement of financial position, investments in subsidiaries are classified as available-for-sale investments under IAS 39 "Financial Instruments: Recognition and Measurement" and are stated at fair value. For investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are stated at cost less any identified impairment losses at each reporting date subsequent to initial recognition. Details of the accounting policies in subsequent measurement of available-for-sale investments are set out in Note 3(h)(i) to the financial statements.

(d) Associates and jointly controlled entities

An associate is an entity over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which is neither a subsidiary nor jointly controlled entity. Where the Group has a shareholding of between 20% and 50% but the holding is in an entity which arises from a merchant banking transaction, the Group takes advantage of the exemption in IAS 28 "Investments in Associates" available for venture capital or similar organisations and accounts for the holdings in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" as detailed in Note 3(h)(i) to the financial statements below. Except for the above, all the other associates are recognised on the basis as described in this note below.

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control and exists only when the strategic, financial and operating decision relating to the activity require the unanimous consent of the venturers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and jointly controlled entities (continued)

In the consolidated financial statements, the Group's interests in associates or jointly controlled entities are initially recognised at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the results and movements of reserves of the associates or jointly controlled entities. The consolidated financial statements include the Group's share of the post-acquisition, post-tax results for the year, including any impairment loss on goodwill relating to the interests in associates or jointly controlled entities and movements of reserves of the associates or jointly controlled entities on an equity accounting basis. Any goodwill or fair value adjustment attributable to the share in the associates or jointly controlled entities is included in the amount recognised as interests in associates or jointly controlled entities.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the interests. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interests in its associates or jointly controlled entities. At each reporting date, the Group determines whether there is any objective evidence that the interests in associates or jointly controlled entities are impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates or jointly controlled entities and its carrying amount.

Unrealised gains arising from transactions with associates or jointly controlled entities are eliminated to the extent of the Group's interests in the associates or jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Group's share of losses in the associates or jointly controlled entities equals or exceeds its interests in the associates or jointly controlled entities, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates or jointly controlled entities. For this purpose, the Group's interests in associates or jointly controlled entities are the carrying amounts of the investments under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or jointly controlled entities.

(e) Property, plant and equipment

(i) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The gain or loss arising from an retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the assets, and is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is provided to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Computer hardware and software	$33^1/_3$%
Furniture and fixtures	20%
Leasehold improvements	20% or over the terms of the lease, whichever is shorter
Motor vehicles	25%
Office equipment	$33^1/_3$%

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(f) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases (continued)

(iii) Operating lease charges as the lessee

Where the Group has the rights to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(g) Foreign currencies

The financial statements are presented in United States Dollars, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations originally presented in a currency different from the Group's presentation currency, have been converted into United States Dollars. Assets and liabilities have been translated into United States Dollars at the closing rates at the reporting date. Income and expenses have been converted into the United States Dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the foreign exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into United States Dollars at the closing rates.

When a foreign operation is sold, such exchange differences are reclassifed from equity to profit or loss as part of the gain or loss on sale.

Notes to the Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

Financial assets and financial liabilities are recognised when and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

(i) Financial assets

The Group classifies its financial assets other than hedging instruments into one of the following categories: financial assets at fair value through profit or loss, available-for-sale investments and loans and receivables. Regular purchase of financial assets are recognised on trade date. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. The accounting policies adopted for each category are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 3(n) to the financial statements.

Available-for-sale investments

Available-for-sale investments include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. The gain or loss arising from a change in fair value, excluding any dividend and interest income, is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in the income statement.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the income statement, and other changes are recognised in other comprehensive income.

When a decline in the fair value of an available-for-sale investment has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals of impairment losses in respect of investments in equity instruments classified as available-for-sale and stated at fair value are not recognised in the income statement. The subsequent increase in fair value is recognised in the other comprehensive income.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition. Such impairment loss will not reverse in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment losses on loans and receivables are provided for when objective evidence is received that the Group will not be able to collect amounts due to it in accordance with the original terms of the receivables. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement for the period in which the impairment occurs.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets includes observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement in the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Finance lease liabilities

Finance lease liabilities are measured at the initial fair value of the leased asset or, if lower, the present value of the minimum lease payments less the capital element of lease repayments (see Note 3(f) to the financial statements).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include embedded derivatives which have been separated from their host contracts and financial liabilities that are designated by the Group to be carried at fair value through profit or loss upon initial recognition.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or

– the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

– the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial liabilities included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be reclassified.

Notes to the Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible bond

Convertible bond is regarded as a compound instrument, consisting of a liability component and an equity component, or in the case that the conversion options are not settled by the exchange of a fixed amount for a fixed number of equity instrument of the issuer (i.e. the Company), the issuer recognises the compound financial instrument in the form of a financial liability with an embedded derivative. Derivatives embedded in a financial instrument are treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. At the date of issue, both the conversion option derivative and liability component are recognised at fair value and the difference between the proceeds of the bond issue and the total fair value assigned to the financial liability with embedded derivatives, representing the embedded call option for the bond holder to convert the bond into equity, is included in convertible bond reserve in equity.

In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Any notional non-cash interest charged on the liability component, calculated by applying the original effective interest rate, is added to the carrying amount of the liability component. The conversion option derivative is subsequently measured at fair value at each reporting date. The equity component will remain in convertible bond reserve until the embedded call option is exercised (in which case the balance stated in convertible bond reserve will be transferred to other reserves). Where the option remains unexercised at the expiry date, the balance stated in convertible bond reserve will be released to accumulated losses or retained profits. No gain or loss is recognised in the income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the bond are allocated amongst the liability and equity components and the conversion option derivative in proportion to the allocation of the proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the bond using the effective interest method. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the conversion option derivative are expensed as incurred.

Other financial liabilities

Other financial liabilities include other payables and are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

For financial liabilities, they are removed from the balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and short-term highly liquid investments which are readily convertible into known amounts of cash without notice and are subject to an insignificant risk of changes in value and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance if the advances form part of the Group's cash management.

(j) Intangible assets

(i) Goodwill

Goodwill arising on acquisition prior to 31 March 2004

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 31 March 2004 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

Such goodwill is stated after any accumulated amortisation and impairment and is amortised using the straight-line method over a period of three years. Under the transitional provisions in IFRS 3 "Business Combinations", the goodwill can only be amortised up to 31 December 2004 and the accumulated amortisation and impairment as at 1 January 2005 has been eliminated with a corresponding decrease in the cost of respective goodwill and, since then, any carrying amount of the goodwill is tested at each reporting date for impairment as well as when there are indications of impairment.

Goodwill arising on acquisition on or after 31 March 2004

Goodwill arising on acquisition of a subsidiary for which the agreement date is on or after 31 March 2004 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Such goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

On subsequent disposal of the subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

Excess of an acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with IFRS 3, any excess of an acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement in the period in which the acquisition takes place.

Notes to the Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets (continued)

(ii) Assets acquired as part of a business combination

In accordance with IFRS 3 "Business Combinations", an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. An independent valuation is undertaken in order to assess the fair value of intangible assets acquired in a business combination. The fair value is then amortised over the economic life of the asset. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair values of the complimentary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

(iii) Customer base

The fair value of acquired customer base is capitalised and, subject to impairment reviews, amortised over the useful life of the customer base acquired. The amortisation is calculated so as to write off the fair value of the customer base less its estimated residual value, over its estimated useful life of 15 years. An impairment review of customer base is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

(iv) Trademarks

Expenditure on acquired trademarks, which is principally over the Crosby name, is capitalised and is not amortised over the useful life, which is indefinite for the following reasons:

– it is capable of being renewed indefinitely at insignificant cost; and

– there is no foreseeable limit to the period over which the asset is expected to generate net cashflows, based on an analysis of all of the relevant factors.

An impairment review of trademarks is undertaken annually or when events or circumstances indicate that the carrying amount may not be recoverable.

(k) Impairment of non-financial assets

Property, plant and equipment, interests in subsidiaries, interests in associates and jointly controlled entities, goodwill and other intangible assets are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of non-financial assets (continued)

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(l) Taxation

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profits, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Taxation (continued)

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and liabilities are presented net if the Group has the legally enforceable right to set off those recognised amounts; and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(n) Revenue recognition

Revenue, which is the fair value of consideration received or receivable, is recognised when it is probable that economic benefits will flow to the Group, when the revenue can be measured reliably, and the stage of completion of the transaction and the costs incurred for the transaction as well as the costs to complete the transaction can be measured reliably, and on the following bases:

- Fees from corporate finance and other advisory services are recognised when the services have been rendered, which is either on completion of the transactions for contingent arrangements or as the services are provided for other services.

- Fund management fee income is recognised in accordance with the substance of the relevant agreements.

- Wealth management services fee income is recognised when the wealth management services have been rendered, which is normally as the services are provided.

- Management fee income, included in other income, is recognised as the services are provided.

- Interest income is recognised as it accrues, taking into account the effective yield on the asset.

- Dividend income is recognised when the right to receive payment is established.

The policies on financial assets at fair value through profit or loss are dealt with in Note 3(h)(i) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to long service payment and annual leave are recognised when they accrue to employees. Provision is made for the estimated liabilities for long service payment and annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Retirement benefit schemes

The Group participates in the following retirement benefit schemes and pays contributions to independently administered funds on a mandatory or contractual basis. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant Group companies. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense on accruals baisis.

Hong Kong

All eligible employees have participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). Under the MPF Scheme, the eligible employees are required to contribute 5% of their monthly basic salaries with a maximum monthly contribution of HK$1,000 and the Group's contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000. There is no voluntary contribution from the Group nor the employees and there are no other legal or constructive obligations to the Group.

Singapore

All employees based in Singapore have to participate in the Central Provident Fund Scheme in Singapore if they meet certain defined residency criteria. Both the employer and employee must make contributions at the applicable rates.

United Kingdom

The Group contributes 7% of basic salaries to the pension schemes of certain employees based in United Kingdom.

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 that had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate its employees and directors.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Notes to the Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(iii) Share-based employee compensation (continued)

All share-based compensation is ultimately recognised as an expense in the income statement unless it qualifies for recognition as asset, with a corresponding credit to employee share-based compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital and the amount previously recognised in employee share-based compensation reserve will be transferred out with any excess being recorded as share premium.

When the share options have vested and then lapsed, the amount previously recognised in the employee share-based compensation reserve is transferred to the retained profits or accumulated losses.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(p) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Related parties

Parties are considered to be related to the Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of such a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(r) Segment reporting

In identifying the Group's operating segments, the management generally follows the Group's service lines which represent the main service lines provided by the Group.

The Group has identified the following reportable operating segments:

(i) Merchant Banking – provision of corporate finance and other advisory services and the changes in fair value of financial assets and liabilities through profit or loss arising from the Group's merchant banking activities.

(ii) Asset Management – provision of fund management, asset management and wealth management services.

(iii) Direct Investment – holding of available-for-sale investments (excluding investments in funds managed by the Group), loans to investee and related companies and financial assets at fair value through profit or loss (excluding those arising from the Group's merchant banking activities).

Notes to the Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Segment reporting (continued)

The comparative figures are restated to include those items primarily related to corporate offices costs directly allocated to merchant banking or asset management segment, instead of disclosing them under "unallocated" in the consolidated financial statements for the year ended 31 December 2008.

Each of these operating segments is managed separately as each of them requires different resources. All inter-segment transfers are carried out at arms length prices.

The chief operating decision maker, which is the Chief Executive Officer, assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring expenses, amortisation, impairment or write off of intangible assets which is the result of an isolated, non-recurring event not directly related to the ongoing operations. The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs, except that:

(i) share of profits or losses of associates and jointly controlled entities accounted for using the equity method;

(ii) restructuring expenses;

(iii) amortisation, impairment and write off of intangible assets;

(iv) finance costs;

(v) taxation; and

(vi) certain other unallocated income and expenses.

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but interests in associates, interests in jointly controlled entities as well as corporate assets unrelated to the business activities of any operating segment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

Going concern

The financial statements have been prepared on going concern basis, further details of which are provided in Note 3(a) to the financial statements.

Fair values of financial instruments

Financial instruments such as available-for-sale investments and financial assets and liabilities at fair value through profit or loss and convertible bond are initially measured at fair value. Certain financial instruments as described in Note 3(h) to the financial statements are remeasured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgement by management, which may result in different fair values and results. The assumptions with regard to the fair value of available-for-sale investments, financial assets and liabilities at fair value through profit or loss and convertible bond, detailed in Notes 19, 23, 28 and 29 to the financial statements respectively, have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year.

The significant financial assets at fair value through profit or loss not valued at quoted market prices are as follows:

– Options to subscribe for shares in White Energy Company Limited (totalling US$463,000), which were valued based on Binomial Model; and

– Ordinary shares in Touchstone Investment Holdings Limited (totalling US$2,420,000) which were valued by reference to the value and stage of development of the underlying gold exploration of similar listed companies in the industry.

Valuations of share options granted

The fair value of share options granted was calculated using the Binomial Option Pricing Model which requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors of the Company, the existing model will not always necessarily provide a reliable single measure of the fair value of the share options. Details of the inputs are set out in Note 32 to the financial statements.

Impairment of assets

The Group conducts impairment reviews of assets when events of changes in circumstances indicate that their carrying amounts may not be recoverable annually in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price or the value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

Notes to the Financial Statements

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

Impairment allowances on loan receivables

The Group reviews the loan receivables to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the realisable value of collateral and guarantees, or the viability of the borrower's business. Management uses estimates based on the objective evidence of impairment when scheduling its future cash flows.

Impairment of trade and other receivables

Management determines impairment of trade and other receivables on a regular basis. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. Further information on the impairment of trade and other receivables is included in Note 22 to the financial statements.

Provision for onerous contract

Management estimates the provision for the onerous property contract to reflect the unavoidable costs of meeting the obligations under the contract. The Group uses a number of assumptions in assessing the present value of the estimated future cash flows expected to meet the obligations under the contract and from any possible sub-letting or assignment of contract. Estimates and judgements are applied in determining these future cash flows and the discount rate. Details of the key assumptions in respect of the provision for the onerous property contract are disclosed in Note 8 to the financial statements.

Provision for claims

Management estimates, based on all available evidence and advice from their solicitors, the likelihood of settling claims made against the Group and the potential cost, net of agreed recoveries from the insurers, if any, of those claims. The Group fully provides the estimated cost where settlement is likely.

Current taxation and deferred taxation

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which the final tax outcome is determined.

Deferred tax assets relating to certain tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact, where applicable and appropriate, the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(ii) Critical judgements in applying the Group's accounting policies

Management in applying the accounting policies, which are described in Note 3 to the financial statements, considers that the most significant judgement they have had to make, on an ongoing basis, is the designation of financial assets at fair value through profit or loss which affect the amount recognised in the financial statements.

5. SEGMENT INFORMATION

The revenues generated, losses incurred from operations and total assets by each of the Group's operating segments, which are detailed in Note 3(r) to the financial statements, are summarised as follows:

	Merchant banking		Asset management		Direct investment		Total	
		(Restated)		(Restated)		(Restated)		(Restated)
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Revenue from external customers	**150**	13,196	**3,505**	20,310	**–**	–	**3,655**	33,506
Inter-segment revenues	**444**	34	**1,139**	5,986	**–**	–	**1,583**	6,020
Total revenue	**594**	13,230	**4,644**	26,296	**–**	–	**5,238**	39,526
Segment loss from operations	**(1,206)**	(30,034)	**(5,771)**	(10,583)	**(4,644)**	(4,392)	**(11,621)**	(45,009)
Segment total assets	**11,010**	12,003	**8,563**	19,662	**1,348**	9,262	**20,921**	40,927

Segment loss from operations can be reconciled to consolidated loss from operations as follows:

	2009	2008
	US$'000	US$'000
Segment loss from operations	**(11,621)**	(45,009)
Reconciling items:		
Other income not allocated	**105**	656
Restructuring expenses	**(2,622)**	(6,968)
Amortisation of intangible assets	**–**	(314)
Impairment of intangible assets	**–**	(9,788)
Write off of intangible assets	**–**	(468)
Other expenses not allocated	**(2,610)**	(10,722)
Elimination of inter-segment revenue	**12**	1,297
Loss from operations	**(16,736)**	(71,316)
Finance costs	**(1,542)**	(1,633)
Share of (losses)/profits of associates	**(42)**	24
Share of profits/(losses) of jointly controlled entities	**128**	(10)
Loss before taxation	**(18,192)**	(72,935)

Notes to the Financial Statements

For the year ended 31 December 2009

5. SEGMENT INFORMATION (continued)

Segment total assets can be reconciled to consolidated total assets as follows:

	2009 US$'000	2008 US$'000
Segment total assets	**20,921**	40,927
Reconciling items:		
Other assets not allocated	**186**	844
Total assets	**21,107**	41,771

	Merchant banking		Asset management		Direct investment		Other		Total	
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000	**2009 US$'000**	2008 US$'000	**2009 US$'000**	2008 US$'000	**2009 US$'000**	2008 US$'000
Other information										
Interest income	**(23)**	(402)	**(31)**	(378)	**(2,844)**	(2,763)	**-**	(77)	**(2,898)**	(3,620)
Interest expenses	**2**	2	**112**	192	**1,428**	1,439	**-**	–	**1,542**	1,633
Depreciation	**92**	30	**223**	798	**-**	–	**-**	12	**315**	840
Amortisation of intangible assets	**-**	–	**-**	–	**-**	–	**-**	314	**-**	314
Impairment of intangible assets	**-**	–	**-**	–	**-**	–	**-**	9,788	**-**	9,788
Write off of intangible assets	**-**	–	**-**	–	**-**	–	**-**	468	**-**	468
Impairment of available-for-sale investments	**-**	–	**1,536**	–	**115**	–	**-**	–	**1,651**	–
Impairment of associates	**-**	–	**389**	–	**-**	–	**-**	–	**389**	–
Impairment of a jointly controlled entity	**-**	–	**128**	–	**-**	–	**-**	–	**128**	–
Impairment of loan receivable	**-**	–	**-**	–	**6,440**	2,496	**-**	–	**6,440**	2,496
Impairment of other receivables	**-**	–	**71**	764	**-**	107	**-**	18	**71**	889
Share-based compensation expense	**3**	625	**421**	1,035	**-**	–	**1,116**	2,567	**1,540**	4,227

The Group defines geographical segment with reference to those revenue producing assets and transactions that arise from customers domiciled worldwide. Due to the nature of the business, precise segregation of geographical activities would be arbitrary and therefore considered not appropriate.

6. REVENUE

	2009 US$'000	2008 US$'000
Corporate finance and other advisory fees	**150**	10,623
Fund management fee income	**1,415**	13,190
Wealth management services fee	**2,090**	7,120
Others	**–**	2,573
	3,655	33,506

7. OTHER INCOME

	2009 US$'000	2008 US$'000
Bad debts recovery	**2**	2
Bank interest income	**8**	412
Dividend income	**2**	–
Fee on redemption and arrangement of loans	**374**	1,096
Gain on deemed disposal of a subsidiary	**–**	65
Gain on disposal of an associate	**–**	550
Gain on disposal of available-for-sale investments	**38**	–
Gain on disposal of property, plant and equipment	**18**	17
Management fee income	**14**	389
Effective interest income on loan receivable (Note 24)	**2,844**	2,710
Other interest income	**46**	498
Foreign exchange gain, net	**93**	–
Others	**510**	318
	3,949	6,057

Notes to the Financial Statements

For the year ended 31 December 2009

8. RESTRUCTURING EXPENSES

	2009 US$'000	2008 US$'000
Write off of property, plant and equipment	**–**	3,153
Provision for onerous contract in respect of operating lease	**2,685**	973
Others	**(63)**	2,842
	2,622	6,968

During the year ended 31 December 2009, the Group had increased, by US$2,685,000 (2008: US$973,000) to US$2,963,000 and US$973,000 as at 31 December 2009 and 31 December 2008 respectively as set out in Note 26(b) to the financial statements, the provision for the discounted net present value of the future property operating lease rental payments under the operating lease on the basis that no sublet of the property is achieved for the remaining term of the lease.

9. FINANCE COSTS

	2009 US$'000	2008 US$'000
Effective interest expense on convertible bond		
– wholly repayable within five years (Note 29)	**1,428**	1,336
Other interest expense – wholly repayable within five years	**114**	297
	1,542	1,633

10. LOSS BEFORE TAXATION

	2009 US$'000	2008 US$'000
Loss before taxation is arrived at after charging:		
Auditors' remuneration:		
– audit services	130	295
– other services	28	123
Amortisation of intangible assets (Note 21)	–	314
Depreciation:		
– owned assets	301	685
– assets held under finance leases	14	155
Employee benefit expense (including directors' remuneration) (Note 14(c))	9,033	27,103
Foreign exchange losses, net	–	976
Impairment of associates	389	–
Impairment of a jointly controlled entity	128	–
Impairment of available-for-sale investments (Note 19)	1,651	–
Impairment of intangible assets (Note 21)	–	9,788
Impairment of other receivables (Note 22)	71	889
Impairment of loan receivable (Note 24)	6,440	2,496
Loss on disposal of available-for-sale investments	362	155
Operating leases charges in respect of land and buildings	807	1,825
Write off of intangible assets (Note 21)	–	468
Write off of property, plant and equipment	17	83
after crediting:		
Effective interest income on loan receivable (Note 24)	2,844	2,710
Excess over the cost of acquisition of a subsidiary (Note 38)	11	–
Foreign exchange gain, net	93	–

11(a). TAXATION

	2009 US$'000	2008 US$'000
Current tax credit/(charge)		
– Hong Kong	27	(10)
– Overseas	32	137
	59	127

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 year ended 31 December 2009. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the year.

Notes to the Financial Statements

For the year ended 31 December 2009

11(a). TAXATION (continued)

Reconciliation between tax credit and accounting loss at applicable rates:

	2009 US$'000	2009 %	2008 US$'000	2008 %
Loss before taxation	**(18,192)**		(72,935)	
Less: Adjustments:				
– Share of losses/(profits) of associates	**42**		(24)	
– Share of (profits)/losses of jointly controlled entities	**(128)**		10	
Adjusted loss before taxation	**(18,278)**		(72,949)	
Tax at the domestic income tax rates	**(3,016)**	**16.50**	(12,036)	16.50
Tax effect of non-taxable income	**(4,067)**	**22.25**	(2,614)	3.58
Tax effect of non-deductible expenses	**5,506**	**(30.12)**	10,003	(13.71)
Tax effect of unrecognised temporary differences	**(111)**	**0.61**	1,234	(1.69)
Tax effect of unrecognised tax losses	**1,824**	**(9.98)**	3,673	(5.04)
Utilisation of previously unrecognised tax losses	**(136)**	**0.74**	(260)	0.36
Over provision in prior year	**(59)**	**0.32**	(127)	0.17
Tax credit at the Group's effective tax rate	**(59)**	**0.32**	(127)	0.17

11(b). DEFERRED TAXATION

Group

The major deferred tax assets not recognised in the consolidated statement of financial position are as follows:

	Decelerated tax depreciation US$'000	**Unutilised tax losses*** US$'000	**Convertible bond** US$'000	**Total** US$'000
At 31 December 2009	**60**	**14,696**	**(299)**	**14,457**
At 31 December 2008	220	6,916	(534)	6,602

* The tax losses can be carried forward indefinitely if certain criteria can be met under the respective tax jurisdictions.

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

Company

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company, a profit of US$1,972,000 (2008: a loss of US$98,393,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

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 year.

	2009	2008
(US$'000)		
Consolidated loss attributable to owners of the Company	**(16,036)**	(61,791)
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share*	**330,597,984**	334,222,315
Basic loss per share (US cents per share)	**(4.85)**	(18.49)

* The calculation of weighted average number of ordinary shares in issue includes the non-voting convertible deferred shares as it ranks pari passu with ordinary shares in respect of all distributions.

(b) Diluted

No diluted loss per share is shown for 2009 and 2008 as the outstanding share options were anti-dilutive.

Notes to the Financial Statements

For the year ended 31 December 2009

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees US$'000	Salaries and allowances US$'000	Salary waiver US$'000	Discretionary bonuses US$'000	Retirement fund contributions US$'000	Social security costs US$'000	Benefits in kind US$'000	Share-based compensation expense* US$'000	Total US$'000
2009									
Executive Director:									
Ilyas Tariq Khan	**-**	**1,150**	**-**	**-**	**1**	**19**	**17**	**271**	**1,458**
Non-executive Directors:									
Simon Jeremy Fry	**-**	**220**	**(380)**	**(668)**	**-**	**24**	**4**	**291**	**(509)**
Johnny Chan Kok Chung	**-**	**1,004**	**-**	**-**	**2**	**-**	**21**	**353**	**1,380**
Ahmad S. Al-Khaled	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**79**
Independent Non-executive Directors:									
Daniel Yen Tzu Chen	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**79**
Peter McIntyre Koenig	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**79**
Joseph Tong Tze Kay	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**79**
	160	**2,374**	**(380)**	**(668)**	**3**	**43**	**42**	**1,071**	**2,645**
2008									
Executive Director:									
Ilyas Tariq Khan	–	1,150	–	–	2	–	17	731	1,900
Non-executive Directors:									
Simon Jeremy Fry	–	700	–	–	–	14	3	403	1,120
Johnny Chan Kok Chung	–	1,004	–	–	2	–	21	875	1,902
Ahmad S. Al-Khaled	40	–	–	–	–	–	–	86	126
Independent Non-executive Directors:									
Daniel Yen Tzu Chen	40	–	–	–	–	–	–	86	126
Peter McIntyre Koenig	40	–	–	–	–	–	–	86	126
Joseph Tong Tze Kay	40	–	–	–	–	–	–	86	126
	160	2,854	–	–	4	14	41	2,353	5,426

* The amount of equity-settled share-based compensation expenses is measured according to the Group's accounting policies for share-based employee compensation transactions as set out in Note 3(o)(iii) to the financial statements. Particulars of share options granted to the Directors under the Company's share option scheme are set out in Note 32 to the financial statements.

During the year ended 31 December 2009, one of the Directors, Mr. Simon Jeremy Fry has agreed to waive part of his salary for the period from 1 July 2008 to 31 January 2010 totalling US$1,443,000, US$380,000, US$980,000 and US$83,000 of which relate to the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively. The salary waived of US$980,000 was offset against the gross salary of US$1,200,000 accrued in arriving at the actual salary of US$220,000 paid for the year ended 31 December 2009.

During the year ended 31 December 2009, provision for bonus of Mr. Simon Jeremy Fry deferred from prior years of US$668,000 has been released.

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2008: three*) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: three*) individuals during the year are as follows:

	2009 US$'000	2008 US$'000
Salaries, allowances and benefits in kind	1,001	1,131
Commission paid and payable	146	1,739
Retirement fund contributions	3	3
Share-based compensation expense	231	585
Social security costs	–	10
	1,381	3,468

The emoluments fell within the following bands:

	Number of individuals 2009	2008
Emolument bands		
US$321,001 to US$385,000	1	–
US$449,001 to US$513,000	1	–
US$513,001 to US$577,000	1	–
US$577,001 to US$641,000	–	1
US$833,001 to US$897,000	–	1
US$1,921,001 to US$1,985,000	–	1

* the three individuals for the year ended 31 December 2008 included one individual, who was appointed as Director on 1 June 2008 and therefore his emoluments payable for the period before his date of appointment as Director was also included in the above.

During the year ended 31 December 2009, no emoluments were paid by the Group to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

For the year ended 31 December 2009

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(c) Employee benefit expense (including directors' remuneration)

	2009 US$'000	2008 US$'000
Fees	160	160
Salaries, allowances and benefits in kind	9,118	18,298
Salary waiver	(380)	–
Commission paid and payable	398	2,462
Bonus paid and payable	63	478
Release of provision for bonus deferred from prior years	(2,147)	–
Retirement fund contributions*	70	705
Share-based compensation expense	1,540	4,227
Social security costs	211	773
	9,033	27,103

* There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2009 and 31 December 2008.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Computer hardware and software US$'000	Furniture and fixtures US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Office equipment US$'000	Total US$'000
At 1 January 2008						
Cost	767	334	1,263	54	244	2,662
Accumulated depreciation	(428)	(209)	(761)	(43)	(196)	(1,637)
Carrying amount	339	125	502	11	48	1,025
Year ended 31 December 2008						
Opening carrying amount	339	125	502	11	48	1,025
Additions	3,019	929	1,210	54	27	5,239
Disposals	(2,796)	(906)	(1,227)	(4)	(35)	(4,968)
Exchange differences	1	–	–	–	1	2
Depreciation	(300)	(69)	(433)	(16)	(22)	(840)
Closing carrying amount	263	79	52	45	19	458
At 31 December 2008						
Cost	648	227	593	54	168	1,690
Accumulated depreciation	(385)	(148)	(541)	(9)	(149)	(1,232)
Carrying amount	263	79	52	45	19	458
Year ended 31 December 2009						
Opening carrying amount	263	79	52	45	19	458
Additions	21	13	464	–	16	514
Disposals	(2)	(10)	(5)	–	–	(17)
Exchange differences	–	(1)	–	–	–	(1)
Depreciation	(133)	(27)	(130)	(14)	(11)	(315)
Closing carrying amount	149	54	381	31	24	639
At 31 December 2009						
Cost	**657**	**220**	**464**	**54**	**184**	**1,579**
Accumulated depreciation	**(508)**	**(166)**	**(83)**	**(23)**	**(160)**	**(940)**
Carrying amount	**149**	**54**	**381**	**31**	**24**	**639**

Property, plant and equipment includes assets held under finance leases of total carrying amount of US$31,000 (2008: US$45,000) as at 31 December 2009.

Notes to the Financial Statements

For the year ended 31 December 2009

16. INTERESTS IN SUBSIDIARIES

Company

	Notes	2009 US$'000	2008 US$'000
Investments at fair value			
– Listed shares, outside Hong Kong		**2,012**	2,270
Investments at cost			
– Unlisted shares, outside Hong Kong		**37,895**	112,559
Less: Impairment losses		**(10,864)**	(91,020)
	(iii)	**27,031**	21,539
Amounts due from subsidiaries	(i)	**633**	21,759
Less: Impairment losses		**–**	(10,598)
		633	11,161
Amounts due to subsidiaries	(i)	**(929)**	(10,643)
		28,747	24,327

Notes:

(i) Amounts due from/(to) subsidiaries are interest-free, unsecured and have no fixed repayment terms.

(ii) Details of principal subsidiaries are set out in Note 41 to the financial statements.

(iii) The investments in subsidiaries are stated at cost less impairment. The Directors are of the opinion that due to the investment does not have a quoted market price in an active market, its fair value cannot be measured reliably accordingly. However, the Directors assessed the asset value of the Company's subsidiaries and considered impairment of US$10,864,000 (2008: US$91,020,000) being made as at 31 December 2009.

17. INTERESTS IN ASSOCIATES

Group

	2009 US$'000	2008 US$'000
Share of net assets other than goodwill	–	125
Goodwill	–	68
	–	193
Less: Impairment losses	–	(54)
	–	139
Amount due from an associate	–	14
	–	153

The movements in the Group's interests in associates during the year are summarised as follows:

	Note	2009 US$'000	2008 US$'000
At 1 January		153	314
Share of (losses)/profits		(42)	24
Share of other comprehensive income		(52)	(187)
Disposals	(a)	(31)	(550)
Convertible loan made during the year		375	–
Net (repayment)/advance during the year		(14)	2
Impairment		(389)	–
Gain on disposal of an associate (Note 7)		–	550
At 31 December		–	153

Amount due from an associate was interest-free, unsecured and had no fixed repayment terms.

Notes:

(a) The disposals of associates are analysed as follows:

	2009 US$'000	2008 US$'000
Disposals for cash	–	500
Disposals included in receivables	31	50
	31	550

Notes to the Financial Statements

For the year ended 31 December 2009

17. INTERESTS IN ASSOCIATES (continued)

(b) The proceeds from sale of associates in cash flow are analysed as follows:

	2009 US$'000	2008 US$'000
Disposals for cash, as above	–	500
Receipt from receivables	50	–
	50	500

The Group's interests in the associates were disposed of during the year ended 31 December 2009. Particulars of principal associates as at 31 December 2008 are as follows:

Name	Place of incorporation	Issued/ Paid-up share capital	Percentage of interest held by the Company indirectly	Principal activities and places of operation	Notes
Crosby Asset Management South Asia Limited ("CAMSAL")	British Virgin Islands	1 ordinary share at US$1 each	100%	Investment holding in British Virgin Islands	(i)
Crosby Asset Management (Pakistan) Limited ("CAMPL")	Pakistan	10,419,770 ordinary shares at Rupee 10 each	100%	Provision of investment advisory and asset management services in Pakistan	(ii)
Crosby Securities Pakistan (Private) Limited ("CSPL")	Pakistan	16,579,716 ordinary shares at Rupee 10 each	100%	Securities dealing in Pakistan	(ii)

All of the above associates are limited liability companies.

Notes:

(i) CAMSAL was considered as an associate of the Group because under an investment agreement signed on 20 March 2003, a third party agreed to invest US$456,000 into CAMSAL by way of a convertible loan note which gave the holder an option to convert the loan note into ordinary shares of CAMSAL at any time and the right to participate in any dividend or other distributions made by CAMSAL on the basis that the loan was converted into shares immediately prior to the distribution. As at 31 December 2008, the third party was considered to hold an effective 80% equity interest in CAMSAL.

(ii) CAMPL and CSPL are wholly owned subsidiaries of CAMSAL. As a result of the above investment arrangement, CAMPL and CSPL were considered as associates of the Group and that the third party was also considered to hold effective 80% equity interests in CAMPL and CSPL as at 31 December 2008.

17. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in respect of the Group's associates is set out below:

	Assets US$'000	Liabilities US$'000	Equity US$'000	Revenue US$'000	(Loss)/Profit US$'000
2009					
100 per cent	**6,020**	**(5,862)**	**158**	**1,445**	**(210)**
Group's effective interest at 31 December	**–**	**–**	**–**	**289**	**(42)**
2008					
100 per cent	1,706	(1,081)	625	1,717	121
Group's effective interest at 31 December	341	(216)	125	343	24

The financial information above is based on the unaudited management accounts for the period up to date of disposal in 2009 and the year ended 31 December 2008.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

Group

	2009 US$'000	2008 US$'000
Share of net liabilities	**–**	(3)
Amounts due from jointly controlled entities	**16**	310
	16	307

The movements in the Group's interests in jointly controlled entities during the year are summarised as follows:

	2009 US$'000	2008 US$'000
At 1 January	**307**	81
Additions	**–**	4
Share of profits/(losses)	**128**	(10)
Share of other comprehensive income	**11**	(5)
Net (repayment)/advance during the year	**(294)**	237
Impairment	**(128)**	–
Exchange difference	**(8)**	–
At 31 December	**16**	307

Notes to the Financial Statements

For the year ended 31 December 2009

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Amounts due from jointly controlled entities are interest-free, unsecured and have no fixed repayment terms.

Particulars of the jointly controlled entities as at 31 December 2009 are as follows:

Name	Place of incorporation	Issued/ Paid-up share capital	Percentage of interest held by the Company indirectly 2009	2008	Principal activities and place of operation
JAIC-CROSBY Investment Management Company Limited	Cayman Islands	100 ordinary shares at US$1 each	50%	50%	Provision of fund management services in Cayman Islands
Apollo Multi Asset Management LLP ("Apollo")	United Kingdom	N/A	–	51% (Note)	Provision of fund management services

Note: Apollo was not considered to be a subsidiary of the Group as the Group did not have management control but did hold joint control. The management control of Apollo was deadlocked between the Group and the other members of the limited liability partnership. The Group withdrew as a partner and no longer owned Apollo with effect from 31 August 2009.

Summarised financial information in respect of the Group's jointly controlled entities are set out below:

	Assets US$'000	Liabilities US$'000	Equity US$'000	Revenue US$'000	Profit/(Loss) US$'000
2009					
100 per cent	**15**	**15**	**–**	**1,091**	**235**
Group's effective interest at 31 December	**8**	**(8)**	**–**	**554**	**128**
2008					
100 per cent	502	(508)	(6)	301	(20)
Group's effective interest at 31 December	253	(256)	(3)	151	(10)

The financial information above is based on the unaudited management accounts for each of the two years ended 31 December 2009 and 31 December 2008.

19. AVAILABLE-FOR-SALE INVESTMENTS

Group

	Notes	2009 US$'000	2008 US$'000
Unlisted investments, at cost or fair value			
Equity securities		**1,827**	2,672
Less: Impairment losses		**(1,536)**	(1,047)
	(i)	**291**	1,625
Listed investments, at fair value			
Equity securities, listed in Hong Kong		**–**	6
Equity securities, listed outside Hong Kong		**316**	223
	(ii)	**316**	229
Total		**607**	1,854

The movements in available-for-sale investments during the year are as follows:

	2009 US$'000	2008 US$'000
At 1 January	**1,854**	5,845
Disposals	**(565)**	(2,500)
Change in fair value recognised directly in other comprehensive income	**(682)**	(1,491)
At 31 December	**607**	1,854

Notes:

(i) The unlisted investments represent investments that offer the Group the opportunities for return through dividend income and fair value gains. The fair values of the investments are based on Group's share of the underlying net asset of the fund which are valued at fair value. Provision for impairment of US$1,536,000 (2008: US$Nil) has been made during the year ended 31 December 2009 which has been removed from the investment revaluation reserve in equity and recognised in the income statement. The unlisted investments as at 31 December 2008 also included investments stated at cost which were fully impaired in 2008 and were subsequently written off in 2009.

(ii) Provision for impairment of US$115,000 (2008: US$Nil) has been made to the listed investments during the year ended 31 December 2009 which has been removed from the investment revaluation reserve in equity and recognised in the income statement.

Notes to the Financial Statements

For the year ended 31 December 2009

20. NOTE RECEIVABLE

The note receivable represents the proceeds from the disposal of the entire interests in an associate, SBI CROSBY (Holdings) Limited ("SBICHL"), in August 2007 for a consideration of US$455,000. The promissory note, disclosed as note receivable, is unsecured, interest bearing at 5% per annum and repayable after a fixed term of five years or earlier based on certain conditions. At 31 December 2009, the balance has increased to US$508,000 (2008: US$485,000) due to accrual of interest.

21. INTANGIBLE ASSETS

Group

	Customer base US$'000	Trademark US$'000	Goodwill US$'000	Total US$'000
Carrying amount at 1 January 2008	8,229	489	849	9,567
Additional investment in a subsidiary (Note 38)	–	–	561	561
Acquisition of the Forsyth Business	463	–	–	463
Amortisation	(314)	–	–	(314)
Impairment	(8,378)	–	(1,410)	(9,788)
Write off	–	(468)	–	(468)
Carrying amount at 31 December 2008 and 31 December 2009	**–**	**21**	**–**	**21**

The customer base was attributable to the acquisition of the Forsyth Business in September 2007 and was amortised over its expected useful life of 15 years. During the year ended 31 December 2008 further costs of US$463,000 were incurred in respect of this acquisition and have been added to the customer base intangible asset and the assets under management in the Forsyth Business reduced significantly. As a consequence, although the business was restructured to reduce costs, it remained and was forecast to be loss making. The Directors considered the value of the customer base being fully impaired on a value in use basis.

The trademarks mainly related to the "Crosby" brand name in Europe and due to the poor performance of the Group in that market during the year ended 31 December 2008 the Directors had fully written off that asset, which had a net carrying value of US$468,000.

Included in the additional goodwill of US$561,000 was an amount of US$552,000 which arose on the acquisition of 20% of Crosby Capital Management L.P. during the year ended 31 December 2008 and was fully impaired following the cessation of its business activities.

22. TRADE AND OTHER RECEIVABLES

Group

	Notes	2009 US$'000	2008 US$'000
Trade receivables	(i)	**117**	816
Other receivables – gross		**1,121**	2,595
Less: Impairment losses	(iii)	**(774)**	(1,481)
Other receivables – net	(ii)	**347**	1,114
Deposits and prepayments		**1,024**	1,875
Total		**1,488**	3,805

The fair value of trade and other receivables is considered by the Directors not to be materially different from carrying amounts.

Notes:

(i) At 31 December 2009, the ageing analysis of trade receivables based on invoice date is as follows:

	2009 US$'000	2008 US$'000
0 – 30 days	**89**	178
31 – 60 days	**23**	127
61 – 90 days	**–**	454
Over 90 days	**5**	57
	117	816

The Group allows a credit period ranging from 15 to 45 days (2008: 15 to 45 days) to its asset management clients. The credit period for asset management contracts can be extended under special circumstances.

At 31 December 2009, trade receivables related to one customer for which there was no recent history of default. At 31 December 2008, the trade receivables related to a large number of customers for whom there was no recent history of default.

As at 31 December 2009 and 31 December 2008, no impairment on trade receivables has been made.

(ii) Included in other receivables are staff loans and advances of US$8,000 (2008: US$Nil). Such loans and advances were granted at the discretion of the management.

Notes to the Financial Statements

For the year ended 31 December 2009

22. TRADE AND OTHER RECEIVABLES (continued)

Group (continued)

(iii) The movements in the allowance for impairment of other receivables during the year are as follows:

	2009 US$'000	2008 US$'000
At 1 January	1,481	760
Impairment losses	71	889
Reversal due to debt recovery	(2)	(2)
Write off	(776)	(166)
At 31 December	774	1,481

The Group has provided impairment on material other receivables as at 31 December 2009 and 31 December 2008, which have been past due.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Group

	2009 US$'000	2008 US$'000
Held for trading		
Listed securities:		
– Equity securities – Australia	2,788	3,473
– Equity securities – Canada	967	7
– Equity securities – Japan	94	801
– Equity securities – United Kingdom	1,217	1,074
– Equity securities – United States	566	449
Fair value of listed securities	5,632	5,804
Unlisted securities:		
– Equity securities – Australia	472	365
– Equity securities – British Virgin Islands	2,420	1,875
– Equity securities – Canada	36	–
Fair value of unlisted securities	2,928	2,240
Embedded derivatives	–	1,418
Others	–	309
Total	8,560	9,771

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Group (continued)

Particulars and valuation basis of principal financial assets held at fair value through profit or loss are as follows:

Name	No. of shares / Percentage of interest held by the Company indirectly				Fair value		Valuation basis
	2009		2008		2009	2008	
	Holding	%	Holding	%	US$'000	US$'000	
IB Daiwa Corporation – Ordinary shares	2,877,000	0.47	12,054,000	2.82	94	801	Quoted market price at 31 December 2009 of ¥3.00 (2008: ¥6.00) per share, listed on JASDAQ Japan
White Energy Company Limited – Ordinary shares	1,069,824	0.46	2,019,824	1.31	2,245	2,790	Quoted market price at 31 December 2009 of AUD2.35 (2008: AUD2.00) per share, listed on Australian Stock Exchange
African Consolidation Resources Plc – Ordinary shares	2,600,000	0.73	–	–	580	–	Quoted market price at 31 December 2009 of £0.12 per share, listed on AIM of London Stock Exchange
Touchstone Investment Holdings Limited – Ordinary shares	16,351	15.81	–	–	2,420	–	Valuation at 31 December 2009 by reference to the value and stage of development of similar listed gold exploration companies relative to the amount of ordinary shares outstanding
White Energy Company Limited – Options	1,250,000	0.50*	1,250,000	0.75*	463	356	Valuation at 31 December 2009 and 31 December 2008 provided by the independent valuer using the Binomial Model

Notes to the Financial Statements

For the year ended 31 December 2009

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(a) Group (continued)

Name	No. of shares / Percentage of interest held by the Company indirectly				Fair value		Valuation basis
	2009		2008		2009	2008	
	Holding	%	Holding	%	US$'000	US$'000	
ESK Limited							Full provision for impairment was made as at 31 December 2009. Valuation at 31 December 2008 by reference to the value and stage of development of the major underlying oil and gas properties relative to the amount of debt and preference shares outstanding
– Ordinary shares	19,028,031	5.00	19,028,031	5.00	-	–	
– Preference shares	2,973,130	N/A	2,973,130	N/A	-	1,875	
Derivatives embedded in loan receivable (Note 24)	N/A	N/A	N/A	N/A	-	1,418	Full provision for impairment was made as at 31 December 2009. Valuation at 31 December 2008 provided by the independent valuer using the Binomial Model

* The percentage of shareholding is based on the enlarged share capital of White Energy Company Limited.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) The movements in financial assets at fair value through profit or loss during the year are as follows:

	Notes	2009 US$'000	2008 US$'000
At 1 January		9,771	54,108
Additions	(1)	7,354	8,379
Disposals	(2)	(11,636)	(19,220)
Dividend received (Note 36)		(1)	(3)
Gain/(Loss) on financial assets at fair value through profit or loss		3,072	(33,493)
At 31 December		8,560	9,771

Notes:

(1) The additions to financial assets at fair value through profit or loss are analysed as follows:

	2009 US$'000	2008 US$'000
Acquisition by cash (Note 36)	7,204	8,379
Received in settlement of corporate finance fee (Note 36)	150	–
	7,354	8,379

(2) The disposals of financial assets at fair value through profit or loss are analysed as follows:

	2009 US$'000	2008 US$'000
Disposals for cash	11,636	19,059
Disposals included in receivables	–	161
	11,636	19,220

(3) The proceeds from sale of financial assets at fair value through profit or loss in cash flow (Note 36) are analysed as follows:

	2009 US$'000	2008 US$'000
Disposals for cash, as above	11,636	19,059
Receipt from receivables	161	226
	11,797	19,285

Notes to the Financial Statements

For the year ended 31 December 2009

24. LOAN RECEIVABLE

On 23 June 2008, Asia Special Situation GJP1 Limited ("ASSGJP1"), a wholly owned subsidiary of IB Daiwa Corporation ("IB Daiwa"), entered into a loan agreement with ADM Galleus Fund Limited ("ADM"), an investment fund managed by Asia Debt Management Hong Kong Limited, on 19 June 2008 pursuant to which ADM made a loan of US$44,000,000 to ASSGJP1 for discharging its inter-company obligations owing to IB Daiwa (the "ADM Loan"). IB Daiwa in turn, used the proceeds from the ADM Loan received from ASSGJP1 to repay and discharge all its liabilities owed to Coniston International Capital Limited ("Coniston"), a wholly owned subsidiary of the Company, under the Indemnity Agreement dated 22 June 2007 (amounting to US$15,000,000) and the Exchangeable Loan Agreement dated 4 March 2008 (amounting to US$9,815,000) as well as liabilities owed to other financiers. Simultaneously, with the settlement of IB Daiwa's liabilities to Coniston, Coniston participated in the ADM Loan in a sum of US$9,815,000 pursuant to a participation agreement that Coniston entered into with ADM.

The Directors considered the participation in the ADM Loan to be a new financial asset and not a modification of the terms of the loan receivable under the Exchangeable Loan Agreement dated 4 March 2008. Accordingly, the accounting treatment adopted had been to de-recognise the loan receivable under the Exchangeable Loan Agreement dated 4 March 2008 and recognise the ADM Loan initially at its fair value.

On 7 November 2008, certain terms of the ADM Loan were amended in order to rectify the security coverage ratio, which had fallen below the required level under a covenant of the ADM Loan. Following the amendments and at 31 December 2008, the principal terms of the ADM Loan relevant to Coniston's participation were as follows:

- Secured by 104,615,384 shares of Leed Petroleum PLC ("Leed", Stock Code: LDP LN); 21,333,333 shares of Adavale Resources Limited (Stock Code: ADD AU); all the shares of Lodore US Holdings Inc. and its subsidiaries owned by IB Daiwa and US$7,500,000 of cash (which was used to repay part of the ADM Loan on 13 February 2009);

- Guaranteed by IB Daiwa to the extent of US$3,550,000, which may be reduced by an amount as determined by ADM and paid by IB Daiwa to participate in any new equity issuance by IB Daiwa;

- Bears interest per annum at a premium of 5% to 12-month LIBOR;

- Includes fees attributable to Coniston and payable on maturity of US$796,000;

- Includes a profit share constituent the economic effect of which is that the Group benefits from 65% of the profit from the sale of the Leed shares, net of applicable brokerage fees and taxes, on per share basis, in excess of profit sharing threshold price, which was set at 32 pence per share but can be reset downward on a monthly basis (once the ADM Loan has been fully repaid the profit sharing obligations of the borrower cease); and

- Repayable from an orderly sale of IB Daiwa's shares in Leed, or from the cash collateral or by way of exchanging the loan into shares of Leed at the profit sharing price, with a final maturity date 20 June 2009.

During the year ended 31 December 2009, ADM received a prepayment of approximately US$7,500,000 from IB Daiwa out of the cash collateral. IB Daiwa also paid an additional US$250,000 to ADM in order to have all the shares of Adavale Resources Limited released from the collateral pool. ADM also utilised approximately US$1,050,000 worth of the IB Daiwa's guarantee amount to subscribe for new shares and warrants issued by IB Daiwa during the year. ADM disposed of these shares and warrants during the year and realised a total amount of approximately US$1,700,000.

24. LOAN RECEIVABLE (continued)

On 18 August 2009, a settlement agreement was entered into among ASSGJP1, ADM and IB Daiwa whereby IB Daiwa paid US$2,500,000 to ADM to settle the remaining guarantee obligation of IB Daiwa. The settlement agreement also entitled ADM to receive a further US$1,000,000 from IB Daiwa to release the shares and assets of Lodore US Holdings Inc. and its subsidiaries from the collaterals of the ADM Loan as well as certain cross guarantees from Lodore US Holdings Inc. and its subsidiaries, which was received by ADM in December 2009. IB Daiwa is also obliged to pay ADM an aggregate maximum of US$500,000 out of its receipts of future distribution from the Lodore group, if any. The maturity of the ADM Loan was extended to 21 December 2012, when ADM may choose to receive all the shares of ASSGJP1 or 104,615,384 shares of Leed owned by ASSGJP1 as full and final settlement of the ADM Loan.

On 1 February 2010, IB Daiwa entered into an agreement with ADM to vest the sole, absolute, legal and beneficial title of ASSGJP1 (together with all the underlying shares of Leed held by it) to ADM. IB Daiwa has also agreed to pay US$350,000 to ASSGJP1 to partially repay the ADM Loan. In return, ADM has agreed to release IB Daiwa from its obligations to pay ADM up to a maximum of US$500,000 of any future receipts from the Lodore group.

The ADM Loan receivable, after allowance for impairment, as at 31 December 2009 is as follows:

	US$'000
Loan principal advanced on 23 June 2008	9,815
Fee receivable upon maturity and capitalised upfront	796
Less: Embedded derivative recognised on initial recognition	(2,981)
Gross loan receivable at 23 June 2008	7,630

	2009 US$'000	2008 US$'000
Gross loan receivable at 1 January	**7,844**	–
Initial recognition	**–**	7,630
Add: Effective interest income (Note 7)	**2,844**	2,710
Amortised carrying amount	**10,688**	10,340
Less: Allowance for impairment (Note 10)	**(6,440)**	(2,496)
Repayment	**(2,900)**	–
Net impaired loan receivable at 31 December	**1,348**	7,844

The interest income on the loan receivable for the year ended 31 December 2008 is calculated by applying an effective interest rate of 66.64% which takes into consideration the value of the embedded derivatives recognised on initial recognition of the loan and the fees and interest receivable on the loan. The interest income on the loan receivable for the year ended 31 December 2009 is calculated at the interest rate of LIBOR plus 5% which remained the same following the extension of the loan agreement and full amortisation of the effective interest on the loan agreement.

Notes to the Financial Statements

For the year ended 31 December 2009

24. LOAN RECEIVABLE (continued)

The embedded derivatives have been valued by an independent professional valuer using a Binomial Model at US$2,981,000 and US$1,418,000 on initial recognition and at 31 December 2008 respectively. The embedded derivatives have been fully impaired as at 31 December 2009 (Note 23(a)).

The allowance for impairment has been calculated by reference to the fair value of the collateral held against the ADM Loan at 31 December 2009 and 31 December 2008. Accordingly, the net impaired loan receivable balance at 31 December 2009 and 31 December 2008 of US$1,348,000 and US$7,844,000 respectively are equivalent to the fair value of the collateral held.

25. CASH AND CASH EQUIVALENTS

	2009 US$'000	2008 US$'000
Bank and cash balances	**4,977**	15,041
Short-term bank deposits	**2,869**	1,950
	7,846	16,991
Average effective interest rates of short-term bank deposits	**0.01% – 0.3%**	0.01% – 6.30%

The short-term bank deposits have maturity periods ranging from 1 to 31 days (2008: 1 to 31 days) and are eligible for immediate cancellation without receiving any interest for the last deposit period.

26. TRADE, OTHER PAYABLES AND PROVISION FOR LIABILITIES

(a) Trade and other payables

	2009 US$'000	2008 US$'000
Trade payables	**–**	630
Other payables	**694**	1,919
Accrued charges	**2,701**	6,611
	3,395	9,160

26. TRADE, OTHER PAYABLES AND PROVISION FOR LIABILITIES (continued)

(a) Trade and other payables (continued)

At 31 December 2009, the ageing analysis of trade payables is as follows:

	2009 US$'000	2008 US$'000
0 – 30 days	–	630

Included in the Group's trade and other payables are provision for bonus of US$986,000 (2008: US$3,413,000) to directors and staff, including provision for bonus deferred from prior years of US$659,000 (2008: US$3,343,000).

(b) Provision for liabilities

	2009 US$'000	2008 US$'000
At 1 January	4,219	–
Amount used during the year	(695)	–
Addition (Notes 8 and 35)	2,685	4,219
At 31 December	**6,209**	4,219

	2009 US$'000	2008 US$'000
Representing:		
Provision for claims (Note 35)	3,246	3,246
Provision for onerous contract in respect of operating lease (Note 8)	2,963	973
At 31 December	**6,209**	4,219

Notes to the Financial Statements

For the year ended 31 December 2009

27. OBLIGATIONS UNDER FINANCE LEASES

Group

(a) Finance lease liabilities – minimum lease payments:

	2009 US$'000	2008 US$'000
Due within one year	**431**	422
Due in the second to fifth years	**160**	601
	591	1,023
Future finance charges on finance leases	**(80)**	(175)
Present value of finance lease liabilities	**511**	848

(b) The present value of finance lease liabilities are as follows:

	2009 US$'000	2008 US$'000
Due within one year	**367**	316
Due in the second to fifth years	**144**	532
	511	848
Less: Portion due within one year included under current liabilities	**(367)**	(316)
Non-current portion included under non-current liabilities	**144**	532

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Derivative embedded in the convertible bond issued in 2006:				
Balance at 1 January	**2**	400	**2**	400
Gain on financial liabilities at fair value through profit or loss	**(2)**	(398)	**(2)**	(398)
Balance at 31 December (Note)	**–**	2	**–**	2

Note: The fair value was calculated using the Binomial Model. The inputs into the model were as follows:

	2008
Share price	US$0.55 million
Exercise price	US$20 million
Expected volatility	81%
Expected life	2.44 years
Risk-free rate	4.04%
Expected dividend yield	5%

Because the Binomial Model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

Notes to the Financial Statements
For the year ended 31 December 2009

29. CONVERTIBLE BOND

Group and Company

In March 2006, the Company issued US$75,000,000 Zero Coupon 5 year Convertible Bond (the "Convertible Bond"). The cash proceeds from the issue were received on 8 March 2006 and the net proceeds of approximately US$72,750,000 were used by the Group for general working capital and investment purposes. In particular, US$42,500,000 of the proceeds were invested by the Group in the oil and gas exploration prospects, which are fully impaired during the year ended 31 December 2008.

The Convertible Bond is unlisted and was convertible at the option of the bondholder(s), at any time on or after 13 March 2006 and up to and including 4 February 2011, into either new shares of the Company at a price of HK$0.7665 per share or exchangeable into existing shares of Crosby Asset Management Inc. ("CAM"), a 86.45% subsidiary of the Company at 31 December 2009, owned by the Company at a price of £0.9975 per share. The bondholder(s) were not able to exercise their conversion rights in respect of new shares of the Company once 556,666,011 new shares of the Company had been issued. The Convertible Bond that remains outstanding on 4 February 2011 is redeemable at 116.1% of its principal amount.

The Company has provided a negative pledge to the bondholder(s), that so long as any of the Convertible Bond remains outstanding and except in certain limited circumstances, that the Group will not secure any of its assets or future revenues against any indebtedness of the Group unless the outstanding Convertible Bond is also secured.

The Company has also undertaken, that so long as any of the Convertible Bond remains outstanding, that it will not sell any shares of CAM, any substantial line of its business or the interests in the oil and gas exploration prospects without the approval of the bondholder(s). However, the Company may dispose of shares of CAM and the equity interests in the oil and gas exploration prospects, provided that: the Company shall, immediately after such disposal, set aside such money equal to the aggregate principal amount of the Convertible Bond then outstanding, multiplied by 116.1% and as long as the Company's shareholding in CAM shall not fall below 50% after such disposal.

29. CONVERTIBLE BOND (continued)

The Convertible Bond recognised in the statement of financial position is calculated as follows:

	US$'000
Face value of Convertible Bond issued*	75,000
Discount	(2,250)
Financial liabilities at fair value through profit or loss	(6,320)
Equity component	(4,793)
Liability component on initial recognition upon issuance of Convertible Bond on 8 March 2006	61,637

	2009 US$'000	2008 US$'000
Liability component at 1 January	**19,980**	18,644
Effective interest expense (Note 9)	**1,428**	1,336
Liability component at 31 December	**21,408**	19,980

* US$55,000,000 of the Convertible Bond was converted into 556,666,011 new shares of the Company in 2006, representing 16.55% of the Company's enlarged issued share capital of 3,362,743,256 shares (including 292,500,000 non-voting convertible deferred shares) at that time. The balance of the Convertible Bond of US$20,000,000 is therefore only exchangeable into a maximum of 11,453,287 existing shares of CAM owned by the Company, but no exchange had occurred up to 31 December 2009. On the basis that the balance of the Convertible Bond of US$20,000,000 is fully exchanged into existing shares of CAM, the holding of the Company in CAM would be reduced from 86.45% to 81.75% as at 31 December 2009.

The interest expense of Convertible Bond for the year ended 31 December 2009 is calculated by applying an effective interest rate of 7.15% (2008: 7.15%) to the liability component.

The Directors of the Company estimate the fair value of the liability component of the Convertible Bond at US$21,408,000 (2008: US$19,980,000). The fair value has been calculated by discounting the future cash flows at the prevailing market rate of 6.5%, increased to 7.15% to adjust for the amortisation of the discount of US$2,250,000. The aforementioned discount rate of 6.5% has been determined by reference to the yield on non-callable bonds issued in US dollars by a corporate with a credit rating of BB, with maturity of 5 years.

Notes to the Financial Statements

For the year ended 31 December 2009

30. SHARE CAPITAL

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of non-voting convertible deferred shares	Value US$'000
Authorised				
At 1 January 2008 (par value of US$0.001 each)	20,000,000,000	1,000,000	– (Note (a))	20,001
Effect of increase in nominal value of shares from US$0.001 each to US$0.01 each (Note (c))	(18,000,000,000)	(900,000)	–	–
At 31 December 2008, 1 January 2009 and 31 December 2009 (par value of US$0.01 each)	**2,000,000,000**	**100,000**	**–**	**20,001**
Issued and fully paid				
At 1 January 2008 (par value of US$0.001 each)	3,070,381,256	–	292,500,000 (Note (b))	3,363
Effect of increase in nominal value of shares from US$0.001 each to US$0.01 each (Note (c))	(2,758,900,731)	–	(263,250,000)	–
Repurchase of shares (Note (d))	(10,132,541)	–	–	(57)
At 31 December 2008, 1 January 2009 and 31 December 2009 (par value of US$0.01 each)	**301,347,984**	**–**	**29,250,000**	**3,306**

Notes:

(a) No authorised share capital with respect to these non-voting convertible deferred shares is required.

(b) The non-voting convertible deferred shares have the following rights and restrictions:

- (i) The holder is not entitled to vote at any general meetings of the Company;
- (ii) The deferred shares rank pari passu with ordinary shares in respect of all distributions; and
- (iii) Each deferred share can be converted into one ordinary share commencing three months from the date of issue (i.e. 24 May 2004) and can be converted upon 14 days prior written notice to the Company. There is no expiration date for the right of conversion. The deferred shares have no redemption rights.

30. SHARE CAPITAL (continued)

(c) Pursuant to an ordinary resolution passed at the Annual General Meeting of the Company held on 25 April 2008, every ten issued and unissued shares of US$0.001 each were consolidated into one new share of US$0.01 each with effect from 28 April 2008. The shares after the share consolidation rank pari passu in all respects with each other.

(d) During the year ended 31 December 2008, the Company repurchased on the Stock Exchange a total of 10,132,541 of its own ordinary shares at a price range of HK$0.104 to HK$1.078 per share for a total consideration, before expenses, of HK$3,924,000 (equivalent to approximately US$503,000). The repurchased shares were duly cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated losses to capital redemption reserve. Details of which are set out below:

Month of purchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid (before expenses)
		Highest HK$	Lowest HK$	HK$'000
March 2008	3,620,000	0.131	0.104	420
April 2008	1,316,000	0.129	0.116	159
July 2008	1,725,341	1.078	1.078	1,860
September 2008	2,383,200	0.700	0.450	1,322
November 2008	1,088,000	0.150	0.150	163
	10,132,541			3,924

31. RESERVES

Group

	2009 US$'000	2008 US$'000
Share premium	**106,444**	106,444
Capital reserve	**4,872**	4,872
Capital redemption reserve	**77**	77
Employee share-based compensation reserve	**11,973**	11,923
Investment revaluation reserve	**318**	(823)
Foreign exchange reserve	**(13)**	(19)
Accumulated losses	**(138,369)**	(123,837)
	(14,698)	(1,363)

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 35 and 36.

Notes to the Financial Statements

For the year ended 31 December 2009

31. RESERVES (continued)

Company

	Share premium US$'000	Capital reserve US$'000	Capital redemption reserve US$'000	Employee share-based compensation reserve US$'000	Investment revaluation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2008	106,895	271	20	6,884	56,441	(15,715)	154,796
Repurchase of own shares for cancellation	(451)	–	57	–	–	(57)	(451)
Lapse of share options granted to employees of a subsidiary	–	–	–	(412)	–	–	(412)
Deficit on revaluation	–	–	–	–	(97,931)	–	(97,931)
Recycle to income statement	–	–	–	–	41,490	–	41,490
Employee share-based compensation	–	–	–	2,497	–	–	2,497
Loss for the year	–	–	–	–	–	(98,393)	(98,393)
At 31 December 2008 and at 1 January 2009	106,444	271	77	8,969	–	(114,165)	1,596
Lapse of share options granted to employees of a subsidiary	–	–	–	(490)	–	490	–
Deficit on revaluation	–	–	–	–	(290)	–	(290)
Employee share-based compensation	–	–	–	840	–	–	840
Profit for the year	–	–	–	–	–	1,972	1,972
At 31 December 2009	**106,444**	**271**	**77**	**9,319**	**(290)**	**(111,703)**	**4,118**

32. SHARE OPTION SCHEMES

(a) Share Option Scheme of the Company

The Company adopted an employee share option scheme on 27 March 2002 (the "Company's Share Option Scheme") in order to incentivise key management and staff.

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. On each grant of options HK$10 is payable by the grantee.

The total number of shares available for issue under options granted pursuant to the Company's Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date of the approval of the Company's Share Option Scheme (the "Scheme Mandate Limit"), unless shareholders' approval of the Company has been obtained. However, the overall limit must not on aggregate exceed 30% of the Company's issued share capital (i.e. 90,404,395 options as of 31 December 2009). Options lapsed in accordance with the terms of the Company's Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of the shares issued and to be issued upon exercise of options granted (whether or not cancelled) and to be granted under the Company's Share Option Scheme to any eligible person (including both exercised and outstanding options) in any 12 month period immediately preceding the date of grant to such eligible person shall not exceed 1% of the issued shares of the Company, unless approval of shareholders of the Company has been obtained. Where any option is proposed to be granted to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director of the Company or any of their associates (as defined in the GEM Listing Rules) in excess of 0.1% of the issued shares of the Company and having an aggregate value in excess of HK$5,000,000 then the proposed grant must be subject to the approval of shareholders of the Company.

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

(i) the first 30% of the options between the first and tenth anniversary of the date of grant;

(ii) the next 30% of the options between the second and tenth anniversary of the date of grant; and

(iii) the remaining options between the third and tenth anniversary of the date of grant.

Notes to the Financial Statements

For the year ended 31 December 2009

32. SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

Details of the share options granted under the Company's Share Option Scheme are as follows:

Share option type	Date of grant	Options granted	Options exercise price per share	Options lapsed since grant	Options exercisable as at 31 December 2009	Contractual life
2002	27 March 2002	24,824,470	HK$0.704	(24,794,470)	30,000	10 years
2003(a)	18 March 2003	5,400,000	HK$0.350	(5,400,000)	–	10 years
2003(b)	14 May 2003	1,500,000	HK$0.350	(1,000,000)	–	10 years
2003(c)	18 June 2003	2,606,400	HK$0.350	(2,606,400)	–	10 years
2003(d)	11 July 2003	31,200,000	HK$0.350	(31,200,000)	–	10 years
2003(e)	1 December 2003	2,100,000	HK$0.350	(2,100,000)	–	10 years
2004	20 August 2004	1,500,000	HK$0.350	–	–	10 years
2006(a)	24 March 2006	4,000,000	HK$7.700	(2,000,000)	2,000,000	10 years
2006(b)	26 April 2006	18,000,000	HK$7.700	–	18,000,000	10 years
2007	29 January 2007	1,000,000	HK$3.650	–	600,000	10 years
2008(a)	11 February 2008	11,750,000	HK$1.800	(1,000,000)	3,225,000	10 years
2008(b)	29 December 2008	2,000,000	HK$0.180	–	600,000	10 years
		105,880,870		(70,100,870)[(Note)]	24,455,000	

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

32. SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

The following table discloses movements in the outstanding options granted under the Company's Share Option Scheme during the year:

			Number of share options						
Year	Grantees	Share option type	Outstanding at 1 January	Granted during the year	Transfer/ lapsed during the year	Exercised during the year	Outstanding at 31 December	Weighted average exercise price	Notes
2009	Directors	2006(a)	2,000,000	–	–	–	2,000,000	HK$7.700	
		2006(b)	18,000,000	–	–	–	18,000,000	HK$7.700	
		2007	1,000,000	–	–	–	1,000,000	HK$3.650	
		2008(a)	10,500,000	–	–	–	10,500,000	HK$1.800	
		2008(b)	2,000,000	–	–		2,000,000	HK$0.180	
			33,500,000	–	–	–	33,500,000	HK$5.281	
	Employees	2002	30,000	–	–	–	30,000	HK$0.704	
		2006(a)	1,000,000	–	(1,000,000)	–	–	HK$7.700	
		2008(a)	1,250,000	–	(1,000,000)	–	250,000	HK$1.800	
			2,280,000	–	(2,000,000)	–	280,000	HK$1.683	
	Total		**35,780,000**	**–**	**(2,000,000)**	**–**	**33,780,000**	**HK$5.251**	
2008	Directors	2006(a)	2,000,000	–	–	–	2,000,000	HK$7.700	
		2006(b)	12,000,000	–	6,000,000	–	18,000,000	HK$7.700	
		2007	1,000,000	–	–	–	1,000,000	HK$3.650	
		2008(a)	–	10,500,000	–	–	10,500,000	HK$1.800	1
		2008(b)	–	2,000,000	–		2,000,000	HK$0.180	2
			15,000,000	12,500,000	6,000,000	–	33,500,000	HK$5.281	
	Employees	2002	30,000	–	–	–	30,000	HK$0.704	
		2006(a)	2,000,000	–	(1,000,000)	–	1,000,000	HK$7.700	
		2006(b)	6,000,000	–	(6,000,000)	–	–	HK$7.700	
		2008(a)	–	1,250,000	–	–	1,250,000	HK$1.800	1
			8,030,000	1,250,000	(7,000,000)	–	2,280,000	HK$4.373	
	Total		23,030,000	13,750,000	(1,000,000)	–	35,780,000	HK$5.223	

32. SHARE OPTION SCHEMES (continued)

(a) Share Option Scheme of the Company (continued)

Notes:

1. The closing price of the shares of the Company quoted on the Stock Exchange on 6 February 2008, being the business date immediately before the date on which share options were granted, was HK$1.77.

2. The closing price of the shares of the Company quoted on the Stock Exchange on 24 December 2008, being the business date immediately before the date on which share options were granted, was HK$0.18.

No options were granted during the year ended 31 December 2009. The fair value of the options granted during the year ended 31 December 2008, measured at the dates of grant, totalled approximately US$1,433,000.

US$840,000 (2008: US$2,434,000) of employee share-based compensation expense is included in the consolidated income statement for the year ended 31 December 2009 and nil value (2008: US$711,000) of which was in respect of the options granted during the year ended 31 December 2009.

Subsequent to the year ended 31 December 2009, 9,000,000 options were lapsed on 31 January 2010.

There are 30,654,452 ordinary shares, which represent 10% of the total number of shares in issue as at the date of the approval of the renewal of the Scheme Mandate Limit and 10.17% of the total issued share capital of the Company, available for issue under the Company's Share Option Scheme at the date of this annual report.

The following significant assumptions were used for the year ended 31 December 2008 to derive the fair value, using the Binomial Option Pricing Model:

(i) an expected volatility, between 68% to 90.53% throughout the option life;

(ii) nil dividend yield;

(iii) the estimated expected life of the options granted is 10 years; and

(iv) the risk free rates are based on the yields on Hong Kong Exchange Fund Bills and Notes.

In the determination of volatility, the historical volatility of the Company prior to the issuance of share options has been considered. The volatility is measured based on the weekly price change and the volatility measured on weekly basis provided a reasonable estimation for the expected volatility is considered.

32. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary

(i) Crosby Asset Management Inc. ("CAM")

CAM, a 86.45% subsidiary of the Company at 31 December 2009, adopted an employee share option scheme on 4 March 2005 ("CAM Share Option Scheme") in order to incentivise key management and staff of CAM. Pursuant to the CAM Share Option Scheme, a duly authorised committee of the board of directors of CAM may, at its discretion, grant options to eligible employees, including directors, of CAM or any of its subsidiaries to subscribe for shares in CAM at a price not less than the higher of (i) the closing price of the shares of CAM quoted on AIM on the date of grant of the particular option or (ii) the average of the closing prices of the shares of CAM quoted on AIM for the five trading days immediately preceding the date of the grant of the options or (iii) the nominal value of the shares. On each grant of options £1 is payable by the grantee.

The total number of shares available for issue under options granted pursuant to the CAM Share Option Scheme must not in aggregate exceed 10% of the total number of CAM's shares in issue at the date of last approval on 4 March 2005 (the "Scheme Mandate Limit"), unless approval of shareholders of the Company has been obtained. However, the overall limit must not in aggregate exceed 25% of CAM's issued share capital (i.e. 60,868,750 options as of 31 December 2009). Options lapsed in accordance with the terms of the CAM Share Option Scheme, prior to their exercise dates, are available for re-use.

The total number of CAM's shares issued and to be issued upon exercise of options granted (whether or not cancelled) and to be granted under the CAM Share Option Scheme to any eligible person (including both exercised and outstanding options) in any 12 month period immediately preceding the date of grant to such eligible person shall not exceed 1% of CAM's shares in issue, unless approval of shareholders of the Company has been obtained. Where any option is proposed to be granted to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director of the Company or any of their associates (as defined in the GEM Listing Rules) in excess of 0.1% of the shares of CAM and having an aggregate value in excess of HK$5,000,000 then the proposed grant must be subject to the approval of shareholders of the Company.

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

(i) the first 30% of the options between the first and tenth anniversary of the date of grant;

(ii) the next 30% of the options between the second and tenth anniversary of the date of grant; and

(iii) the remaining options between the third and tenth anniversary of the date of grant.

Notes to the Financial Statements

For the year ended 31 December 2009

32. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary (continued)

(i) Crosby Asset Management Inc. ("CAM") (continued)

Details of the share options granted under the CAM Share Option Scheme are as follows:

Share option type	Date of grant	Options granted	Options exercise price per share (pence)	Options lapsed since grant	Options exercisable as at 31 December 2009	Contractual life
2005(a)	11 January 2005	14,150,000	21.15	(5,575,000)	4,450,000	10 years
2005(b)	15 September 2005	150,000	84.50	–	150,000	10 years
2005(c)	21 November 2005	1,117,318	89.50	(1,117,318)	–	10 years
2005(d)	30 December 2005	1,000,000	82.65	(1,000,000)	–	10 years
2006(a)	23 March 2006	3,650,000	95.20	(2,500,000)	1,150,000	10 years
2006(b)	19 May 2006	1,500,000	91.50	(1,500,000)	–	10 years
2007(a)	23 March 2007	300,000	32.65	(150,000)	90,000	10 years
2007(b)	21 June 2007	1,400,000	43.50	–	840,000	10 years
2007(c)	4 December 2007	2,000,000	16.75	(1,000,000)	600,000	10 years
2008(a)	11 January 2008	15,870,000	22.25	(7,520,000)	2,505,000	10 years
2008(b)	26 June 2008	4,850,000	9.00	(4,850,000)	–	10 years
		45,987,318		(25,212,318)	9,785,000	

32. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary (continued)

(i) Crosby Asset Management Inc. ("CAM") (continued)

The following table discloses movements in the outstanding options granted under the CAM Share Option Scheme during the year:

			Number of share options						
Year	Grantees	Share option type	Outstanding at 1 January	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December	Weighted average exercise price (pence)	Notes
2009	Directors of CAM	2005(a)	1,000,000	–	–	–	1,000,000	21.15	
		2006(a)	150,000	–	(150,000)	–	–	95.20	
		2007(a)	300,000	–	(150,000)	–	150,000	32.65	
		2008(a)	5,300,000	–	(150,000)	–	5,150,000	22.25	
			6,750,000	–	(450,000)	–	6,300,000	22.32	
	Employees of CAM	2005(a)	5,800,000	–	(2,350,000)	–	3,450,000	21.15	
		2005(b)	150,000	–	–	–	150,000	84.50	
		2006(a)	1,800,000	–	(650,000)	–	1,150,000	95.20	
		2007(b)	1,400,000	–	–	–	1,400,000	43.50	
		2007(c)	1,000,000	–	–	–	1,000,000	16.75	
		2008(a)	5,230,000	–	(2,030,000)	–	3,200,000	22.25	
		2008(b)	1,250,000	–	(1,250,000)	–	–	9.00	
			16,630,000	–	(6,280,000)	–	10,350,000	33.23	
	Total		**23,380,000**	**–**	**(6,730,000)**	**–**	**16,650,000**	**29.11**	
2008	Directors of CAM	2005(a)	1,000,000	–	–	–	1,000,000	21.15	
		2006(a)	150,000	–	–	–	150,000	95.20	
		2007(a)	300,000	–	–	–	300,000	32.65	
		2008(a)	–	5,300,000	–	–	5,300,000	22.25	1
			1,450,000	5,300,000	–	–	6,750,000	24.17	
	Employees of CAM	2005(a)	8,600,000	–	(2,600,000)	(200,000)	5,800,000	21.15	2
		2005(b)	150,000	–	–	–	150,000	84.50	
		2005(d)	1,000,000	–	(1,000,000)	–	–	82.65	
		2006(a)	2,500,000	–	(700,000)	–	1,800,000	95.20	
		2007(b)	1,400,000	–	–	–	1,400,000	43.50	
		2007(d)	2,000,000	–	(1,000,000)	–	1,000,000	16.75	
		2008(a)	–	10,570,000	(5,340,000)	–	5,230,000	22.25	1
		2008(b)	–	4,850,000	(3,600,000)	–	1,250,000	9.00	1
			15,650,000	15,420,000	(14,240,000)	(200,000)	16,630,000	30.79	
	Total		17,100,000	20,720,000	(14,240,000)	(200,000)	23,380,000	28.88	

Notes to the Financial Statements

For the year ended 31 December 2009

32. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary (continued)

(i) Crosby Asset Management Inc. ("CAM") (continued)

Notes:

1. The closing price of the shares of CAM quoted on AIM on 10 January 2008 and 25 June 2008 being the business date immediately before the date on which share options were granted, were £0.225 and £0.09 respectively.

2. The closing price of the shares of CAM quoted on AIM on 1 February 2008, being the business date immediately before the date on which share options were exercised, was £0.2225.

No options were granted during the year ended 31 December 2009. The fair value of the options granted by CAM during the year ended 31 December 2008, measured at the dates of grant, totalled approximately US$3,111,000.

US$634,000 (2008: US$1,737,000) of employee share-based compensation expense is included in the consolidated income statement of the Group for the year ended 31 December 2009 and nil value (2008: US$1,121,000) of which was in respect of the options granted during the year ended 31 December 2009.

Subsequent to the year ended 31 December 2009, 1,200,000 options of CAM were lapsed on 31 January 2010.

The following significant assumptions were used for the year ended 31 December 2008 to derive the fair value, using the Binomial Option Pricing Model:

(i) an expected volatility, between 64% to 73% throughout the option life;

(ii) 5% dividend yield;

(iii) the estimated expected life of the options granted is 10 years; and

(iv) the risk free rates are based on the yields on United Kingdom Government Bonds.

In the determination of volatility, the historical volatility of the CAM prior to the issuance of share options has been considered. The volatility is measured based on the weekly price change and the volatility measured on weekly basis provided a reasonable estimation for the expected volatility is considered.

32. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary (continued)

(ii) Crosby Wealth Management (Asia) Limited ("CWMA")

CWMA, a 56.14% subsidiary of CAM at 31 December 2009, adopted an employee share option scheme on 27 April 2007 ("CWMA Share Option Scheme") in order to incentivise key management and staff of CWMA. Pursuant to the CWMA Share Option Scheme, a duly authorised committee of the board of directors of CWMA may, at its discretion, grant options to eligible employees, including directors, of CWMA or any of its subsidiaries to subscribe for shares in CWMA at a price at least the highest of : (a) the nominal value of a CWMA share on the date of grant; (b) the fair value of a CWMA share as determined by the CWMA director from time to time, initially fixed at US$500, on the date of grant; and (c) where applicable, in relation to the options granted after the parent company has resolved to seek a separate listing of CWMA on any stock exchange and up to the listing date of CWMA, the new issue price. On each grant of options US$1 is payable by the grantee.

The total number of shares available for issue under options granted pursuant to the CWMA Share Option Scheme must not in aggregate exceed 10% of the total number of CWMA's shares in issue at the date of last approval on 27 April 2007 (the "Scheme Mandate Limit"), unless approval of shareholders of the Company has been obtained. However, the overall limit must not in aggregate exceed 25% of CWMA's issued share capital (i.e. 4,500 options as at 31 December 2009). Options lapsed in accordance with the terms of the CWMA Share Option Scheme, prior to their exercise dates, are available for re-use.

The total number of CWMA's shares issued and to be issued upon exercise of options granted (whether or not cancelled) and to be granted under the CWMA Share Option Scheme to any eligible person (including both exercised and outstanding options) in any 12 month period immediately preceding the date of grant to such eligible person shall not exceed 1% of CWMA's shares in issue, unless approval of shareholders of the Company has been obtained. Where any option is proposed to be granted to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director of the Company or any of their associates (as defined in the GEM Listing Rules) in excess of 0.1% of the shares of CWMA and having an aggregate value in excess of HK$5,000,000 then the proposed grant must be subject to the approval of shareholders of the Company.

Share options granted under CWMA Share Option Scheme are exercisable between the third and tenth anniversary of the date of grant.

Notes to the Financial Statements

For the year ended 31 December 2009

32. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary (continued)

(ii) Crosby Wealth Management (Asia) Limited ("CWMA") (continued)

Details of the share options granted under the CWMA Share Option Scheme are as follows:

Share option type	Date of grant	Options granted	Options exercise price per share (US$)	Options lapsed since grant	Options exercisable as at 31 December 2009	Contractual life
2007(a)	1 June 2007	180	500	–	–	10 years
2007(b)	12 June 2007	180	500	–	–	10 years
2008	1 June 2008	180	500	–	–	10 years
		540		–	–	

The following table discloses movements in the outstanding options granted under the CWMA Share Option Scheme during the year:

Year	Grantees	Share option type	Number of share options: Outstanding at 1 January	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December	Weighted average exercise price (US$)
2009	Directors of CWMA	2007(a)	180	–	–	–	180	500
		2008	180	–	–	–	180	500
	Employees of CWMA	2007(b)	180	–	–	–	180	500
	Total		**540**	**–**	**–**	**–**	**540**	**500**
2008	Directors of CWMA	2007(a)	180	–	–	–	180	500
		2008	–	180	–	–	180	500
	Employees of CWMA	2007(b)	180	–	–	–	180	500
	Total		360	180	–	–	540	500

32. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary (continued)

(ii) Crosby Wealth Management (Asia) Limited ("CWMA") (continued)

No options were granted during the year ended 31 December 2009. The fair value of the options granted by CWMA during the year ended 31 December 2008, measured at the dates of grant was US$70,000 which was derived with reference to the net asset value per share at CWMA and its subsidiary.

US$66,000 (2008: US$56,000) of employee share-based compensation expense is included in the consolidated income statement of the Group for the year ended 31 December 2009 and nil value (2008: US$14,000) of which was in respect of the options granted during the year ended 31 December 2009.

33. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of the other significant transactions between the Group and other related parties during the year ended 31 December 2009 are as follows:

(a) Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors and certain of the highest paid employees as disclosed in Note 14 to the financial statements is as follows:

	2009 US$'000	2008 US$'000
Fees	**160**	160
Salaries, allowances and benefits in kind	**2,416**	3,397
Salary waiver	**(380)**	–
Release of provision for bonus deferred from prior years	**(668)**	–
Retirement fund contributions	**3**	4
Share-based compensation expense	**1,071**	2,711
Social security costs	**43**	24
	2,645	6,296

Notes to the Financial Statements

For the year ended 31 December 2009

33. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) During the year, the Group had the following material related party transactions with certain investee companies:

	Notes	2009 US$'000	2008 US$'000
Corporate finance and other advisory fees from investee companies	(iii)	**150**	208
Loan interest income received from an investee company, IB Daiwa	(ii)	**–**	42
Loan arrangement fee received from an investee company, IB Daiwa	(ii)	**–**	658
Management services fee received from a subsidiary of IB Daiwa, Lodore Delaware Petroleum LLC ("Lodore")	(i)	**–**	180
Loan arrangement fee received from Lodore	(i)	**–**	16

Notes:

(i) Lodore is a subsidiary of IB Daiwa and in which the Group can exercise significant influence in accordance with Note 3(d) to the financial statements, the Group accounts for the investment in IB Daiwa in accordance with IAS 39.

These transactions are based on the terms mutually agreed by the Group and the contracting parties in the ordinary course of the business.

(ii) At 31 December 2009, the Group held 0.47% (2008: 2.82%) of the issued share capital of the investee company (Note 23(a)) through its subsidiaries.

(iii) At 31 December 2009, the Group held 15.81% (2008: 0.22% – 1.31%) of the issued share capital of the investee companies (Note 23(a)) through its subsidiary.

(c) On 31 August 2009, the Group discontinued its joint venture with Apollo Multi Asset Management LLP ("Apollo"). After this date, Cloudy Lane Limited ("Cloudy Lane") took a controlling interest in Apollo. Cloudy Lane is a vehicle that represents the Nomura Employee Benefits Trust of which Mr. Simon Jeremy Fry, one of the Directors of the Company resigned on 31 January 2010, is a potential beneficiary.

34. COMMITMENTS

(a) Operating leases

Group

As at 31 December 2009, the total future minimum lease payments of the Group under non-cancellable operating are payable as follows:

	2009 Land and buildings US$'000	2008 Land and buildings US$'000	2009 Motor vehicles US$'000	2008 Motor vehicles US$'000	2009 Total US$'000	2008 Total US$'000
Within one year	833	656	29	29	862	685
In the second to fifth years	1,929	1,215	20	–	1,949	1,215
After fifth year	986	1,200	–	–	986	1,200
	3,748	3,071	49	29	3,797	3,100

The Group leases a number of properties under operating leases in Hong Kong and overseas. The leases run for an initial period from 2 to 10 years (2008: from 3 to 10 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

Company

As at 31 December 2009 and 31 December 2008, the Company had no commitments under non-cancellable operating leases.

(b) Capital commitments

As at 31 December 2009 and 31 December 2008, the Group and the Company had no capital commitments.

35. CONTINGENCIES

Crosby Wealth Management (Hong Kong) Limited, a 56.14% subsidiary of Crosby Asset Management Inc., is defending against legal proceedings brought by clients in Hong Kong concerning a trade execution error and financial advice provided. The consolidated financial statements have made adequate provision in respect of these matters as set out in Note 26(b) to the financial statements.

As at 31 December 2009 and 31 December 2008, the Group and the Company had no material contingent liabilities.

Notes to the Financial Statements

For the year ended 31 December 2009

36. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH USED IN OPERATIONS

	Notes	**2009 US$'000**	2008 US$'000
Cash flows from operating activities			
Loss before taxation		**(18,192)**	(72,935)
Adjustments for:			
Amortisation of intangible assets	21	**–**	314
Bad debts recovery		**(2)**	(2)
Corporate finance advisory fee received in kind	23(b)(1)	**(150)**	–
Depreciation of property, plant and equipment		**315**	840
Excess over the cost of acquisition of a subsidiary	38	**(11)**	–
Fee on arrangement of loans		**(374)**	(1,080)
Finance costs		**1,542**	1,633
Foreign exchange (gains)/losses, net	10	**(93)**	976
Employee share-based compensation expense	14(c)	**1,540**	4,227
Gain on disposal of property, plant and equipment		**(18)**	(17)
Gain on disposal of an associate		**–**	(550)
Gain on disposal of available-for-sale investments		**(38)**	–
Gain on deemed disposal of a subsidiary		**–**	(65)
Gain on financial liabilities at fair value through profit or loss		**(2)**	(398)
Impairment of associates		**389**	–
Impairment of available-for-sale investments		**1,651**	–
Impairment of intangible assets	21	**–**	9,788
Impairment of a jointly controlled entity		**128**	–
Impairment of loan receivable		**6,440**	2,496
Impairment of other receivables		**71**	889
Interest income		**(2,898)**	(3,620)
Loss on disposal of available-for-sale investments		**362**	155
(Gain)/Loss on financial assets at fair value through profit or loss		**(3,072)**	33,493
Share of losses/(profits) of associates		**42**	(24)
Share of (profits)/losses of jointly controlled entities		**(128)**	10
Write off of property, plant and equipment		**17**	83
Write off of intangible assets	21	**–**	468
Operating loss before working capital changes		**(12,481)**	(23,319)
Acquisition of financial assets at fair value through profit or loss	23(b)(1)	**(7,204)**	(8,379)
Proceeds from disposal of financial assets at fair value through profit or loss	23(b)(3)	**11,797**	19,285
Dividend received from financial assets at fair value through profit or loss	23(b)	**1**	3
Decrease/(Increase) in amounts due from associates	17	**14**	(2)
Decrease/(Increase) in amount due from jointly controlled entities		**294**	(237)
Increase in amounts due from investee companies		**–**	(709)
Decrease in trade and other receivables		**2,160**	3,943
Decrease in other payables and accrued charges		**(5,445)**	(9,452)
Increase in provision for liabilities		**1,990**	4,219
Cash used in from operations		**(8,874)**	(14,648)

37. MAJOR NON-CASH TRANSACTIONS

The major non-cash transaction during the year ended 31 December 2009 was in respect of the grant of 15,000 shares of Touchstone Investment Holdings Limited ("Touchstone") on 13 October 2009 to an indirect wholly owned subsidiary of the Company, Crosby Capital (Hong Kong) Limited, in consideration for providing advisory services to Touchstone.

The major non-cash transaction during the year ended 31 December 2008 was in respect of the Group's participation in the ADM Loan which, as more fully described in Note 24 to the financial statements, was not settled in cash but was offset on the repayment of balances due to the Group in respect of an exchangeable loan and an indemnity.

38. ACQUISITION OF BUSINESSES

There were no acquisition of businesses during the year ended 31 December 2009 except the acquisition of a further 1.73% equity interest in Crosby Asset Management Inc.

The Group acquired a further 1.73% (2008: 2.45%) equity interest in Crosby Asset Management Inc. for a total consideration of US$32,000 (2008: US$188,000). The fair value of the net assets of Crosby Asset Management Inc. at the date of acquisition were US$43,000 (2008: US$179,000) resulting in excess of the fair value of the net assets over the cost of acquired subsidiary of US$11,000 being released to the consolidated income statement (2008: a goodwill of US$9,000). The percentage holding of the Group in Crosby Asset Management Inc. increased from 84.72% at the beginning of the year to 86.45% as at 31 December 2009.

In addition to the acquisition of a further 2.45% equity interest in Crosby Asset Management Inc. as mentioned above, further costs of US$463,000 incurred following the acquisition of Forsyth Business and the settlement of remaining purchase consideration of US$420,000 on acquisition of additional equity interest in Crosby Wealth Management (Asia) Limited in 2007, the acquisition of subsidiary undertakings during the year ended 31 December 2008 was summarised below:

(a) The Group acquired the remaining 20% interest in Crosby Capital Management L.P. ("CCMLP"), from a minority shareholder for a consideration of US$552,000 through a 84.72% subsidiary of the Group. The fair value of the net assets of CCMLP at the date of acquisition was US$Nil resulting in a goodwill of US$552,000. Of the purchase price US$320,000 was settled in cash during the year ended 31 December 2008. The remaining balance of the purchase price of US$232,000 has been fully settled during the year ended 31 December 2009.

(b) The Group acquired a further 50% equity interest in Softech Investment Management Company Limited for a consideration of US$49,000 from a minority shareholder. The fair value of the net assets of Softech Investment Management Company Limited at the date of acquisition was US$49,000 and therefore no goodwill arose from the acquisition. The purchase price of US$49,000 was financed by a loan, disclosed as loan payable, which is unsecured, interest bearing at 5% per annum and repayable after a fixed term of five years or earlier based on certain conditions. At 31 December 2009, the balance has increased to US$54,000 (2008: US$52,000) due to the accrual of interest.

Notes to the Financial Statements

For the year ended 31 December 2009

39. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

There was no significant disposals of subsidiary undertakings during the year ended 31 December 2009.

During the year ended 31 Decmeber 2008, 0.06% equity interest in Crosby Asset Management Inc., of which the Group held 82.33% at the beginning of the year, was deemed disposed of upon the exercise of share options, resulting in a gain on deemed disposal of US$65,000. Coupled with the 2.45% piecemeal acquisition as detailed in Note 38(a), the percentage holding of the Group in Crosby Asset Management Inc. increased to 84.72% as at 31 December 2008.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, as detailed below, which are managed by the Chief Executive Officer in close cooperation with the Board of Directors:

(A) Credit risk

Generally, the Group's maximum exposure to credit risk, other than liquid funds, is limited to the carrying amounts of the following financial assets recognised at the reporting date, as summarised below:

	2009 US$'000	2008 US$'000
Classes of financial assets – carrying amounts:		
Note receivable	**508**	485
Loan receivable	**1,348**	7,844
Trade and other receivables*	**1,054**	3,125
Cash and cash equivalents	**7,846**	16,991
	10,756	28,445

* Excluded from the trade and other receivables of US$1,054,000 (2008: US$3,125,000) is an amount of US$434,000 (2008: US$680,000) representing prepayments which are not subject to credit risk.

As at 31 December 2009, the Group's maximum exposure to credit risk of the above financial assets other than liquid funds, which may cause a financial loss to the Group due to the failure to the repayment of loan receivable is limited as the management of the Group closely monitors the credit worthiness of the counterparties so as to ensure full recovery, including scrutinising their financial position. In this regard, the Directors consider that the Group's credit risk is minimal.

The credit risk on liquid funds is limited because the Group only places deposits with leading financial institutions in Hong Kong and the United Kingdom.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

(i) Foreign currency risk management

The Group's exposure to foreign currencies includes its investments in foreign subsidiaries and financial assets and liabilities at fair value through profit or loss where the foreign currency risk is managed as an integral part of the investment return.

Several subsidiaries of the Group also have foreign currency revenue and costs, which expose the Group to foreign currency risk. The Group manages this risk by reserving sufficient revenue to settle the costs in the relevant foreign currency, subject to other operating requirements.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are subject to foreign exchange risk, at 31 December 2009 and 2008 are summarised as follows:

	2009					
	USD denominated USD'000	YEN denominated equivalent USD'000	AUD denominated equivalent USD'000	GBP denominated equivalent USD'000	Other currency equivalent USD'000	Total USD'000
ASSETS						
Available-for-sale investments	592	–	–	–	15	607
Trade and other receivables*	450	–	–	447	157	1,054
Financial assets at fair value through profit or loss	2,986	94	3,260	1,217	1,003	8,560
Cash and cash equivalents	6,138	–	3	876	829	7,846
	10,166	94	3,263	2,540	2,004	18,067
LIABILITIES						
Trade and other payables	(2,129)	–	–	(731)	(535)	(3,395)
Obligations under finance leases	(492)	–	–	–	(19)	(511)
Provision for liabilities	(3,246)	–	–	(2,963)	–	(6,209)
NET TOTAL	4,299	94	3,263	(1,154)	1,450	7,952

Notes to the Financial Statements

For the year ended 31 December 2009

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

	2008					
	USD denominated USD'000	YEN denominated equivalent USD'000	AUD denominated equivalent USD'000	GBP denominated equivalent USD'000	Other currency equivalent USD'000	Total USD'000
ASSETS						
Available-for-sale investments	1,835	–	–	–	19	1,854
Trade and other receivables*	1,735	151	10	870	359	3,125
Financial assets at fair value through profit or loss	3,742	801	3,838	1,074	316	9,771
Cash and cash equivalents	13,886	96	48	860	2,101	16,991
	21,198	1,048	3,896	2,804	2,795	31,741
LIABILITIES						
Trade and other payables	(6,956)	–	–	(1,468)	(736)	(9,160)
Obligations under finance leases	(811)	–	–	–	(37)	(848)
Provision for liabilities	(3,246)	–	–	(973)	–	(4,219)
NET TOTAL	10,185	1,048	3,896	363	2,022	17,514

* Excluded from the trade and other receivables of US$1,054,000 (2008: US$3,125,000) is an amount of US$434,000 (2008: US$680,000) representing prepayments which are not subject to foreign exchange risk.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in YEN, AUD and GBP. The following table details the Group's sensitivity to a 20% (2008: 20%) increase and decrease in the US dollars against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 20% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US dollars strengthen 20% against the relevant currency. For a 20% weakening of the US dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

Foreign Currency	As at 31 December 2009 US$'000	Increase in exchange rate %	2009 Effect on loss for the year and capital deficiency US$'000	Decrease in exchange rate %	Effect on loss for the year and capital deficiency US$'000
YEN	94	20	19	(20)	(19)
AUD	3,263	20	653	(20)	(653)
GBP	(1,154)	20	(231)	(20)	231
TOTAL	2,203		441		(441)

Foreign Currency	As at 31 December 2008 US$'000	Increase in exchange rate %	2008 Effect on loss for the year and total equity US$'000	Decrease in exchange rate %	Effect on loss for the year and total equity US$'000
YEN	1,048	20	209	(20)	(209)
AUD	3,896	20	779	(20)	(779)
GBP	363	20	73	(20)	(73)
TOTAL	5,307		1,061		(1,061)

(ii) Interest rate risk management

Interest rate risk primarily results from time differences in the re-pricing of interest bearing assets and liabilities. The Group's interest rate risk exposure arises mainly from loan receivable. Assuming that the market interest rates had been 100 basis points higher/lower and all other variables held constant at the reporting date, the Group's loss before tax would have an estimated increase or decrease of approximately US$123,000 (2008: US$61,000).

Notes to the Financial Statements

For the year ended 31 December 2009

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iii) Equity price risk management

The Group is exposed to equity price risk through its holdings of listed equity securities. The majority of these listed equity securities have been generated, or made, as a consequence of the Group's merchant banking activities where the investment return is an integral part of those activities.

The carrying amounts of the listed equity securities recognised at 31 December 2009 and 2008, are summarised below:

	2009 US$'000	2008 US$'000
Carrying amount of listed equity securities included in the following classes of financial assets:		
Available-for-sale investments (Note 19)	316	229
Financial assets at fair value through profit or loss (Note 23)	5,632	5,804
	5,948	6,033

As at 31 December 2009 and 31 December 2008, the Group's equity risk was mainly concentrated on its holdings of White Energy Company Limited ("White Energy"), which is quoted on the Australian Stock Exchange, the carrying amount as at 31 December 2009 is US$2,245,000 (2008: US$2,790,000).

Sensitivity Analysis

The sensitivity analysis and the table below have been determined based on the exposure to equity price risk at 31 December 2009 and 2008.

	2009				
Financial assets at fair value through profit or loss	Market value as at 31 December 2009 US$'000	Increase in market price of listed share %	Effect on loss for the year and capital deficiency US$'000	Decrease in market price of listed share %	Effect on loss for the year and capital deficiency US$'000
White Energy	2,245	20	449	(20)	(449)
IB Daiwa	94	20	19	(20)	(19)
Others	3,293	20	658	(20)	(658)
TOTAL	5,632		1,126		(1,126)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iii) Equity price risk management (continued)

			2008		
Financial assets at fair value through profit or loss	Market value as at 31 December 2008 US$'000	Increase in market price of listed share %	Effect on loss for the year and total equity US$'000	Decrease in market price of listed share %	Effect on loss for the year and total equity US$'000
White Energy	2,790	20	558	(20)	(558)
IB Daiwa	801	20	160	(20)	(160)
Others	2,213	20	443	(20)	(443)
TOTAL	5,804		1,161		(1,161)

As at 31 December 2009, had the market price of available-for-sale investments increased or decreased by 20% (2008: 20%) with all other variables held constant, the Group's total equity would have increased or decreased by approximately US$63,000 (2008: US$46,000) respectively, with no effect on loss for the year.

The Group's sensitivity to equity prices has decreased during the current period mainly due to the reduction of the overall value of the holding of the portfolios.

(iv) Fair value measurements recognised on the statement of financial position

The Group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transactional provisions in the amendments to IFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three level based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the year ended 31 December 2009

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iv) Fair value measurements recognised on the statement of financial position (continued)

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	2009			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets:				
Available-for-sale investments				
– Listed	316	–	–	316
– Unlisted	–	291	–	291
Financial assets at fair value through profit or loss				
– Listed	5,632	–	–	5,632
– Unlisted	–	–	2,928	2,928
TOTAL	5,948	291	2,928	9,167

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to previous reporting periods and are summarised as follows:

Listed securities

The listed equity securities are mainly donominated in YEN, CAD, GBP, USD. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

Unlisted securities

The fair value of unlisted equity securities are determined based on the Binomial Pricing Model or by reference to the value and stage of development of similar listed gold exploration companies relative to the amount of ordinary shares outstanding.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iv) Fair value measurements recognised on the statement of financial position (continued)

The Group's financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from opening to closing balances as follows:

	2009 US$'000
At 1 January	2,240
Additions	350
Gain on financial assets at fair value through profit or loss	338
At 31 December	**2,928**

There have been no significant transfers among levels 1, 2 and 3 in the reporting period.

(C) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2009, the Group had no loan facilities.

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The cash management of all operating entities is centralised, including the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Details of going concern basis are included in Note 3(a) to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities as well as financial assets which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk.

	2009					
	Less than 1 month US$'000	1-3months US$'000	3 months – 1 year US$'000	1-5 years US$'000	More than 5 years US$'000	Total carrying amount as at 31 December 2009 US$'000
Financial assets:						
Note receivable	–	–	–	508	–	508
Loan receivable	–	–	–	1,348	–	1,348
Trade and other receivables*	10	500	401	143	–	1,054
Financial assets at fair value through profit or loss	1,795	6,244	521	–	–	8,560
Cash and cash equivalents	7,846	–	–	–	–	7,846
TOTAL	9,651	6,744	922	1,999	–	19,316
Financial liabilities:						
Trade and other payables**	(353)	(772)	(1,539)	(12)	–	(2,676)
Obligations under finance leases	(2)	(88)	(277)	(144)	–	(511)
Provision for liabilities	–	–	(6,209)	–	–	(6,209)
Loan payable***	–	–	–	(54)	–	(54)
Convertible bond***	–	–	–	(21,408)	–	(21,408)
TOTAL	(355)	(860)	(8,025)	(21,618)	–	(30,858)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk (continued)

	2008					
	Less than 1 month US$'000	1-3months US$'000	3 months – 1 year US$'000	1-5 years US$'000	More than 5 years US$'000	Total carrying amount as at 31 December 2008 US$'000
Financial assets:						
Note receivable	–	–	–	485	–	485
Loan receivable	–	7,844	–	–	–	7,844
Trade and other receivables*	693	383	1,540	5	504	3,125
Financial assets at fair value through profit or loss	–	6,113	3,658	–	–	9,771
Cash and cash equivalents	16,991	–	–	–	–	16,991
TOTAL	17,684	14,340	5,198	490	504	38,216
Financial liabilities:						
Trade and other payables**	(1,131)	(2,066)	(1,509)	(602)	–	(5,308)
Obligations under finance leases	(18)	(73)	(225)	(532)	–	(848)
Provision for liabilities	–	–	(4,219)	–	–	(4,219)
Financial liabilities at fair value through profit or loss	–	–	–	(2)	–	(2)
Loan payable***	–	–	–	(52)	–	(52)
Convertible bond***	–	–	–	(19,980)	–	(19,980)
TOTAL	(1,149)	(2,139)	(5,953)	(21,168)	–	(30,409)

* Excluded from the trade and other receivables of US$1,054,000 (2008: US$3,125,000) is an amount of US$434,000 (2008: US$680,000) representing prepayments which are not subject to liquidity risk.

** Excluded from the trade and other payables of US$2,676,000 (2008: US$5,308,000) are amounts of US$60,000 (2008: US$509,000) and US$659,000 (2008: US$3,343,000) representing provision for payments for long service and unconsumed leave, and provision for bonus deferred from prior year respectively, the settlement which will depend upon either the termination of services of the relevant staff and management discretion respectively, and therefore the liquidity terms cannot be reasonably ascertained. The provision for bonus deferred from prior years of US$2,147,000 has been released during the year ended 31 December 2009 as management have decided they will not be paid and there is no contractual requirement to pay them.

*** The Group's exposure to liquidity risk includes to the undiscounted amounts of the financial liabilities which are the same as the carrying amounts as at 31 December 2009 and 31 December 2008 except for the loan payable and convertible bond, the undiscounted amounts of which are US$62,000 (2008: US$62,000) and US$23,220,000 (2008: US$23,220,000) respectively.

Notes to the Financial Statements

For the year ended 31 December 2009

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(D) Capital risk management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide capital for the purpose of potential mergers and acquisitions.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Directors of the Company review the capital structure annually. As part of this review, the Directors assess the annual budget prepared by management of the Company and consider the cost of capital and the risks associated with each class of capital. As disclosed in Note 3(a) to the financial statements, the Directors will balance its overall capital structure through the discussion with certain convertible bond holders on possible restructuring of the convertible bond, which may include a change the terms of the bond and an extension of the maturity date.

The Group is not subject to externally imposed capital requirements, except for five of its subsidiaries, namely Crosby Asset Management (Hong Kong) Limited, Crosby (Hong Kong) Limited, Crosby Wealth Management (Hong Kong) Limited, Crosby Capital Partners Limited and Softech Investment Management Company Limited. These subsidiaries met their relevant paid up share capital and liquid capital requirements as stipulated by respective regulators throughout the year.

For capital management purpose, the Directors regard the total equity presented in the face of statement of financial position as capital. The amount of capital deficiency as at 31 December 2009 was US$10,497,000 (2008: Total equity of US$4,841,000).

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2009 are as follows:

Name	Place of incorporation	Principal place of operation	Issued/Paid-up share capital	Percentage of issued/ paid-up share capital held by the Company 2009	2008	Principal activities
Coniston International Capital Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Crosby Active Opportunities Investment Management Limited	Cayman Islands	N/A	1 ordinary share at US$0.01 each	**86.45%**	84.72%	Provision of investment advisory and fund administration services
Crosby Asset Management (Asia) Limited	Cayman Islands	N/A	100,000 ordinary shares at US$0.001 each	**86.45%**	84.72%	Investment holding
Crosby Asset Management (Holdings) Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	**86.45%**	84.72%	Investment holding
Crosby Asset Management (Hong Kong) Limited	Hong Kong	Hong Kong	9,995 ordinary shares at HK$1 each	**86.45%**	84.72%	Provision of investment advisory and fund administration services
Crosby Asset Management Inc.	Cayman Islands	United Kingdom	243,475,000 ordinary shares at US$0.01 each	**86.45%**	84.72%	Investment holding
Crosby Asset Management (UK) Limited	United Kingdom	United Kingdom	914,970 ordinary shares at £1 each	**86.45%**	84.72%	Provision of corporate services
Crosby Capital (Holdings) Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Crosby Capital (Hong Kong) Limited	Hong Kong	Hong Kong	1,004 ordinary shares at HK$1 each	**100%**	100%	Provision of financial advisory and corporate services
Crosby Capital (UK) Limited	United Kingdom	United Kingdom	1,748,111 ordinary shares at £1 each	**100%**	100%	Provision of financial advisory services
Crosby Capital Partners Limited	British Virgin Islands	N/A	1 ordinary share at US$0.01 each	**86.45%**	84.72%	Investment holding

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation	Principal place of operation	Issued/Paid-up share capital	Percentage of issued/ paid-up share capital held by the Company 2009	2008	Principal activities
Crosby Capital Partners Limited	United Kingdom	United Kingdom	11,170,337 ordinary shares at £1 each	**86.45%**	84.72%	Provision of financial advisory services
Crosby (Hong Kong) Limited	Hong Kong	Hong Kong	299,288,547 ordinary shares at US$0.01 each	**86.36%**	84.64%	Provision of financial advisory services
Crosby Wealth Management (Asia) Limited	Cayman Islands	N/A	18,000 ordinary shares at US$1 each	**48.53%**	47.56%	Investment holding
Crosby Wealth Management (Hong Kong) Limited	Hong Kong	Hong Kong	7,702 ordinary shares at HK$1 each	**48.53%**	47.56%	Provision of wealth management services
Dragon Fund Inc.	Cayman Islands	N/A	2 ordinary shares at US$1 each	**100%**	100%	Investment holding
Softech Investment Management Company Limited	Hong Kong	Hong Kong	502 ordinary shares at HK$10 each	**86.45%**	84.72%	Provision of fund management services
techpacific.com (BVI) Investments Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
techpacific.com Investments Limited	Cayman Islands	N/A	2 ordinary shares at US$1 each	**100%**	100%	Investment holding

All of the above principal subsidiaries are limited liability companies and are indirectly held by the Company except for Crosby Asset Management Inc. and Crosby Capital (Holdings) Limited.

The Directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or the assets of the Group.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000
Financial results					
(Loss)/Profit attributable to owners of the Company	**(16,036)**	(61,791)	(64,651)	(60,700)	83,956
Assets and liabilities					
Total assets	**21,107**	41,771	124,902	214,245	196,012
Total liabilities	**(31,604)**	(36,930)	(43,623)	(46,123)	(21,854)
(Capital deficiency)/Total equity	**(10,497)**	4,841	81,279	168,122	174,158

Appendix II

CORPORATE INFORMATION

Board of Directors

Ilyas Tariq Khan
Chairman and Chief Executive Officer
Johnny Chan Kok Chung
Non-Executive Director
Ahmad S. Al-Khaled
Non-Executive Director
Daniel Yen Tzu Chen
Independent Non-Executive Director
Peter McIntyre Koenig
Independent Non-Executive Director
Joseph Tong Tze Kay
Independent Non-Executive Director

Audit Committee

Joseph Tong Tze Kay *Chairman*
Daniel Yen Tzu Chen
Peter McIntyre Koenig

Remuneration Committee

Peter McIntyre Koenig *Chairman*
Johnny Chan Kok Chung
Daniel Yen Tzu Chen

Nomination Committee

Daniel Yen Tzu Chen *Chairman*
Ilyas Tariq Khan
Joseph Tong Tze Kay

Company Secretary

Winnie Sin Wing Hung

Compliance Officer

Johnny Chan Kok Chung

Principal Bankers

The HongKong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

Auditors

Grant Thornton

Solicitors

Stephenson Harwood
(Formerly Stephenson Harwood & Lo)

Registered Office

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

Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

Stock Code

GEM 8088