CROSBY
CAPITAL LIMITED
Stock Code: 8088

Annual Report 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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

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 asset management group listed on the Hong Kong Stock Exchange's GEM board (HK GEM 8088).

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

Highlights

- Revenue – **US$4.8 million**
  (2009: US$3.7 million), **US$4.7 million** (2009: US$2.6 million) of which was from continuing operations

- Loss attributable to shareholders – **US$5.9 million**
  (2009: US$16.0 million), **US$4.1 million** (2009: US$12.1 million) of which was from continuing operations

- Shareholders' capital deficiency – **US$16.4 million**
  (2009: US$11.4 million)

- Assets under management – **US$0.3 billion**
  (2009: US$0.5 billion)

Management Discussion and Analysis

Overview

During the year 2010, the Group successfully went through a major restructuring exercise to reduce the loss arising from its merchant banking business and refocus its resources on its asset management businesses. The Company also successfully refinanced the US$75 million Zero Coupon Convertible Bonds (the "Old Convertible Bonds") with the issuance of HK$160 million 5-year Zero Coupon Convertible Bonds (the "Tranche 1 New Convertible Bonds"), thus removing a major uncertainty on the Group's financial position.

The highlight of the year was the acquisition of Shikumen Capital Management (HK) Limited ("Shikumen"), an asset management company based in Hong Kong with total assets under management encompassing both hedge funds and private equity funds of over US$120 million as of the date of this report, and the disposal of the loss-making merchant banking assets and the corporate finance and financial advisory services (together with the liabilities associated with such businesses) by the Group. The acquisition of Shikumen enables the Group to focus its resources on its asset management services (which includes funds and wealth management) and to add synergy to the Group in terms of funds portfolio and expertise and strengthen the asset management business of the Group. It is a milestone for the Group in repositioning itself as an asset management service group covering different asset classes.

The immediate positive impact arising from the acquisition of Shikumen was seen in a significant improvement in the Group's revenues from continuing operations, which increased over 81% from US$2.6 million for the year ended 31 December 2009 to US$4.7 million for the year ended 31 December 2010. The increase in revenue is mainly attributable to only about four months of fee revenues arising from Shikumen which started to be consolidated by the Group in September 2010.

During the year 2010, the Group also transferred its original fund management and wealth management businesses from its AIM-listed subsidiary Crosby Asset Management Inc. ("CAM") to the Company directly, and subsequently sold its entire interest in CAM, thus further reducing the costs of the overheads of a London listing and completing the Group's restructuring exercise to integrate its asset management businesses under the Company.

Business Review

Following the completion of the acquisition of Shikumen, our asset management activities now revolve around our long established Asian based business with Crosby in Hong Kong managing various Greater China focused private equity funds, as well as the newly added hedge fund and private equity fund management businesses under Shikumen. One notable achievement was the commencement of the fund raising exercise for BlackPine Private Equity Partners Fund, a new private equity fund managed by Shikumen, and at the same time combining the expertise of the personnel of both Shikumen and Crosby, led to an initial closing of US$80 million in January 2011. BlackPine is expecting to have a final closing at the end of calendar year 2011.

We also continued to provide wealth management services through Crosby Wealth Management (Hong Kong) Limited, which experienced modest and sustained growth from the recovery of the China/Hong Kong investment markets.

As a result of the above developments, the total assets under management across various asset classes managed by the Group has exceeded US$300 million as of the date of this report.

In light of the expanded operations of the Group, we purchased a new office premise in AXA Centre in Wan Chai, Hong Kong in November 2010. This acquisition provided an opportunity for the Group to obtain a more long-term premise at a relatively favorable pricing which will protect the Group from being subject to future upward rental pressure, a trend which continues to be exacerbated by the low interest rate, inflationary environment in Hong Kong. The Group will fund the acquisition of this property by its internal resources, bank financings and proceeds expected to be received from the placement of HK$90 million 5–year Zero Coupon Convertible Bonds (the "Tranche 2 New Convertible Bonds").

With the injection of the new Shikumen business, the disposal of the loss-making merchant banking assets and the successful completion of the refinancing of the Old Convertible Bonds, we believe the most difficult period of the Group is behind us. We will continue to control our costs and focus our resources to further strengthen and grow the Group's asset management businesses, both organically and through acquisitions when the appropriate opportunities arise.

Management Discussion and Analysis

Financial Review

Financial results

The Group reports a reduced loss attributable to owners for the year under review of US$5.9 million when compared to that of a loss of US$16.0 million last year.

Revenue from continuing operations have increased to US$4.7 million for the year under review when compared to US$2.6 million last year. Shikumen, a wholly owned subsidiary acquired in September 2010, was the major contributor to the increase in the revenue of the Group for the year. The operating expenses from continuing operations (i.e. other administrative expenses and other operating expenses), including those of Shikumen since acquisition, have been managed and controlled at a level of US$8.4 million for the year under review as compared to that of US$7.5 million last year.

Other income from continuing operations of US$6.6 million for the year under review mainly represents the gain on the repurchase of the Old Convertible Bonds of US$1.8 million and the release of excess provision of US$3.0 million in respect of legal proceedings brought by a client from the wealth management business upon settlement during the year.

Loss on financial liabilities at fair value through profit or loss of US$1.6 million for the year under review arose from the recognition of the embedded derivatives to the Tranche 1 New Convertible Bonds placed and the warrants issued on the repurchase of the Old Convertible Bonds during the year.

A profit of US$2.6 million was resulted on disposal of subsidiaries to ECK Partners Holdings Limited during the period under review and was included in the results of discontinued operations as set out in Note 11 to the financial statements.

Segment Results

The major reportable operating segments of the Group are merchant banking (which was disposed of during the year) and asset management (including wealth management and Shikumen businesses). The segment results from merchant banking and asset management for the year under review are loss of US$5.2 million and profit of US$1.6 million as compared with those of losses of US$1.2 million and US$5.8 million last year respectively. An analysis of the results by operating segments is provided in Note 5 to the financial statements.

Finance Costs

The finance costs in 2010 mainly represent US$1.8 million (2009: US$1.4 million) of notional effective interest on the convertible bonds issued in March 2006 and October 2010. An analysis of the finance costs is provided in Note 8 to the financial statements.

Non-controlling Interests

The credit to non-controlling interests in the consolidated income statement for 2010 of US$1.3 million (2009:US$2.1 million) mainly consists of 10.65% (2009:13.55%) non-controlling shareholders of CAM share of its losses before its disposal in December 2010.

Financial position and resources

Significant Investments

At 31 December 2010, the Group had available-for-sale investments of US$0.6 million (2009: US$0.6 million), and financial assets at fair value through profit or loss of US$0.3 million (2009: US$8.6 million) and loan receivable of US$Nil million (2009: US$1.3 million). Details of these investments and loan receivable are set out in Notes 18, 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 41 to the financial statements.

The Group has no existing plans to make new material investments during the coming year other than the completion of purchase of the new office premise in AXA Centre. During the year ended 31 December 2010, deposits payments of US$1.4 million were paid and were shown under non-current assets.

Liquidity

At the end of 2010, the Group had cash and cash equivalents balances of US$4.4 million decreased from US$7.8 million and net current assets of US$4.1 million decreased from US$9.3 million at end of last year. 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 41 to the financial statements.

Management Discussion and Analysis

Gearing

On 8 March 2006, the Company sold the Old Convertible Bonds to Goldman Sachs International, raising net proceeds of US$72.8 million for the Group after expenses. The convertible bonds have 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 the Company at HK$0.7665 per share or exchange for existing shares of CAM, a former subsidiary of the Company, at £0.9975 per share. US$55 million of the Old Convertible Bonds were converted into 556,666,011 new shares of the Company in 2006. No further shares of the Company can be issued under the terms of the Old Convertible Bonds. The balance of the Old Convertible Bonds of US$20 million was therefore only exchangeable into a maximum of 11,453,287 existing shares of CAM, but no exchange had occurred up to date of repurchase and settlement as described below.

As allowed under the terms of the Old Convertible Bonds, the Company has entered into a Deed of Settlement with the holders of the Old Convertible Bonds to repurchase the outstanding Old Convertible Bonds of US$20 million, for a consideration of US$20 million in cash financed by the issue of new convertible bonds as detailed below and an aggregate of 60,000,000 warrants issued by the Company. All the outstanding Old Convertible Bonds were then cancelled in October 2010.

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has agreed to place new 5-year Zero Coupon Convertible Bonds with an aggregate principal amount of up to HK$250 million, comprising Tranche 1 New Convertible Bonds of principal amount up to HK$160 million and Tranche 2 New Convertible Bonds of principal amount of up to HK$90 million, subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required for the Tranche 1 New Convertible Bonds, the Company issued the Tranche 1 New Convertible Bonds, HK$156 million of which was used to finance the repurchase of the Old Convertible Bonds as described above.

The Tranche 1 New Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the bondholder(s) at any time after the date of issuance, i.e. 4 October 2010 up to and including the date which is seven days prior to the maturity date of 4 October 2015, into new shares of the Company at a price of HK$0.18 per share initially, subject to the conversion price reset where at the end to 6-month period from the date of issuance and at the end of every 6-month period thereafter, the conversion price shall be adjusted to 110% of the one-month volume weighted average price with a floor of HK$0.078 per share and provided that the conversion price shall not in any event be higher than the lower of HK$0.18 per share and the previous adjusted conversion price reset. The Tranche 1 New Convertible Bonds are transferable without restriction and may be redeemed by the Company after the date of issuance at the early redemption amount , which shall result in an annual yield equal to 3.5% per annum compound on a semi-annual basis, provided that the closing market price of the shares is at least 150% of the conversion price for 30 consecutive trading days. The bondholder(s) of the Tranche 1 New Convertible Bonds may request the Company to redeem at the aforesaid early redemption amount on or after third anniversary of the date of issuance.

The embedded derivatives in the Tranche 1 New Convertible Bonds and the warrants issued on the repurchase of the Old Convertible Bonds were disclosed as financial liabilities at fair value through profit or loss as set out in Note 28 to the financial statements.

In addition, a promissory note of principal amount of HK$30 million was issued to settle the balance of the consideration payable on acquisition of Shikumen after the issue of consideration shares during the year under review and was disclosed as note payable in Note 29 to the financial statements.

At 31 December 2010, 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 41 to the financial statements.

Management Discussion and Analysis

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 2010, the Group had no significant commitments, other than under operating leases for the rental of its office premises and capital commitments on the purchase of the new office premise as set out in Note 35 to the financial statements, and no contingent liabilities, including pension obligations, other than those set out in Note 36 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 33 to 34 of the financial statements.

During the year under review, 60,000,000 warrants were issued upon the repurchase of the Old Convertible Bonds and were recognised at fair value of US$0.8 million as financial liabilities as fair value through profit or loss at date of issuance. 30,000,000 warrants were subsequently exercised into ordinary shares and the fair value was reduced to US$0.5 million at 31 December 2010 as detailed in Note 28 to the financial statements. In addition, 130,000,000 new shares were issued to settle part of the consideration on acquisition of Shikumen and 29,250,000 non-voting convertible deferred shares were converted during the year. Details of the movement in ordinary share capital is set out in Note 31 to the financial statements.

At 31 December 2010, the issued ordinary share capital of the Company increased to 490,597,984 shares from 301,347,984 at 31 December 2009. 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 2010.

Non-controlling Interests
Non-controlling interests in the consolidated statement of financial position increased to US$1.4 million at 31 December 2010 from US$0.9 million at 31 December 2009 as a result of the disposal of CAM, a former non-wholly owned subsidiary quoted on the AIM of the London Stock Exchange, during the year. The balance at 31 December 2010 only represents 44.14% non-controlling shareholders interest in the Group's wealth management operating subsidiary.

Employee Information
As at 31 December 2010, the Group had 33 full-time employees (2009: 50). 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 are set out in Note 3(p)(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 41 to the financial statements.

Material Acquisitions and Disposals
During the year, the Group acquired Shikumen and disposed of the merchant banking assets and the corporate finance and financial advisory services (together with the liabilities associated with such businesses) to ECK Partners Holdings Limited. Details of the acquisitions and disposals during the year are provided in Notes 39 and 40 to the financial statements.

Profiles of Directors

Johnny Chan Kok Chung

Johnny, aged 51, one of the co-founders and joined the Board since incorporation of the Company. He is the Chairman of Crosby Asset Management (Hong Kong) Limited and Crosby Wealth Management (Hong Kong) Limited, the subsidiaries of the Company. He oversees the development of Crosby's asset and wealth management businesses in Asia. He is the Chief Investment Officer of Softech Investment Management Company Limited, a subsidiary of the Company being 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.

Johnny has over 25 years of experience in investment management and investment banking. 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. He has an MBA in International Business and a BA degree in Economics. He also holds a post-graduate diploma from the Securities Institute of Australia and is an Associate of the Securities Institute of Australia.

Ulric Leung Yuk Lun

Ulric, aged 47, joined the Board in October 2010 and appointed as the Group Chief Financial Officer following the acquisition of Shikumen Capital Management (HK) Limited by the Company. He has been the Managing Director and Chief Financial Officer of Shikumen Capital Management (HK) Limited since 2007. He graduated from the Chinese University of Hong Kong in 1986 with a Bachelor's Degree in Business Administration (Hons). He is a member of the Hong Kong Institute of Certified Public Accountants, a CFA charterholder and a Chartered Alternative Investments Analyst.

Ulric has 20 years' experience in the financial markets. Prior to joining Shikumen Capital Management (HK) Limited, he had been the Chief Financial Officer of SAIL Advisors Limited, an investment manager of alternative assets. He had also worked previously with Deutsche Bank, NatWest, Lehman Brothers and Ernst & Young. He has also been a non-executive director of China 3D Digital Entertainment Limited (formerly known as Dragonlott Entertainment Group Limited), a company listed on GEM of the Stock Exchange of Hong Kong, from March 2010 to November 2010.

Ahmad S. Al-Khaled

Ahmad, aged 44, joined the Board in November 2000. He 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. He 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

Daniel Yen Tzu Chen

Daniel, aged 55, 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 25 years experience throughout the Southeast Asian region particularly in Indonesia and Singapore.

Joseph Tong Tze Kay

Joseph, aged 48, 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. He has been an independent non-executive director of NetEase.com, Inc., listed on NASDAQ, since March 2003.

David John Robinson Herratt

David, aged 60, joined the Board in October 2010 and has over 30 years of experience in the insurance industry in Europe, the Middle East and Asia. He is currently Chief Executive Officer of Swiss Insurance Partners (Hong Kong) Limited, a registered HKCIB insurance broker firm, and consultant and advisor for Asia of Hampden Agencies Limited which is regulated by Lloyd's of London and United Kingdom Financial Services Authority. Prior to that, he was the Chief Executive of William Russell (Far East) Limited in Hong Kong. He has also held executive positions with Lloyd's of London, Thomas Miller Risk Management in the United Kingdom, ONIC General Insurance Company in Oman, CLP Power in Hong Kong and the Skandia Group. He is a Fellow of the Chartered Insurance Institute (FCII) and a Fellow of the Institute of Risk Management (FIRM).

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The Group was principally engaged in the businesses of merchant banking, asset management and direct investment. Subsequent to the disposal of the merchant banking assets and corporate finance and financial advisory services businesses on 4 October 2010, the Group principally focuses on the businesses of asset management and direct investment. The principal activities of the Company's principal subsidiaries as at 31 December 2010 are set out in Note 42 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 27 to 116.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 31 to the financial statements.

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 33 to 34 and 86 respectively.

DISTRIBUTABLE RESERVE

There is no reserve available for distribution to shareholders as at 31 December 2010 and 31 December 2009.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Company during the year are set out in Note 30 to the financial statements.

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 117.

Directors' Report

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 33 to the financial statements.

DONATIONS

The Group made charitable and other donations during the year amounting to approximately US$3,000 (2009: US$2,000).

DIRECTORS

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

Executive Directors:

Ilyas Tariq Khan	(resigned on 4 October 2010)
Johnny Chan Kok Chung (Note)	
Ulric Leung Yuk Lun	(appointed on 21 October 2010)

Non-Executive Directors:

Ahmad S. Al-Khaled	
Simon Jeremy Fry	(resigned on 31 January 2010)

Independent Non-Executive Directors:

Daniel Yen Tzu Chen	
Joseph Tong Tze Kay	
David John Robinson Herratt	(appointed on 21 October 2010)
Peter McIntyre Koenig	(resigned on 31 October 2010)

Note: Johnny Chan Kok Chung was redesignated as Executive Director on 4 October 2010.

In accordance with article 86(3) of the Company's Articles of Association, Messrs. Ulric Leung Yuk Lun and David John Robinson Herratt will hold office until the forthcoming annual general meeting (the "Annual General Meeting") and will be eligible for re-election.

Besides, Messrs. Ahmad S. Al-Khaled and Joseph Tong Tze Kay will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting in accordance with article 87 of the Company's Articles of Association.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-Executive Directors are independent.

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' Report

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' INTERESTS IN SECURITIES

As at 31 December 2010, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(i) Interests in the ordinary shares of the Company

Name of Directors	Personal interest	Family interest	Corporate interest	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue
					%
Johnny Chan Kok Chung (Note)	15,155,320	477,738	–	15,633,058	3.19
Ulric Leung Yuk Lun	17,000,000	–	–	17,000,000	3.47
Joseph Tong Tze Kay	500,000	–	–	500,000	0.10
Daniel Yen Tzu Chen	200,000	–	–	200,000	0.04

Note: 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.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(ii) Interests in the underlying shares of the Company

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

Name of Directors	Date of grant	Subscription price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue
				%
Johnny Chan Kok Chung	26 April 2006	HK$7.70	6,000,000	
	11 February 2008	HK$1.80	3,000,000	
	7 October 2010	HK$0.158	2,800,000	
			11,800,000	2.41
Ulric Leung Yuk Lun (Note)	7 October 2010	HK$0.158	1,500,000	0.31
Ahmad S. Al-Khaled	24 March 2006	HK$7.70	500,000	
	29 January 2007	HK$3.65	250,000	
	11 February 2008	HK$1.80	500,000	
	29 December 2008	HK$0.18	500,000	
			1,750,000	0.36
Daniel Yen Tzu Chen	24 March 2006	HK$7.70	500,000	
	29 January 2007	HK$3.65	250,000	
	11 February 2008	HK$1.80	500,000	
	29 December 2008	HK$0.18	500,000	
			1,750,000	0. 36
Joseph Tong Tze Kay	24 March 2006	HK$7.70	500,000	
	29 January 2007	HK$3.65	250,000	
	11 February 2008	HK$1.80	500,000	
	29 December 2008	HK$0.18	500,000	
			1,750,000	0.36

Note: Mr. Ulric Leung Yuk Lun also owns Tranche 1 New Bonds for a principal sum of HK$5,000,000 convertible into 27,777,777 shares at the initial conversion price of HK$0.18 per share, representing 5.66% of the total ordinary share capital of the Company in issue.

(iii) Short positions

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

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

Directors' Report

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2010, 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
			%
Crosby Management Holdings Limited (Note 1)	130,000,000	–	26.50
Nelson Tang Yu Ming (Note 1 and 2)	130,000,000	4,600,000	27.44
Jeffrey Lau Chun Hung (Note 1 and 3)	130,000,000	3,000,000	27.11
TBV Holdings Limited (Note 4)	34,176,940	–	6.97
Emperor Securities Limited (Note 5)	–	500,000,000	101.92
Emperor Capital Group Limited (Note 5)	–	500,000,000	101.92
Million Way Holdings Limited (Note 5)	–	500,000,000	101.92
STC International Limited (Note 5)	–	500,000,000	101.92
Dr. Yeung Sau Shing, Albert (Note 5)	–	500,000,000	101.92
Luk Siu Man, Semon (Note 5)	–	500,000,000	101.92
Greyhound International Limited (Note 6)	–	237,222,222	48.35
Wu Ting Fai, James (Note 6)	–	237,222,222	48.35
Main Wealth Enterprises Limited (Note 7)	15,000,000	216,666,666	47.22
Lau Kit Mei (Note 7)	15,000,000	216,666,666	47.22
Sodikin (Note 8)	15,000,000	216,666,666	47.22

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

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

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
			%
Sun Hung Kai Strategic Capital Limited ("SHK Strategic") (Note 9)	–	83,333,333	16.99
Shipshape Investments Limited ("Shipshape") (Note 9)	–	83,333,333	16.99
Sun Hung Kai & Co Limited ("SHK & Co.") (Note 10)	–	83,333,333	16.99
AP Emerald Limited ("AP Emerald") (Note 10)	–	83,333,333	16.99
AP Jade Limited ("AP Jade") (Note 10)	–	83,333,333	16.99
Allied Properties (H.K.) Limited ("APL") (Note 10)	–	83,333,333	16.99
Allied Group Limited ("AGL") (Note 10)	–	83,333,333	16.99
Lee Seng Huang (Note 11)	–	83,333,333	16.99
Lee Seng Hui (Note 11)	–	83,333,333	16.99
Lee Su Hwei (Note 11)	–	83,333,333	16.99
Ng Chun Fai Frank (Note 12)	–	40,388,888	8.23

Directors' Report

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

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

Notes:

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

2. Nelson Tang Yu Ming was granted 4,600,000 options to subscribe for Shares at an exercise price of HK$0.158 on 7 October 2010.

3. Jeffrey Lau Chun Hung was granted 3,000,000 options to subscribe for Shares at an exercise price of HK$0.158 on 7 October 2010.

4. 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.

5. Emperor Securities Limited is deemed to be interested in these shares by virtue of a placing agreement dated 24 June 2010 entered into between the Company and the Placing Agent in relation to the placing of the New Bonds. Emperor Securities Limited is an indirect wholly-owned subsidiary of Emperor Capital Group Limited, the shares of which are listed on the Stock Exchange. 47.90% of the shares of Emperor Capital Group Limited are held by Win Move Group Limited. The entire issued share capital of Win Move Group Limited is held by Million Way Holdings Limited, which in turn is held by STC International Limited on trust for The Albert Yeung Discretionary Trust ("AY Trust"). Dr. Yeung Sau Shing, Albert, as founder of the AY Trust, and Ms. Luk Siu Man, Semon, as the spouse of Dr. Yeung Sau Shing, Albert, are deemed to be interested in the 500,000,000 underlying shares for the purposes of the SFO.

6. Greyhound International Limited owns 237,222,222 underlying shares, out of which 222,222,222 will be allotted and issued upon the full conversion of Tranche 1 New Bonds for a principal sum of HK$40 million at the initial conversion price of HK$0.18 per share; and 15,000,000 shares will be allotted and issued upon its exercise of the subscription rights attached to certain warrants of the Company at the initial exercise price of HK$0.15 per share. Wu Ting Fai, James is deemed to be interested in these shares through his 100% interests in Greyhound International Limited.

7. Main Wealth Enterprises Limited owns 231,666,666 underlying shares, out of which 216,666,666 will be allotted and issued upon the full conversion of Tranche 1 New Bonds for a principal sum of HK$39 million at the initial conversion price of HK$0.18 per share; and 15,000,000 shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company at an exercise price of HK$0.15 per share. Lau Kit Mei is deemed to be interested in these shares through her 100% interests in Main Wealth Enterprises Limited.

8. Sodikin owns 231,666,666 underlying shares, out of which 216,666,666 will be allotted and issued upon the full conversion of Tranche 1 New Bonds for a principal sum of HK$39 million at the initial conversion price of HK$0.18 per share; and 15,000,000 shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company at an exercise price of HK$0.15 per share.

9. SHK Strategic is a wholly-owned subsidiary of Shipshape which in turn is wholly owned by SHK & Co.. Therefore SHK & Co. and Shipshape are deemed to have an interest in the shares in which SHK Venture is interested. SHK Strategic owns Tranche 1 New Bonds for a principal sum of HK$15 million convertible into 83,333,333 shares at the initial conversion price of HK$0.18 per share.

10. SHK & Co. is a 62.47% owned subsidiary of AP Emerald. AP Emerald is wholly owned by AP Jade which in turn is a wholly owned subsidiary of APL. APL is a 72.32% owned subsidiary of AGL. Accordingly, AGL, APL, AP Jade and AP Emerald are deemed to have an interest in the shares in which SHK & Co. is interested.

11. Lee Su Hwei, Lee Seng Huang and Lee Seng Hui are trustees of Lee and Lee Trust ("LLT") which owns 53.01% interests in AGL. Accordingly, Lee Su Hwei, Lee Seng Huang, Lee Seng Hui and LLT are deemed to have an interest in the said underlying shares in which AGL is interested.

12. Ng Chun Fai Frank owns 40,388,888 underlying shares, out of which 38,888,888 will be allotted and issued upon the full conversion of Tranche 1 New Bonds for a principal sum of HK$7 million at the initial conversion price of HK$0.18 per share; and 1,500,000 will be allotted and issued upon exercise of the subscription rights attached to the options of the Company granted on 7 October 2010 with an exercise price of HK$0.158.

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 2010, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and Underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2010, 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 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

On 24 June 2010, 6 October 2010 and 23 December 2010, the Company and ECK Partners Holdings Limited ("ECK Partners") entered into the disposal agreements pursuant to which the Company agreed to sell to ECK Partners its entire interests in certain subsidiaries (including 276,852,721 ordinary shares in the capital of Crosby Asset Management Inc. ("CAM"), representing 89.35% of its issued capital at date of disposal) and certain investments for a consideration of US$27,111, US$197,340 and US$929,644 respectively.

The total consideration of US$1,154,095 for the abovementioned disposals was satisfied by way of set-off against the termination payments to Mr. Ilyas Tariq Khan, a former Director of the Company, in relation to his termination of services with the Company and its subsidiaries on a dollar-for-dollar basis upon completion with the residual termination payments to be settled in cash.

ECK Partners is a company beneficially owned as to 88.86% by TW Indus Limited, a company wholly-owned by Mr. Ilyas Tariq Khan, and 11.14% by Mr. Robert John Richard Owen, the Director of CAM and is a connected person of the Company as defined in the GEM Listing Rules.

Further details of the abovementioned connected transactions are set out in the Company's announcements dated 25 June 2010, 6 October 2010 and 23 December 2010.

Save as disclosed above, the Group had no other connected party transactions during the year that require disclosure under the GEM Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2010, 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 2010 which was required to be disclosed under Rule 17.18 of the GEM Listing Rules.

Directors' Report

COMPETING INTERESTS

The Directors are not aware of any business or interest, as at 31 December 2010, 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.

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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

AUDITOR

The financial statements in respect of the previous two financial years were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited to practise in the name of BDO Limited as announced on 26 November 2010, GTHK resigned and BDO Limited was appointed as auditor of the Company effective from 7 January 2011. The financial statements for the year ended 31 December 2010 were audited by BDO Limited.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

For and on behalf of the Board

Johnny Chan Kok Chung
Executive Director

17 March 2011

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2010, 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 should be separate and should not be performed by the same individual.

Following the step down of Mr. Ilyas Tariq Khan from the office of Chairman and Chief Executive Officer of the Company on 4 October 2010, the Company has not appointed Chairman and Chief Executive Officer, and the roles and functions of the Chairman and Chief Executive Officer have been performed by the two Executive Directors of the Company collectively.

2. 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.

Mr. Ilyas Tariq Khan, the former Chairman of the Company, had not attended the Company's annual general meeting on 7 May 2010 due to an important family matter requiring him to be overseas. However, Mr. Khan had, by prior arrangement, deputized Mr. Johnny Chan Kok Chung to chair the Annual General Meeting and answer any questions from shareholders.

(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 six Directors, of which three are Independent Non-Executive Directors, as follows:

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

The biographies of the Directors are set out under the "Profiles of Directors" on pages 8 and 9 , and are posted on the Company's website (www.crosbycapitallimited.com).

Corporate Governance Report

(C) BOARD OF DIRECTORS (continued)

(ii) There have been twelve 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:

No. of board meetings	**Name of Director attended**
Johnny Chan Kok Chung	12
Ulric Leung Yuk Lun (appointed on 21 October 2010)	4
Ahmad S. Al-Khaled	7
Daniel Yen Tzu Chen	11
Joseph Tong Tze Kay	9
David John Robinson Herratt (appointed on 21 October 2010)	2

(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 Executive Directors/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 Quarterly, 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.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Following the completion of disposal of the Company's merchant banking assets and the corporate finance and financial advisory services businesses to ECK Partners Holdings Limited, Mr. Ilyas Tariq Khan stepped down from the office of Chairman and Chief Executive Officer of the Company with effect from 4 October 2010. Up to the date of this report, the Board has not appointed an individual to take up the vacancy of Chairman and Chief Executive Officer of the Company; and the roles and functions of the Chairman and Chief Executive Officer have been preformed by the two Executive Directors of the Company collectively.

(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.crosbycapitallimited.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, comprising all Independent Non-Executive Directors, is chaired by Mr. Daniel Yen Tzu Chen, and its membership includes Messrs. Joseph Tong Tze Kay and David John Robinson Herratt.

(iii) There were five Remuneration Committee meetings 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.crosbycapitallimited.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 Mr. Ulric Leung Yuk Lun, and its membership includes Messrs. Daniel Yen Tzu Chen and Joseph Tong Tze Kay.

(iii) There was one Nomination Committee meeting during the year.

Corporate Governance Report

(H) AUDITORS' REMUNERATION

Auditors' remuneration for the year ended 31 December 2010 was US$47,000 from continuing operations (2009: US$55,000). During the year, the Group has paid in aggregate to its external auditors fees of US$78,000 from continuing operations (2009: US$17,000) for non-audit related services in respect of review of the Quarterly and Interim Reports of the Company, review on the notifiable transactions of the Group and 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.crosbycapitallimited.com). The Audit Committee comprises three Independent Non-Executive Directors, Messrs. Joseph Tong Tze Kay (Chairman), Daniel Yen Tzu Chen and David John Robinson Herratt. 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 2010.

(iii) The Audit Committee has met with the Auditors and the Chief Financial Officer during the year to review the 2009 Annual Report and the Quarterly Report for the quarters ended 31 March 2010 and 30 September 2010, and the Interim Report for the six months ended 30 June 2010. 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.

(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.

Corporate Governance Report

(J) INTERNAL CONTROL (continued)

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 2010. 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.

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 13.

Corporate Governance Report

(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.

The most recent shareholders meeting was as follows:–

EGM held at 2:30 p.m. on 7 January 2011 at 18th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong. The major items discussed were:

(i) Approval of the acquisition of property and the transactions contemplated thereunder.

(ii) Approval of the expansion of the use of proceeds of Tranche 2 New Bonds.

(iii) Approval of the amendments of the terms of the New Bonds.

(iv) Approval of the refreshment of general mandate to issue and allot shares of the Company.

(v) Approval of the proposed change of auditors

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:–

6 May 2011	2010 Annual General Meeting
12 May 2011	1st Quarterly Results Announcement
11 August 2011	Interim Results Announcement
10 November 2011	3rd Quarterly Results Announcement

As at 31 December 2010, the public float capitalisation was approximately US$8,098,000 and the number of issued shares on the public float, represents 66.71% of the outstanding issued share capital of the Company.

Independent Auditor's Report

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To the shareholders 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 (together "the Group") set out on pages 27 to 116, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

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 2010, 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.

BDO Limited

BDO Limited
Certified Public Accountants
Yu Tsui Fong
Practising Certificate Number P05440

Hong Kong, 17 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 US$'000	(Restated) 2009 US$'000
Continuing operations			
Revenue	6	**4,733**	2,606
Cost of sales		**(28)**	(38)
Gross profit		**4,705**	2,568
Gain/(Loss) on financial assets at fair value through profit or loss	23(b)	**133**	(1,428)
(Loss)/Gain on financial liabilities at fair value through profit or loss	28	**(1,603)**	2
Other income	7	**6,599**	3,482
Administrative expenses			
Amortisation of intangible assets	20	**(246)**	–
Other administrative expenses		**(7,594)**	(6,770)
		(7,840)	(6,770)
Distribution expenses		**–**	(3)
Impairment of available-for-sale investments	18	**(8)**	(1,536)
Impairment of associates		**–**	(389)
Impairment of a jointly controlled entity	17	**–**	(128)
Impairment of loan receivable	24	**(2,310)**	(6,440)
Other operating expenses		**(835)**	(727)
Loss from operations		**(1,159)**	(11,369)
Finance costs	8	**(1,849)**	(1,432)
Share of losses of associates		**–**	(42)
Share of profits of jointly controlled entities	17	**–**	128
Loss before taxation	9	**(3,008)**	(12,715)
Taxation	10(a)	**(386)**	–
Loss for the year from continuing operations		**(3,394)**	(12,715)
Discontinued operations			
Loss for the year from discontinued operations	11	**(3,802)**	(5,418)
Loss for the year		**(7,196)**	(18,133)

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 US$'000	(Restated) 2009 US$'000
Attributable to:			
Owners of the Company	12		
Loss for the year from continuing operations		**(4,105)**	(12,067)
Loss for the year from discontinued operations		**(1,753)**	(3,969)
		(5,858)	(16,036)
Non-controlling interests			
Profit/(Loss) for the year from continuing operations		**711**	(648)
Loss for the year from discontinued operations		**(2,049)**	(1,449)
		(1,338)	(2,097)
Loss for the year		**(7,196)**	(18,133)
Loss per share attributable to owners of the Company during the year	13	**US cents**	US cents
Basic			
Continuing operations		**(1.10)**	(3.65)
Discontinued operations		**(0.47)**	(1.20)
		(1.57)	(4.85)
Diluted			
Continuing operations		**N/A**	N/A
Discontinued operations		**N/A**	N/A
		N/A	N/A

The notes on pages 37 to 116 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Loss for the year		**(7,196)**	(18,133)
Other comprehensive income:			
Available-for-sale investments			
Surplus/(Deficit) on revaluation	18	**170**	(682)
Recycle to income statement:			
Provision for impairment		**8**	1,651
Gain upon disposal		**(285)**	(38)
Loss upon disposal		**–**	362
Exchange differences on translating foreign operations		**176**	46
Exchange differences recycled to income statement upon disposal of subsidiaries		**(743)**	–
Share of other comprehensive income of associates		**–**	(52)
Share of other comprehensive income of jointly controlled entities	17	**–**	11
Other comprehensive income for the year, before and net of tax		**(674)**	1,298
Total comprehensive income for the year, before and net of tax		**(7,870)**	(16,835)
Attributable to:			
Owners of the Company		**(6,544)**	(14,889)
Non-controlling interests		**(1,326)**	(1,946)
Total comprehensive income for the year, before and net of tax		**(7,870)**	(16,835)

The notes on pages 37 to 116 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**264**	639
Deposit paid for acquisition of property		**1,423**	–
Interests in jointly controlled entities	17	**136**	16
Available-for-sale investments	18	**553**	607
Note receivable	19	**–**	508
Intangible assets	20	**1,388**	21
Goodwill	21	**3,311**	–
		7,075	1,791
Current assets			
Trade and other receivables	22	**1,946**	1,488
Tax recoverable		**–**	74
Financial assets at fair value through profit or loss	23	**274**	8,560
Loan receivable	24	**–**	1,348
Cash and cash equivalents	25	**4,362**	7,846
		6,582	19,316
Current liabilities			
Other payables	26(a)	**2,328**	3,395
Deferred income		**8**	27
Provision for taxation		**161**	–
Current portion of obligations under finance leases	27	**–**	367
Provision for liabilities	26(b)	**–**	6,209
		2,497	9,998
Net current assets		**4,085**	9,318
Total assets less current liabilities		**11,160**	11,109

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Non-current liabilities			
Loan payable		56	54
Obligations under finance leases	27	–	144
Financial liabilities at fair value through profit or loss	28	6,901	–
Note payable	29	3,366	–
Convertible bonds	30	15,793	21,408
		26,116	21,606
Net liabilities		(14,956)	(10,497)
EQUITY			
Share capital	31	4,906	3,306
Reserves	32	(21,271)	(14,698)
Capital deficiency attributable to owners of the Company		(16,365)	(11,392)
Non-controlling interests		1,409	895
Capital deficiency		(14,956)	(10,497)

Johnny Chan Kok Chung
Director

Ulric Leung Yuk Lun
Director

The notes on pages 37 to 116 form part of these financial statements.

Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	**11,690**	28,747
Current assets			
Other receivables		**47**	22
Cash and cash equivalents		**14**	129
		61	151
Current liabilities			
Other payables		**765**	66
Net current (liabilities)/assets		**(704)**	85
Total assets less current liabilities		**10,986**	28,832
Non-current liabilities			
Financial liabilities at fair value through profit or loss	28	**6,901**	–
Convertible bonds	30	**15,793**	21,408
		22,694	21,408
Net (liabilities)/assets		**(11,708)**	7,424
EQUITY			
Share capital	31	**4,906**	3,306
Reserves	32	**(16,614)**	4,118
(Capital deficiency)/Total equity		**(11,708)**	7,424

Johnny Chan Kok Chung
Director

Ulric Leung Yuk Lun
Director

The notes on pages 37 to 116 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Equity attributable to owners of the Company									Non-controlling 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:											
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
Exchange differences on translating foreign operations	–	–	–	–	–	–	42	–	42	4	46
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)**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Equity attributable to owners of the Company									Non-controlling interests	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 2010	3,306	106,444	4,872	77	11,973	318	(13)	(138,369)	(11,392)	895	(10,497)
Employee share-based compensation	–	–	–	–	615	–	–	–	615	(247)	368
Lapse of share options	–	–	–	–	(4,768)	–	–	4,582	(186)	186	–
Issue of shares for acquisition of a subsidiary, net of issue costs	1,300	1,024	–	–	–	–	–	–	2,324	–	2,324
Issue of shares upon exercise of warrants, net of issue costs	300	753	–	–	–	–	–	–	1,053	–	1,053
Effect on exercising share options of a subsidiary	–	–	–	–	(32)	–	–	–	(32)	45	13
Additional investment in a subsidiary	–	–	–	–	–	–	–	(50)	(50)	50	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(375)	(375)
Release on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	28	28
Transactions with owners	1,600	1,777	–	–	(4,185)	–	–	4,532	3,724	(313)	3,411
Loss for the year	–	–	–	–	–	–	–	(5,858)	(5,858)	(1,338)	(7,196)
Other comprehensive income:											
Available-for-sale investments											
Surplus on revaluation	–	–	–	–	–	161	–	–	161	9	170
Recycle to income statement:											
Provision for impairment	–	–	–	–	–	8	–	–	8	–	8
Gain upon disposal	–	–	–	–	–	(285)	–	–	(285)	–	(285)
Exchange differences on translating foreign operations	–	–	–	–	–	–	173	–	173	3	176
Exchange differences recycled to income statement upon disposal of subsidiaries	–	–	–	–	–	–	(743)	–	(743)	–	(743)
Total comprehensive income for the year	–	–	–	–	–	(116)	(570)	(5,858)	(6,544)	(1,326)	(7,870)
Reserves appropriation upon disposal of subsidiaries	–	–	(4,601)	–	(885)	(11)	583	2,761	(2,153)	2,153	–
At 31 December 2010	4,906	108,221	271	77	6,903	191	–	(136,934)	(16,365)	1,409	(14,956)

* The total of these reserves amounts to a deficiency of US$21,271,000 (2009: US$14,698,000).

The notes on pages 37 to 116 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 US$'000	(Restated) 2009 US$'000
Cash flows from operating activities			
Continuing operations			
Cash used in from operations	37	(3,987)	(6,684)
Tax paid		(243)	(2,318)
Tax refund		35	17
Net cash outflow from operating activities from continuing operations		(4,195)	(8,985)
Discontinued operations			
Net cash outflow from operating activities from discontinued operations		(810)	(2,197)
Net cash outflow from operating activities		(5,005)	(11,182)
Cash flows from investing activities			
Continuing operations			
Acquisition of additional interests in subsidiaries		–	(264)
Acquisition of a subsidiary, net of cash acquired	39	949	–
Acquisition of trademark		(4)	–
Dividend received from available-for-sale investments		186	2
Interest received		7	20
Loan to an associate		–	(375)
Proceeds from disposal of associates		32	–
Proceeds from disposal of available-for-sale investments		303	525
Proceeds from disposal of property, plant and equipment		22	11
Purchase of property, plant and equipment		(6)	(303)
Repayment from loan receivable	24	79	2,900
Net cash inflow from investing activities from continuing operations		1,568	2,516
Discontinued operations			
Net cash outflow from investing activities from discontinued operations		(218)	(156)
Net cash inflow from investing activities		1,350	2,360

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 US$'000	(Restated) 2009 US$'000
Cash flows from financing activities			
Continuing operations			
Dividend paid to non-controlling shareholders		(375)	–
Proceeds from exercise of share options of a subsidiary		45	–
Proceeds from exercise of warrants	31(f)	577	–
Net proceeds from issue of convertible bonds	30	20,203	–
New shares issue costs		(11)	–
Repayment of finance lease obligations		(19)	–
Repurchase of convertible bonds	30	(20,000)	–
Net cash inflow from financing activities from continuing operations		420	–
Discontinued operations			
Net cash outflow from financing activities from discontinued operations		(233)	(337)
Net cash inflow/(outflow) from financing activities		187	(337)
Net decrease in cash and cash equivalents		(3,468)	(9,159)
Effect of exchange rate fluctuations, net		(16)	14
Cash and cash equivalents as at 1 January		7,846	16,991
Cash and cash equivalents as at 31 December		4,362	7,846
Analysed into:			
Continuing operations		4,362	6,585
Discontinued operations		–	1,261
Total		4,362	7,846

The notes on pages 37 to 116 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

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 was principally engaged in the businesses of merchant banking, asset management and direct investment. Subsequent to the disposal of the merchant banking assets and the corporate finance and financial advisory services businesses on 4 October 2010, the Group principally focuses on the businesses of asset management and direct investment. Details of principal activities of its principal subsidiaries are set out in Note 42 to the financial statements.

The audited consolidated financial statements on pages 27 to 116 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 2010 were approved by the Board of Directors on 17 March 2011.

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 2010:

(a) Adoption of new/revised IFRSs – effective 1 January 2010

IFRSs (Amendments)	Improvements to IFRSs
Amendments to IAS 39	Eligible Hedged Items
Amendments to IFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

IFRS 3 (Revised) – Business Combinations and IAS 27 (Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 3 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in IFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The Group has accounted for the acquisition of Shikumen Capital Management (HK) Limited ("Shikumen") according to the revised standard, details of which are set out in Note 39 to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2010 (continued)

The revised IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised IAS 27 has had no impact on the current year.

(b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Improvements to IFRSs 2010[2&3]
Amendments to IAS 32	Classification of Rights Issues[1]
Amendments to IFRIC	Prepayments of a Minimum Funding Requirement[3]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]
IFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new / revised IFRSs and the directors so far concluded that the application of these new / revised IFRSs will have no material impact 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 audited consolidated financial statements have been prepared under historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss, which are measured at fair value. The measurement bases are fully described in the accounting policies below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

In preparing the financial statements, the Directors have considered the operations of the Group as a going concern notwithstanding the Group had a capital deficiency attributable to owners of the Company of approximately US$16,365,000 as at 31 December 2010 (2009: US$11,392,000), and the Group incurred a loss attributable to owners of the Company of approximately US$5,858,000 (2009: US$16,036,000). 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 end of the reporting period, after taking into consideration the followings:

(i) the Group had successfully refinanced the convertible bonds issued in 2006 (the "Old Convertible Bonds") through a Deed of Settlement entered with the holders of the Old Convertible Bonds during the year ended 31 December 2010 to repurchase the outstanding amount of the Old Convertible Bonds for a consideration of US$20,000,000 in cash financed by the issue of new convertible bonds of principal amount of HK$160,000,000 (the "Tranche 1 New Convertible Bonds") and an aggregate of 60,000,000 warrants issued by the Company, thus removing a major uncertainty on the Group's financial position which arose in previous year;

(ii) the Group had entered into a placing agreement with the placing agent during the year ended 31 December 2010 pursuant to which the placing agent has agreed to place new convertible bonds of principal amount of HK$90,000,000 (the "Tranche 2 New Convertible Bonds") further to the issuance of the Tranche 1 New Convertible Bonds, which will be used to finance the purchase of a new office together with the bank loan financing subsequent to the financial year end date;

(iii) the acquisition of Shikumen in September 2010 had contributed a net profit of US$956,000 to the Group for the period since acquisition up to 31 December 2010 and with the disposal of the loss-making merchant banking assets and the corporate finance and financial advisory services by the Group during the year ended 31 December 2010, Shikumen is expected to continue to contribute a positive impact to both the revenue and net results of the Group in the years ahead; and

(iv) the Group continues to implement measures to tighten cost controls over various administrative expenses, especially with saving in office rent following the purchase of a new office and to attain positive cash flow operations.

The Directors of the Company believe that the aforementioned restructuring of the Group businesses, refinancing of the convertible bonds, placing of the Tranche 2 New Convertible Bonds, bank loan financing, ongoing contribution from the Shikumen business and the implementation of cost control measures will improve the Group's performance in terms of profitability and cash flow operations. Having regard to the cash flow projection of the Group, 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 financial resources to satisfy its future working capital and other financing requirements for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

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.

Notes to the Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and basis of consolidation (continued)

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised in profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

(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 acquisition 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 the consideration transferred and the amount recognised for non-controlling interests over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. If the consideration transferred and the amount recognised for non-controlling interests is less than the fair value of the identifiable assets, liabilities 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.

Notes to the Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

(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.

Notes to the Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 reclassified from equity to profit or loss as part of the gain or loss on sale.

(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 way purchases or sales 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.

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)

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.

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(o) 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.

Notes to the Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale investments (continued)

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.

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.

Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible bonds (continued)

When the bonds are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bonds are redeemed, the difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the bonds are allocated amongst the liability component 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 bonds using the effective interest method. 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.

(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.

(j) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Goodwill (continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(k) Intangible assets

(i) 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.

(ii) Contract-based intangible

The fair value of acquired non-compete contract is capitalised and, subject to impairment reviews, amortised over the useful life of the non-compete contract acquired. The amortisation is calculated so as to write off the fair value of the non-compete contract less its estimated residual value, over its estimated useful life of 2 years. An impairment review of non-compete contract is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

(iii) 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.

(l) Impairment of non-financial assets

Property, plant and equipment, interests in subsidiaries 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.

Notes to the Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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 or amortisation, if no impairment loss had been recognised.

(m) 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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

(p) 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 basis.

Notes to the Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Retirement benefit schemes (continued)

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.

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.

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.

(v) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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.

Notes to the Financial Statements

For the year ended 31 December 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Segment information

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. This business was disposed of during the year and has been shown as discontinued operations.

(ii) Asset Management – provision of fund management, asset management and wealth management services. The business in the United Kingdom was disposed of during the year and has been shown as discontinued operations.

(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).

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 income or expenditure from the operating segments, such as restructuring credit or expenses, amortisation, impairment or write off of intangible assets, gain or loss on financial liabilities at fair value through profit or loss in respect of issuance of convertible bonds and warrants, 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:

- gain or loss on financial liabilities at fair value through profit or loss;
- share of profits or losses of associates and jointly controlled entities accounted for using the equity method;
- restructuring credit or expenses;
- amortisation, impairment and write off of intangible assets;
- finance costs;
- taxation; and
- certain other unallocated income and expense.

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

Segment assets include all assets but 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:

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 bonds 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 bonds, detailed in Notes 18, 23, 28 and 30 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.

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 33 to the financial statements.

Valuation of warrants

The fair value of the warrants issued was calculated using the Binomial Option Pricing Model which requires the input of highly subjective assumptions, including volatility of the share price. Because changes in subjective assumptions can materially affect the fair value estimates, 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 warrants. Details of the inputs are set out in Note 28 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 2010

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 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

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.

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(s) to the financial statements, are summarised as follows:

	Merchant banking		Asset management		Direct investment		Total	
		(Restated)		(Restated)		(Restated)		(Restated)
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Revenue from external customers								
Continuing operations	**–**	–	**4,733**	2,606	**–**	–	**4,733**	2,606
Discontinued operations*	**–**	150	**85**	899	**–**	–	**85**	1,049
	–	150	**4,818**	3,505	**–**	–	**4,818**	3,655
Inter-segment revenues								
Continuing operations	**–**	–	**137**	893	**–**	–	**137**	893
Discontinued operations*	**180**	444	**267**	246	**–**	–	**447**	690
	180	444	**404**	1,139	**–**	–	**584**	1,583
Total revenue	**180**	594	**5,222**	4,644	**–**	–	**5,402**	5,238
Segment (loss)/profit from operations								
Continuing operations	**–**	–	**1,879**	(5,351)	**(951)**	(4,644)	**928**	(9,995)
Discontinued operations*	**(5,199)**	(1,206)	**(324)**	(420)	**–**	–	**(5,523)**	(1,626)
Total segment (loss)/profit from operations	**(5,199)**	(1,206)	**1,555**	(5,771)	**(951)**	(4,644)	**(4,595)**	(11,621)
Segment total assets	**–**	11,010	**6,684**	8,563	**388**	1,348	**7,072**	20,921

* Merchant banking business and the asset management business in the United Kingdom, which were considered as one of the major lines of businesses and major geographical area of operations respectively, have been shown as discontinued operations upon disposal as the management believes that information about the segments would be useful to users of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

5. SEGMENT INFORMATION (continued)

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

	Continuing operations		Discontinued operations		Total	
		(Restated)		(Restated)		(Restated)
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Segment loss from operations	**928**	(9,995)	**(5,523)**	(1,626)	**(4,595)**	(11,621)
Reconciling items:						
Other income not allocated	**1,754**	83	**4**	20	**1,758**	103
(Loss)/Gain on financial liabilities at fair value through profit or loss	**(1,603)**	2	**–**	–	**(1,603)**	2
Amortisation of intangible assets	**(246)**	–	**–**	–	**(246)**	–
Restructuring credit/(expenses)	**–**	–	**23**	(2,622)	**23**	(2,622)
Other expenses not allocated	**(2,287)**	(1,459)	**(812)**	(1,151)	**(3,099)**	(2,610)
Elimination of inter-segment revenue	**295**	–	**–**	12	**295**	12
Loss from operations	**(1,159)**	(11,369)	**(6,308)**	(5,367)	**(7,467)**	(16,736)
Finance costs	**(1,849)**	(1,432)	**(52)**	(110)	**(1,901)**	(1,542)
Share of losses of associates	**–**	(42)	**–**	–	**–**	(42)
Share of profits of jointly controlled entities	**–**	128	**–**	–	**–**	128
Loss before taxation	**(3,008)**	(12,715)	**(6,360)**	(5,477)	**(9,368)**	(18,192)

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

	2010	2009
	US$'000	US$'000
Segment total assets	**7,072**	20,921
Reconciling items:		
Other assets not allocated	**6,585**	186
Total assets	**13,657**	21,107

5. SEGMENT INFORMATION (continued)

	Merchant banking		Asset management		Direct investment		Other		Total	
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Other information										
Continuing operations										
Interest income	–	–	(21)	(18)	(1,041)	(2,844)	–	–	(1,062)	(2,862)
Gain on disposal of available-for-sale investments	–	–	–	–	(285)	–	–	–	(285)	–
Depreciation	–	–	175	168	–	–	50	–	225	168
Impairment of available-for-sale investments	–	–	8	1,536	–	–	–	–	8	1,536
Impairment of associates	–	–	–	389	–	–	–	–	–	389
Impairment of a jointly controlled entity	–	–	–	128	–	–	–	–	–	128
Impairment of note receivable	–	–	531	–	–	–	–	–	531	–
Impairment of loan receivable	–	–	–	–	2,310	6,440	–	–	2,310	6,440
Impairment of other receivables	–	–	3	52	74	–	–	–	77	52
Share-based compensation expense	–	–	98	416	–	–	169	840	267	1,256
Discontinued operations										
Interest income	(9)	(23)	(1)	(13)	–	–	–	–	(10)	(36)
Gain on disposal of available-for-sale investments	–	(38)	–	–	–	–	–	–	–	(38)
Depreciation	67	92	–	55	–	–	23	–	90	147
Impairment of available-for-sale investments	–	115	–	–	–	–	–	–	–	115
Impairment of other receivables	–	–	–	19	–	–	–	–	–	19
Share-based compensation expense	–	4	–	4	–	–	101	276	101	284

The Group defines geographical information 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.

Notes to the Financial Statements

For the year ended 31 December 2010

6. REVENUE – CONTINUING OPERATIONS

	2010 US$'000	2009 US$'000
Fund management fee income	**2,535**	516
Wealth management services fee	**2,198**	2,090
	4,733	2,606

7. OTHER INCOME – CONTINUING OPERATIONS

	2010 US$'000	2009 US$'000
Bank interest income	**4**	7
Dividend income	**186**	2
Effective interest income on loan receivable (Note 24)	**1,041**	2,844
Fee on redemption and arrangement of loans	**–**	374
Foreign exchange gain, net	**–**	209
Gain on deemed disposal of a subsidiary	**32**	–
Gain on disposal of available-for-sale investments	**285**	–
Gain on repurchase and cancellation of convertible bonds (Note 30)	**1,754**	–
Management fee income	**23**	–
Other interest income	**17**	11
Release of provision for claims (Note 26(b))	**3,046**	–
Others	**211**	35
	6,599	3,482

8. FINANCE COSTS – CONTINUING OPERATIONS

	2010 US$'000	2009 US$'000
Effective interest expense on convertible bond – wholly repayable within five years (Note 30)	**1,712**	1,428
Other interest expense – wholly repayable within five years	**137**	4
	1,849	1,432

Notes to the Financial Statements

For the year ended 31 December 2010

9. LOSS BEFORE TAXATION – CONTINUING OPERATIONS

	2010 **US$'000**	2009 US$'000
Loss before taxation is arrived at after charging:		
Auditors' remuneration:		
– audit services	**47**	55
– other services	**78**	17
Amortisation of intangible assets (Note 20)	**246**	–
Depreciation	**225**	168
Employee benefit expense (including directors' remuneration) (Note 14(c))	**4,711**	5,065
Foreign exchange losses, net	**60**	–
Impairment of associates	**–**	389
Impairment of a jointly controlled entity	**–**	128
Impairment of available-for-sale investments (Note 18)	**8**	1,536
Impairment of note receivable (Note 19)	**531**	–
Impairment of other receivables (Note 22)	**77**	52
Impairment of loan receivable (Note 24)	**2,310**	6,440
Loss on disposal of a subsidiary	**54**	–
Loss on disposal of available-for-sale investments	**–**	362
Loss on disposal of property, plant and equipment	**2**	–
Operating leases charges in respect of land and buildings	**441**	414
Write off of property, plant and equipment	**–**	16
after crediting:		
Effective interest income on loan receivable (Note 24)	**1,041**	2,844
Excess over the cost of acquisition of a subsidiary (Note 39)	**–**	11
Foreign exchange gain, net	**–**	209

Notes to the Financial Statements

For the year ended 31 December 2010

10(a). TAXATION – CONTINUING OPERATIONS

	2010 US$'000	2009 US$'000
Current tax charge/(credit)		
Hong Kong:		
– Under provision in prior years	263	–
– Current year charge	158	–
	421	–
Overseas:		
– Over provision in prior years	(35)	–
Net charge	386	–

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2010. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the year.

Reconciliation between tax charge/(credit) and accounting loss at applicable rates:

	2010 US$'000	%	2009 US$'000	%
Loss before taxation				
Continuing operations	(3,008)		(12,715)	
Discontinued operations	(6,360)		(5,477)	
	(9,368)		(18,192)	
Less: Adjustments:				
Share of losses of associates	–		42	
Share of profits of jointly controlled entities	–		(128)	
Adjusted loss before taxation	(9,368)		(18,278)	
Tax at the domestic income tax rates	(1,546)	16.50	(3,016)	16.50
Tax effect of non-taxable income	(216)	2.31	(4,067)	22.25
Tax effect of non-deductible expenses	1,016	(10.84)	5,506	(30.12)
Tax effect of unrecognised temporary differences	35	(0.37)	(111)	0.61
Tax effect of unrecognised tax losses	869	(9.28)	1,824	(9.98)
Utilisation of previously unrecognised tax losses	–	–	(136)	0.74
Under provision in prior years	263	(2.81)	–	–
Over provision in prior years	(35)	0.37	(59)	0.32
Tax charge/(credit) at the Group's effective tax rate	386	(4.12)	(59)	0.32

10(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 bonds US$'000	Total US$'000
At 31 December 2010	**49**	**9,235**	**(1,861)**	**7,423**
At 31 December 2009	60	14,696	(299)	14,457

* 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 the recoverability of the potential assets is uncertain.

11. DISCONTINUED OPERATIONS

	Notes	2010 US$'000	2009 US$'000
Revenue		**85**	1,049
Cost of sales		**(123)**	(413)
Gross profit		**(38)**	636
Gain on financial assets at fair value through profit or loss		**3**	4,500
Other income		**146**	466
Administrative expenses			
Restructuring credit/(expenses)	(i)	**23**	(2,622)
Other administrative expenses		**(5,472)**	(5,976)
		(5,449)	(8,598)
Impairment of available-for-sale investments		**–**	(115)
Other operating expenses		**(970)**	(2,256)
Loss from operations		**(6,308)**	(5,367)
Finance costs		**(52)**	(110)
Loss before taxation	(ii)	**(6,360)**	(5,477)
Taxation		**–**	59
Loss for the year		**(6,360)**	(5,418)
Gain on disposal of subsidiaries (Note 40)	(iii)	**2,558**	–
		(3,802)	(5,418)

Notes to the Financial Statements

For the year ended 31 December 2010

11. DISCONTINUED OPERATIONS (continued)

Notes:

(i) The amounts include the additional provision for onerous contract of US$106,000 (2009: US$2,685,000) representing the discounted net present value of the future property operating lease rental payments under the operating lease on the basis that no sublet of the property is achieved for the remaining term of the lease. As at 31 December 2010, the provision for the onerous contract was US$Nil (2009: US$2,963,000) following the disposal of subsidiaries as set out in Note 26(b) to the financial statements.

(ii) **LOSS BEFORE TAXATION – DISCONTINUED OPERATIONS**

	2010 US$'000	2009 US$'000
Loss before taxation is arrived at after charging:		
Auditors' remuneration:		
– audit services	**62**	75
– other services	**7**	11
Depreciation	**90**	147
Employee benefit expense (including directors' remuneration) *(Note 14(c))*	**4,567**	3,968
Foreign exchange losses, net	**162**	116
Impairment of available-for-sale investments *(Note 18)*	**–**	115
Impairment of other receivables *(Note 22)*	**–**	19
Loss on disposal of property, plant and equipment	**5**	–
Operating leases charges in respect of land and buildings	**128**	393
Write off of property, plant and equipment	**–**	1

(iii) A gain of US$2,558,000 arose on disposal of the subsidiaries, being the proceeds of disposal less the carrying amount of the subsidiaries' net assets as set out in Note 40 to the financial statements.

(iv) For the purpose of presenting discontinued operations, the comparative consolidated income statement, the consolidated statement of cash flows and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company, a loss of US$22,984,000 (2009: a profit of US$1,972,000) 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.

	2010	2009
(US$'000)		
Consolidated loss attributable to owners of the Company		
Continuing operations	(4,105)	(12,067)
Discontinued operations	(1,753)	(3,969)
	(5,858)	(16,036)
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *	373,748,669	330,597,984
	2010 US cents	2009 US cents
Basic loss per share		
Continuing operations	(1.10)	(3.65)
Discontinued operations	(0.47)	(1.20)
	(1.57)	(4.85)

* The calculation of weighted average number of ordinary shares in issue for 2009 includes the non-voting convertible deferred shares as it ranks pari passu with ordinary shares in respect of all distributions. No non-voting convertible deferred share exists for 2010.

(b) Diluted

No diluted loss per share is shown for 2010 and 2009 as the outstanding share options were anti-dilutive.

Notes to the Financial Statements

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14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees US$'000	Salaries and allowances US$'000	Salary waiver US$'000	Contractual and discretionary bonuses US$'000	Termination/ gratuitous payments 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
2010										
Executive Director:										
Ilyas Tariq Khan	**–**	**385**	**–**	**–**	**1,172**	**–**	**13**	**13**	**62**	**1,645**
Non-Executive Directors:										
Simon Jeremy Fry	**–**	**17**	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**19**
Johnny Chan Kok Chung	**–**	**1,004**	**–**	**–**	**–**	**2**	**–**	**25**	**124**	**1,155**
Ulric Leung Yuk Lun	**–**	**102**	**–**	**131**	**–**	**1**	**–**	**–**	**2**	**236**
Ahmad S. Al-Khaled	**40**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**52**
Independent Non-Executive Directors:										
Daniel Yen Tzu Chen	**40**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**52**
Peter McIntyre Koenig	**33**	**–**	**–**	**–**	**10**	**–**	**–**	**–**	**11**	**54**
Joseph Tong Tze Kay	**40**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12**	**52**
David John Robinson Herratt	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**
	157	**1,508**	**–**	**131**	**1,182**	**3**	**15**	**38**	**235**	**3,269**
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

* 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(p)(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 33 to the financial statements.

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

(a) Directors' remuneration (continued)

During the year ended 31 December 2010, Mr. Ilyas Tariq Khan stepped down as the Director of the Company on 4 October 2010 with compensation for loss of office of US$1,172,000 paid to him by offsetting the consideration for disposal of certain subsidiaries and sale assets to ECK Partners Holdings Limited as detailed in Note 40 to the financial statements. Mr. Peter Koenig resigned as the Director of the Company on 31 October 2010 with compensation for loss of office of US$10,000 paid to him in cash. In addition, Mr. Ulric Leung Yuk Lun and Mr. David John Robinson Herratt were appointed as the Directors of the Company on 21 October 2010.

During the year ended 31 December 2009, one of the Directors, Mr. Simon Jeremy Fry 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 related to the years ended 31 December 2008, 31 December 2009 and 31 December 2010 respectively. The salary waived of US$980,000 and US$83,000 were offset against the gross salary of US$1,200,000 and US$100,000 accrued in arriving at the actual salary of US$220,000 and US$17,000 paid for the year ended 31 December 2009 and for the period ended 31 January 2010 respectively. In addition, provision for bonus of Mr. Simon Jeremy Fry deferred from prior years of US$668,000 was released during the year ended 31 December 2009. Mr. Simon Jeremy Fry resigned as the Director of the Company on 31 January 2010.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2009: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

	2010 US$'000	2009 US$'000
Salaries, allowances and benefits in kind	**789**	1,001
Commission paid and payable	**636**	146
Retirement fund contributions	**5**	3
Share-based compensation expense	**68**	231
	1,498	1,381

The emoluments fell within the following bands:

	Number of individuals 2010	2009
Emolument bands		
US$321,001 to US$385,000	**–**	1
US$385,001 to US$449,000	**1**	–
US$449,001 to US$513,000	**1**	1
US$513,001 to US$577,000	**–**	1
US$577,001 to US$641,000	**1**	–

Save the compensation for loss of office paid to Messrs. Ilyas Tariq Khan and Peter McIntyre Koenig as disclosed above, 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 during the years ended 31 December 2010 and 31 December 2009.

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

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

	2010 US$'000	2009 US$'000
Fees	157	160
Salaries, allowances and benefits in kind	6,591	9,118
Salary waiver	–	(380)
Commission paid and payable	636	398
Bonus paid and payable	194	63
Release of provision for bonus deferred from prior years	–	(2,147)
Termination/gratuitous payments	1,182	–
Retirement fund contributions *	49	70
Social security costs	101	211
Share-based compensation expense	368	1,540
Total	9,278	9,033
Analysed into:		
Continuing operations	4,711	5,065
Discontinued operations	4,567	3,968
Total	9,278	9,033

* There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2010 and 31 December 2009.

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 2009						
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						
Continuing operations	(86)	(15)	(64)	–	(3)	(168)
Discontinued operations	(47)	(12)	(66)	(14)	(8)	(147)
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
Year ended 31 December 2010						
Opening carrying amount	149	54	381	31	24	639
Additions	6	–	–	–	–	6
Acquisition of a subsidiary (Note 39)	3	–	–	–	–	3
Disposals	(13)	–	–	(21)	–	(34)
Disposal of subsidiaries (Note 40)	(27)	(8)	–	–	–	(35)
Depreciation						
Continuing operations	(67)	(15)	(132)	(4)	(7)	(225)
Discontinued operations	(37)	(9)	(33)	(6)	(5)	(90)
Closing carrying amount	14	22	216	–	12	264
At 31 December 2010						
Cost	**207**	**86**	**613**	**–**	**77**	**983**
Accumulated depreciation	**(193)**	**(64)**	**(397)**	**–**	**(65)**	**(719)**
Carrying amount	**14**	**22**	**216**	**–**	**12**	**264**

Property, plant and equipment includes assets held under finance leases of total carrying amount of US$Nil (2009: US$31,000) as at 31 December 2010.

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16. INTERESTS IN SUBSIDIARIES

Company

	Notes	2010 US$'000	2009 US$'000
Investments at fair value			
– Listed shares, outside Hong Kong		–	2,012
Investments at cost			
– Unlisted shares, inside Hong Kong		8,067	–
– Unlisted shares, outside Hong Kong		39,028	37,895
Less: Impairment losses		(27,694)	(10,864)
	(i)	19,401	27,031
Amounts due from subsidiaries	(ii)	215	633
Amounts due to subsidiaries	(ii)	(7,926)	(929)
		11,690	28,747

Notes:

(i) The investments in subsidiaries are stated at cost, net of impairment. The Directors are of the opinion that due to no quoted market price available 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$27,694,000 (2009: US$10,864,000) being made as at 31 December 2010. Details of principal subsidiaries are set out in Note 42 to the financial statements.

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

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

Group

	2010 US$'000	2009 US$'000
Amount due from a jointly controlled entity	136	16

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

Group (continued)

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

	2010 US$'000	2009 US$'000
At 1 January	**16**	307
Share of profits	**–**	128
Share of other comprehensive income	**–**	11
Net advance/(repayment) during the year	**120**	(294)
Impairment	**–**	(128)
Exchange difference	**–**	(8)
At 31 December	**136**	16

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 2010 are as follows:

Name	Place of incorporation	Issued/Paid-up share capital	Percentage of interest held by the Company indirectly 2010	2009	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

Note: The Group withdrew as a partner of Apollo Multi Asset Management LLP ("Apollo"), a company incorporated in the United Kingdom, with effect from 31 August 2009. Apollo was principally engaged in the provision of fund management services.

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 US$'000
2010					
100 per cent	**272**	**(272)**	**–**	**282**	**–**
Group's effective interest at 31 December	**136**	**(136)**	**–**	**141**	**–**
2009					
100 per cent	15	(15)	–	1,091	235
Group's effective interest at 31 December	8	(8)	–	554	128

The financial information above is based on the unaudited management accounts for each of the two years ended 31 December 2010 and 31 December 2009.

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18. AVAILABLE-FOR-SALE INVESTMENTS

Group

	Notes	2010 US$'000	2009 US$'000
Unlisted investments, at cost or fair value			
Equity securities		**2,017**	1,827
Less: Impairment losses		**(1,469)**	(1,536)
	(i)	**548**	291
Listed investments, at fair value			
Equity securities, listed outside Hong Kong		**5**	316
	(ii)	**5**	316
Total		**553**	607

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

	2010 US$'000	2009 US$'000
At 1 January	**607**	1,854
Disposals	**(224)**	(565)
Change in fair value recognised directly in other comprehensive income	**170**	(682)
At 31 December	**553**	607

Notes:

(i) Provision for impairment of US$8,000 (2009: US$1,536,000) has been made during the year ended 31 December 2010 which has been removed from the investment revaluation reserve in equity and recognised in the consolidated income statement.

(ii) Provision for impairment of US$Nil (2009: US$115,000) has been made to the listed investments during the year ended 31 December 2010 which has been removed from the investment revaluation reserve in equity and recognised in the consolidated income statement.

19. NOTE RECEIVABLE

Group

The note receivable represents the proceeds from the disposal of the entire interests in an associate, SBI CROSBY (Holdings) Limited, in August 2007 for a consideration of US$455,000. The promissory note, disclosed as note receivable, is unsecured, interest bearing at 5% per annum and repayable after a fixed term of five years or earlier based on certain conditions. At 31 December 2010, the balance has reduced to US$Nil (2009: US$508,000) due to full provision for impairment on the carrying amount brought forward of US$508,000 and accrued interest of US$23,000 (2009: US$Nil) being made during the year.

20. INTANGIBLE ASSETS

Group

	Non-compete contract US$'000	Trademark US$'000	Total US$'000
Carrying amount at 1 January 2009 and 31 December 2009	–	21	21
Addition	–	4	4
Acquisition of a subsidiary (Note 39)	1,630	–	1,630
Disposal of subsidiaries (Note 40)	–	(21)	(21)
Amortisation (Note 9)	(246)	–	(246)
Carrying amount at 31 December 2010	**1,384**	**4**	**1,388**

The non-compete contract was attributable to the acquisition of the Shikumen on 13 September 2010 and was amortised over its expected useful life of 2 years.

The fair value of non-compete contract is calculated by discounting the future cash flows at the prevailing market rate of 18.56%. The aforementioned discount rate of 18.56% has been determined by reference of the following significant assumptions:

(i) the risk free rate of 4.6%, with reference to Long term 20 years U.S. Treasury Coupon Bond; and

(ii) the market risk premium of 6.7%, with reference to Long horizon expected equity risk premium.

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For the year ended 31 December 2010

21. GOODWILL

Group

	2010 US$'000	2009 US$'000
Carrying amount at 1 January	–	–
Acquisition of a subsidiary (Note 39)	3,311	–
Carrying amount at 31 December	**3,311**	–

The recoverable amount of Shikumen to which the goodwill relates has been determined based on a value in use calculation. The calculation is based on financial budgets covering a five-year period approved by management. Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which do not exceed the long-term average growth rates for the business in which Shikumen operates. The discount rate applied to the cash flow projections is 18.56% reflecting the cost of capital of Shikumen. Based on the assessment performed, no impairment provision against the carrying amount of goodwill was considered necessary.

22. TRADE AND OTHER RECEIVABLES

Group

	Notes	2010 US$'000	2009 US$'000
Trade receivables	(i)	1,346	117
Other receivables – gross		249	1,121
Less: Impairment losses	(iii)	(193)	(774)
Other receivables – net	(ii)	56	347
Deposits and prepayments		544	1,024
Total		**1,946**	1,488

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

22. TRADE AND OTHER RECEIVABLES (continued)

Group (continued)

Notes:

(i) At 31 December 2010, the ageing analysis of trade receivables based on invoice date is as follows:

	2010 US$'000	2009 US$'000
0 – 30 days	1,282	89
31 – 60 days	38	23
61 – 90 days	26	–
Over 90 days	–	5
	1,346	117

The Group allows a credit period ranging from 15 to 45 days (2009: 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 2010, trade receivables related to three customers (2009: one customer) for which there was no recent history of default.

As at 31 December 2010 and 31 December 2009, no impairment has been made on trade receivables.

(ii) Included in other receivables are staff loans and advances of US$Nil (2009: US$8,000). Such loans and advances were granted at the discretion of the management.

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

	2010 US$'000	2009 US$'000
At 1 January	774	1,481
Impairment losses		
– Continuing operations (Note 9)	77	52
– Discontinued operations (Note 11(ii))	–	19
Reversal due to debt recovery		
– Discontinued operations	(2)	(2)
Disposal of subsidiaries	(7)	–
Write off	(649)	(776)
At 31 December	193	774

The Group has provided impairment on material other receivables as at 31 December 2010 and 31 December 2009, which have been past due.

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For the year ended 31 December 2010

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Group

	2010 US$'000	2009 US$'000
Held for trading		
Listed securities:		
– Equity securities – Australia	227	2,788
– Equity securities – Canada	–	967
– Equity securities – Japan	10	94
– Equity securities – United Kingdom	37	1,217
– Equity securities – United States	–	566
Fair value of listed securities	274	5,632
Unlisted securities:		
– Equity securities – Australia	–	472
– Equity securities – British Virgin Islands	–	2,420
– Equity securities – Canada	–	36
Fair value of unlisted securities	–	2,928
Total	274	8,560

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

	Notes	2010 US$'000	2009 US$'000
At 1 January		8,560	9,771
Additions	(1)	4,265	7,354
Disposals	(2)	(12,671)	(11,636)
Disposal of subsidiaries (Note 40)		(16)	–
Dividend received		–	(1)
Gain/(Loss) on financial assets at fair value through profit or loss			
– Continuing operations		133	(1,428)
– Discontinued operations		3	4,500
At 31 December		274	8,560

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: (continued)

Notes:

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

	2010 US$'000	2009 US$'000
Acquisition by cash	4,265	7,204
Received in settlement of corporate finance fee	–	150
	4,265	7,354
Analysed into:		
Continuing operations	4,265	153
Discontinued operations	–	7,201
	4,265	7,354

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

	2010 US$'000	2009 US$'000
Disposals for cash	9,965	11,636
Non-cash disposals (Note 40)	2,706	–
	12,671	11,636

(3) The proceeds from sale of financial assets at fair value through profit or loss in cash flow (Note 37) are analysed as follows:

	2010 US$'000	2009 US$'000
Disposals for cash, as above	9,965	11,636
Receipt from receivables	–	161
	9,965	11,797
Analysed into:		
Continuing operations	9,965	148
Discontinued operations	–	11,649
	9,965	11,797

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24. LOAN RECEIVABLE

Group

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.

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 years ended 31 December 2010, ADM received total cash payment of approximately US$350,000 (2009: US$13,000,000) from IB Daiwa as partial repayment of the ADM Loan and settlement for various amendments to the terms of the ADM Loan, of which the Group received US$79,000 (2009: US$2,900,000) from its share of the participation. 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. In return, ADM has agreed to release IB Daiwa from any of its outstanding obligations under the ADM Loan.

24. LOAN RECEIVABLE (continued)

Group (continued)

The ADM Loan receivable, after allowance for impairment, as at 31 December 2010 is as follows:

	2010 US$'000	2009 US$'000
Loan receivable, net of impairment, at 1 January	1,348	7,844
Add: Effective interest income (Note 7 and 9)	1,041	2,844
Amortised carrying amount	2,389	10,688
Less: Allowance for impairment (Note 9)	(2,310)	(6,440)
Repayment	(79)	(2,900)
Loan receivable, net of impairment at 31 December	–	1,348

The interest income on the loan receivable for the years ended 31 December 2010 and 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.

The allowance for impairment has been calculated by reference to the fair value of the collateral held against the ADM Loan at 31 December 2010 and 31 December 2009. The fair value of the collateral is expected to decline with nil residual value and accordingly, the loan receivable, net of impairment, at 31 December 2010 was US$Nil (2009: US$1,348,000) which are equivalent to the fair value of the collateral held.

25. CASH AND CASH EQUIVALENTS

Group

	2010 US$'000	2009 US$'000
Bank and cash balances	2,855	4,977
Short-term bank deposits	1,507	2,869
	4,362	7,846
Average effective interest rates of short-term bank deposits	0.01% – 0.24%	0.01% – 0.3%

The short-term bank deposits have maturity periods ranging from 1 to 31 days (2009: 1 to 31 days) and are eligible for immediate cancellation without receiving any interest for the last deposit period.

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26. OTHER PAYABLES AND PROVISION FOR LIABILITIES

Group

(a) Other payables

	2010 US$'000	2009 US$'000
Other payables	42	694
Accrued charges	2,286	2,701
	2,328	3,395

Included in the Group's accrued charges is the insurance deductible of US$255,000 (2009: US$Nil) as detailed in Note 36 to the financial statements and provision for bonus of US$558,000 (2009: US$986,000) to directors and staff, including provision for bonus deferred from prior years of US$414,000 (2009: US$659,000).

(b) Provision for liabilities

	2010 US$'000	2009 US$'000
At 1 January	6,209	4,219
Addition	106	2,685
Amount used during the year	(374)	(695)
Disposal of subsidiaries (Note 40)	(2,895)	–
Release of provision for claims (Note 7)	(3,046)	–
At 31 December	–	6,209

	2010 US$'000	2009 US$'000
Representing:		
Provision for claims (Note 36)	–	3,246
Provision for onerous contract in respect of operating lease (Note 11(i))	–	2,963
At 31 December	–	6,209

27. OBLIGATIONS UNDER FINANCE LEASES

Group

(a) Finance lease liabilities – minimum lease payments:

	2010 US$'000	2009 US$'000
Due within one year	–	431
Due in the second to fifth years	–	160
	–	591
Future finance charges on finance leases	–	(80)
Present value of finance lease liabilities	–	511

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

	2010 US$'000	2009 US$'000
Due within one year	–	367
Due in the second to fifth years	–	144
	–	511
Less: Portion due within one year included under current liabilities	–	(367)
Non-current portion included under non-current liabilities	–	144

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28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Derivatives embedded in the convertible bonds issued:				
Balance at 1 January	**–**	2	**–**	2
Initial recognition (Note 30)	**4,969**	–	**4,969**	–
Loss/(Gain) on financial liabilities at fair value through profit or loss	**1,406**	(2)	**1,406**	(2)
Balance at 31 December	**6,375**	–	**6,375**	–
Warrants issued:				
Balance at 1 January	**–**	–	**–**	–
Initial recognition (Note 30)	**807**	–	**807**	–
Exercise of warrants	**(478)**	–	**(478)**	–
Loss on financial liabilities at fair value through profit or loss	**197**	–	**197**	–
Balance at 31 December	**526**	–	**526**	–
Total	**6,901**	–	**6,901**	–

During the year ended 31 December 2010, 30,000,000 warrants were exercised with fair value of US$478,000 at the date of exercise, as calculated using the Binomial Option Pricing Model .

The fair values at 31 December 2010 are calculated using the Binomial Option Pricing Model for the derivatives embedded in the convertible bonds and the warrants issued respectively. The inputs into the model are as follows:

	2010	
	Derivatives embedded in the convertible bond issued	**Warrants issued**
Expected volatility	86.59%	86.52%
Expected life	4.76 years	4.76 years
Risk-free rate	1.67%	1.67%
Expected dividend yield	0%	0%

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

29. NOTE PAYABLE

Group

The note payable represents the balance of the consideration payable on the acquisition of Shikumen, a wholly owned subsidiary of the Company, during the year ended 31 December 2010 after the allotment of new shares of the Company as detailed in Note 39 to the financial statements. The promissory note, disclosed as note payable, is unsecured, interest bearing at 3.5% per annum payable in arrears on each anniversary of the date of issuance and repayable after a fixed term of 2 years from the date of issuance or earlier based on certain conditions.

30. CONVERTIBLE BONDS

Group and Company

In March 2006, the Company issued US$75,000,000 Zero Coupon 5-year Convertible Bonds (the "Old Convertible Bonds"). 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 Old Convertible Bonds were unlisted and were 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 former subsidiary of 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. Any Old Convertible Bonds that remained outstanding on 4 February 2011 would have been redeemable at 116.1% of its principal amount.

US$55,000,000 of the Old Convertible Bonds were 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 Old Convertible Bonds of US$20,000,000 was therefore only exchangeable into a maximum of 11,453,287 existing shares of CAM, but no exchange had occurred up to date of repurchase and settlement as described below.

As allowed under the terms of the Old Convertible Bonds, the Company has entered into a Deed of Settlement with the holders of the Old Convertible Bonds to repurchase the outstanding Old Convertible Bonds of US$20,000,000 for a consideration of US$20,000,000 in cash financed by the issue of new convertible bonds as detailed below and an aggregate of 60,000,000 warrants issued by the Company. All the outstanding Old Convertible Bonds were then cancelled in October 2010.

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has agreed to place new 5-year Zero Coupon Convertible Bonds with an aggregate principal amount of up to HK$250,000,000, comprising Tranche 1 of principal amount up to HK$160,000,000 (the "Tranche 1 New Convertible Bonds") and Tranche 2 of principal amount of up to HK$90,000,000 (the "Tranche 2 New Convertible Bonds"), subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required for the Tranche 1 New Convertible Bonds, the Company issued the HK$160,000,000 Tranche 1 New Convertible Bonds, HK$156,000,000 of which was used to finance the repurchase of the Old Convertible Bonds as described above.

The Tranche 1 New Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the bondholder(s) at any time after the date of issuance, i.e. 4 October 2010 up to and including the date which is seven days prior to the maturity date of 4 October 2015, into new shares of the Company at a price of HK$0.18 per share initially, subject to the conversion price reset where at the end to 6-month period from the date of issuance and at the end of every 6-month period thereafter, the conversion price shall be adjusted to 110% of the one-month volume weighted average price with a floor of HK$0.078 per share and provided that the conversion price shall not in any event be higher than the lower of HK$0.18 per share and the previous adjusted conversion price reset. The Tranche 1 New Convertible Bonds are transferable without restriction and may be redeemed by the Company after the date of issuance at the early redemption amount, which shall result in an annual yield equal to 3.5% per annum compound on a semi-annual basis, provided that the closing market price of the shares is at least 150% of the conversion price for 30 consecutive trading days. The bondholder(s) of the Tranche 1 New Convertible Bonds may request the Company to redeem at the aforesaid early redemption amount on or after third anniversary of the date of issuance.

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30. CONVERTIBLE BONDS (continued)

Group and Company (continued)

The Tranche 1 New Convertible Bonds recognised in the statement of financial position at the date of issuance is calculated as follows:

	US$'000
Face value of Convertible Bonds issued	20,513
Transaction costs	(310)
	20,203
Financial liabilities at fair value through profit or loss (Note 28)	(4,969)
Liability component on initial recognition upon issuance of Tranche 1 New Convertible Bonds on date of issuance, i.e. 4 October 2010	15,234

The carrying values of the liability component of the convertible bonds recognised in the statement of financial position at the end of the reporting period are as follows:

	Old Convertible Bonds US$'000	Tranche 1 New Convertible Bonds US$'000	Total US$'000
Net carrying amounts at 1 January 2009	19,980	–	19,980
Effective interest expense (Note 8)	1,428	–	1,428
Net carrying amounts at 31 December 2009 and 1 January 2010	21,408	–	21,408
Effective interest expense (Note 8)	1,153	559	1,712
Redemption	(22,561)	–	(22,561)
Issue of new bonds	–	15,234	15,234
Net carrying amounts at 31 December 2010	–	15,793	15,793

The Company repurchased the Old Convertible Bonds at a consideration comprising cash of HK$156,000,000 (approximately US$20,000,000) financed by the issue of Tranche 1 New Convertible Bonds and an aggregate of 60,000,000 warrants issued. The fair value of warrants issued amounting to HK$6,294,000 (approximately US$807,000) were valued by an independent professional valuer on the valuation basis as detailed in Note 28 to the financial statements. The gain on the repurchase of the Old Convertible Bonds of US$1,754,000, as disclosed in Note 7 to the financial statements, which represented the difference between the total consideration of HK$162,294,000 (approximately US$20,807,000) and the carrying amount of the liability component of the Old Convertible Bonds of US$22,561,000 has been recognised in the profit and loss.

30. CONVERTIBLE BONDS (continued)

Group and Company (continued)

The interest expense of the Tranche 1 New Convertible Bonds and the Old Convertible Bonds is calculated using the effective interest method by applying an effective interest rate of 9.43% (2009: Nil) and 7.15% (2009: 7.15%) to the liability component respectively.

The residual amount of the proceeds of the Tranche 1 New Convertible Bonds over the fair value of the embedded derivatives, estimated at the date of issuance using Binomial Option Pricing Model, is assigned as the liability component.

31. SHARE CAPITAL

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of non-voting convertible deferred shares	Value
				US$'000
Authorised				
(par value of US$0.01 each)				
At 1 January 2009, 31 December 2009 and 1 January 2010	2,000,000,000	100,000	– (Note (a))	20,001
Increase in authorised ordinary share capital (Note (c))	2,000,000,000	–	–	20,000
At 31 December 2010	4,000,000,000	100,000	–	40,001
Issued and fully paid				
(par value of US$0.01)				
At 1 January 2009, 31 December 2009 and 1 January 2010	301,347,984	–	29,250,000 (Note (b))	3,306
Conversion of non-voting convertible deferred shares (Note (d))	29,250,000	–	(29,250,000)	–
Issue of Consideration Shares (Note (e))	130,000,000	–	–	1,300
Issue of shares upon exercise of warrants (Note (f))	30,000,000	–	–	300
At 31 December 2010	490,597,984	–	–	4,906

Notes to the Financial Statements

For the year ended 31 December 2010

31. SHARE CAPITAL (continued)

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.

(c) Pursuant to an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 10 August 2010, the authorised ordinary share capital of the Company were increased from US$20,000,000 divided into 2,000,000,000 shares of US$0.01 each to US$40,000,000 divided into 4,000,000,000 shares of US$0.01 each by the creation of an additional ordinary share capital of US$20,000,000 divided into 2,000,000,000 shares of US$0.01 each.

(d) On 5 May 2010, 29,250,000 non-voting deferred shares were converted into ordinary shares on a 1 for 1 basis.

(e) On 15 September 2010, 130,000,000 ordinary shares of US$0.01 each of the Company ("Consideration Shares") were allotted to Crosby Management Holdings Limited as the partial consideration for acquisition of Shikumen as detailed in Note 39 to the financial statements.

(f) On 5 November 2010, 30,000,000 warrants were exercised at HK$0.15 each in a total amount of HK$4,500,000 (approximately US$577,000) and converted into 30,000,000 new ordinary shares of US$0.01 each of the Company.

32. RESERVES

Group

	2010 **US$'000**	2009 US$'000
Share premium	**108,221**	106,444
Capital reserve	**271**	4,872
Capital redemption reserve	**77**	77
Employee share-based compensation reserve	**6,903**	11,973
Investment revaluation reserve	**191**	318
Foreign exchange reserve	**–**	(13)
Accumulated losses	**(136,934)**	(138,369)
	(21,271)	(14,698)

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 33 and 34.

32. RESERVES (continued)

Company

	Share premium	Capital reserve	Capital redemption reserve	Employee share-based compensation reserve	Investment revaluation reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
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 and at 1 January 2010	106,444	271	77	9,319	(290)	(111,703)	4,118
Lapse of share options	–	–	–	(562)	–	562	–
Lapse of share options granted to employees of a subsidiary	–	–		(2,124)	–	2,124	–
Surplus on revaluation	–	–	–	–	1,068	–	1,068
Employee share-based compensation	–	–	–	163	–	–	163
Employee share-based compensation granted to subsidiaries	–	–	–	22	–	–	22
Issue of shares for acquisition of a subsidiary, net of issue costs	1,024	–	–	–	–	–	1,024
Issue of shares upon exercise of warrants, net of issue costs	753	–	–	–	–	–	753
Disposal of a subsidiary	–	–	–	–	(778)	–	(778)
Loss for the year	–	–	–	–	–	(22,984)	(22,984)
At 31 December 2009	108,221	271	77	6,818	–	(132,001)	(16,614)

Notes to the Financial Statements

For the year ended 31 December 2010

33. 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. 103,699,395 options as of 31 December 2010). 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.

33. 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 2010	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	(6,000,000)	12,000,000	10 years
2007	29 January 2007	1,000,000	HK$3.650	–	1,000,000	10 years
2008(a)	11 February 2008	11,750,000	HK$1.800	(4,000,000)	4,650,000	10 years
2008(b)	29 December 2008	2,000,000	HK$0.180	–	1,200,000	10 years
2010	7 October 2010	18,700,000	HK$0.158	–	–	10 years
		124,580,870		(79,100,870) (Note)	20,880,000	

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

Notes to the Financial Statements

For the year ended 31 December 2010

33. 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	
2010	Directors	2006(a)	2,000,000	–	(500,000)	–	1,500,000	
		2006(b)	18,000,000	–	(12,000,000)	–	6,000,000	
		2007	1,000,000	–	(250,000)	–	750,000	
		2008 (a)	10,500,000	–	(6,000,000)	–	4,500,000	
		2008 (b)	2,000,000	–	(500,000)	–	1,500,000	
		2010	–	4,300,000	–	–	4,300,000	Note
			33,500,000	4,300,000	(19,250,000)	–	18,550,000	
	Employees	2002	30,000	–	–	–	30,000	
		2006(a)	–	–	500,000	–	500,000	
		2006(b)	–	–	6,000,000	–	6,000,000	
		2007	–	–	250,000	–	250,000	
		2008(a)	250,000	–	3,000,000	–	3,250,000	
		2008(b)	–	–	500,000	–	500,000	
		2010	–	14,400,000	–	–	14,400,000	Note
			280,000	14,400,000	10,250,000	–	24,930,000	
		Total	**33,780,000**	**18,700,000**	**(9,000,000)**	**–**	**43,480,000**	
		Weighted average exercise price	**HK$5.251**	**HK$0.158**	**HK$5.730**	**–**	**HK$2.751**	
2009	Directors	2006(a)	2,000,000	–	–	–	2,000,000	
		2006(b)	18,000,000	–	–	–	18,000,000	
		2007	1,000,000	–	–	–	1,000,000	
		2008 (a)	10,500,000	–	–	–	10,500,000	
		2008 (b)	2,000,000	–	–	–	2,000,000	
			33,500,000	–	–	–	33,500,000	
	Employees	2002	30,000	–	–	–	30,000	
		2006(a)	1,000,000	–	(1,000,000)	–	–	
		2008(a)	1,250,000	–	(1,000,000)	–	250,000	
			2,280,000	–	(2,000,000)	–	280,000	
		Total	35,780,000	–	(2,000,000)	–	33,780,000	
		Weighted average exercise price	HK$5.223	–	HK$4.750	–	HK$5.251	

Note: The closing price of the shares of the Company quoted on the Stock Exchange on 6 October 2010, being the business date immediately before the date on which share options were granted, was HK$0.156.

33. SHARE OPTION SCHEMES (continued)

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

18,700,000 options were granted during the year ended 31 December 2010. The fair value of the options granted during the year ended 31 December 2010, measured at the dates of grant, totalled approximately US$1,690,000. No options were granted during the year ended 31 December 2009.

US$225,000 (2009: US$840,000) of employee share-based compensation expense is included in the consolidated income statement for the year ended 31 December 2010 and US$28,000 (2009: Nil) of which was in respect of the options granted during the year ended 31 December 2010.

During the year ended 31 December 2010, 9,000,000 options were lapsed.

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 6.25% 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 2010 to derive the fair value, using the Binomial Option Pricing Model:

(i) an expected constant volatility 88.83% 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.

(b) Share Option Scheme of the Subsidiary

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

CAM, a former subsidiary of the Company, which was disposed by the Company on 23 December 2010 (the "Disposal Date"), 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.

Notes to the Financial Statements

For the year ended 31 December 2010

33. SHARE OPTION SCHEMES (continued)

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

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

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. 77,460,511 options as of 31 December 2010). 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.

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 the Disposal Date	Disposal of CAM by the Group	Options exercisable as at 31 December 2010	Contractual life
2005(a)	11 January 2005	14,150,000	21.15	(7,675,000)	2,350,000	(2,350,000)	–	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	(3,450,000)	200,000	(200,000)	–	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)	150,000	(150,000)	–	10 years
2007(b)	21 June 2007	1,400,000	43.50	(1,400,000)	–	–	–	10 years
2007(c)	4 December 2007	2,000,000	16.75	(2,000,000)	–	–	–	10 years
2008(a)	11 January 2008	15,870,000	22.25	(11,220,000)	2,790,000	(2,790,000)	–	10 years
2008(b)	26 June 2008	4,850,000	9.00	(4,850,000)	–	–	–	10 years
		45,987,318		(34,512,318)	5,490,000	(5,490,000)	–	

33. 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**	**Transfer/ lapsed during the year**	**Exercised during the year**	**Outstanding as at the Disposal Date**	**Disposal of CAM by the Group**	**Options outstanding as at 31 December 2010**
2010	Directors of CAM	2005(a)	1,000,000	–	–	–	1,000,000	(1,000,000)	–
		2007(a)	150,000	–	–	–	150,000	(150,000)	–
		2008(a)	5,150,000	–	(2,400,000)	–	2,750,000	(2,750,000)	–
			6,300,000	–	(2,400,000)	–	3,900,000	(3,900,000)	–
	Employees of CAM	2005(a)	3,450,000	–	(2,100,000)	–	1,350,000	(1,350,000)	–
		2005(b)	150,000	–	(150,000)	–	–	–	–
		2006(a)	1,150,000	–	(950,000)	–	200,000	(200,000)	–
		2007(b)	1,400,000	–	(1,400,000)	–	–	–	–
		2007(c)	1,000,000	–	(1,000,000)	–	–	–	–
		2008(a)	3,200,000	–	(1,300,000)	–	1,900,000	(1,900,000)	–
			10,350,000	–	(6,900,000)	–	3,450,000	(3,450,000)	–
		Total	**16,650,000**	**–**	**(9,300,000)**	**–**	**7,350,000**	**(7,350,000)**	**–**
		Weighted average exercise price	**29.11 pence**	**–**	**33.07 pence**	**–**	**24.10 pence**	**24.10 pence**	**–**
2009	Directors of CAM	2005(a)	1,000,000	–	–	–	1,000,000	–	1,000,000
		2006(a)	150,000	–	(150,000)	–	–	–	–
		2007(a)	300,000	–	(150,000)	–	150,000	–	150,000
		2008(a)	5,300,000	–	(150,000)	–	5,150,000	–	5,150,000
			6,750,000	–	(450,000)	–	6,300,000	–	6,300,000
	Employees of CAM	2005(a)	5,800,000	–	(2,350,000)	–	3,450,000	–	3,450,000
		2005(b)	150,000	–	–	–	150,000	–	150,000
		2006(a)	1,800,000	–	(650,000)	–	1,150,000	–	1,150,000
		2007(b)	1,400,000	–	–	–	1,400,000	–	1,400,000
		2007(c)	1,000,000	–	–	–	1,000,000	–	1,000,000
		2008(a)	5,230,000	–	(2,030,000)	–	3,200,000	–	3,200,000
		2008(b)	1,250,000	–	(1,250,000)	–	–	–	–
			16,630,000	–	(6,280,000)	–	10,350,000	–	10,350,000
		Total	23,380,000	–	(6,730,000)	–	16,650,000	–	16,650,000
		Weighted average exercise price	28.88 pence	–	28.54 pence	–	29.11 pence	–	29.11 pence

Notes to the Financial Statements

For the year ended 31 December 2010

33. SHARE OPTION SCHEMES (continued)

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

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

No options were granted during the period up to the Disposal Date and the year ended 31 December 2009.

US$101,000 (2009: US$634,000) of employee share-based compensation expense is included in the consolidated income statement of the Group for the year ended 31 December 2010.

9,300,000 options of CAM were lapsed during the period up to the Disposal Date, 2,400,000 of which were lapsed upon disposal of CAM by the Group. The outstanding 7,350,000 share options (5,490,000 of which were exercisable) as at the Disposal Date were approved not to be lapsed following the disposal of CAM by the Group and will remain valid at CAM after the Disposal Date.

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

CWMA, a 55.86% subsidiary of the Company, 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. 4,523 options as at 31 December 2010). 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.

33. SHARE OPTION SCHEMES (continued)

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

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

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

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 exercised during the year	Options lapsed since grant	Options exercisable as at 31 December 2010	Contractual life
2007(a)	1 June 2007	180	500	–	–	180	10 years
2007(b)	12 June 2007	180	500	(90)	–	90	10 years
2008	1 June 2008	180	500	–	–	–	10 years
		540		(90)	–	270	

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
2010	Directors of CWMA	2007(a)	180	–	–	–	180
		2008	180	–	–	–	180
	Employees of CWMA	2007(b)	180	–	–	(90)	90
		Total	**540**	**–**	**–**	**(90)**	**450**
		Weighted average exercise price	**US$500**	**–**	**–**	**US$500**	**US$500**
2009	Director of CWMA	2007(a)	180	–	–	–	180
		2008	180	–	–	–	180
	Employees of CWMA	2007(b)	180	–	–	–	180
		Total	540	–	–	–	540
		Weighted average exercise price	US$500	–	–	–	US$500

No options were granted during the year ended 31 December 2010 and 31 December 2009.

US$42,000 (2009: US$66,000) of employee share-based compensation expense is included in the consolidated income statement of the Group for the year ended 31 December 2010.

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34. 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 2010 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:

	2010 US$'000	2009 US$'000
Fees	157	160
Salaries, allowances and benefits in kind	1,546	2,416
Salary waiver	–	(380)
Bonus paid and payable	131	–
Release of provision for bonus deferred from prior years	–	(668)
Termination/gratuitous payments	1,182	–
Retirement fund contributions	3	3
Social security costs	15	43
Share-based compensation expense	235	1,071
	3,269	2,645

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

	Notes	2010 US$'000	2009 US$'000
Corporate finance and other advisory fees from an investee company, Touchstone Investment Holdings Limited	(i)	–	150
Loan interest income received from an investee company, IB Daiwa	(ii)	–	42
Loan arrangement fee received from an investee company, IB Daiwa	(ii)	–	658
Proceeds on disposal of subsidiaries and assets to ECK Partners Holdings Limited ("ECK Partners") (Note 40)	(iii)	1,154	–
Management services fee received from ECK Partners		13	–

Notes:

(i) At 31 December 2009, the Group held 15.81% of the issued share capital of the investee companies through its subsidiary. No shareholding was held as at 31 December 2010.

(ii) At 31 December 2009, the Group held 0.47% of the issued share capital of the investee company through its subsidiaries. No shareholding was held as at 31 December 2010.

(iii) During the year ended 31 December 2010, certain subsidiaries and assets were disposed to ECK Partners at total consideration of US$ 1,154,000 which was offset against termination payments to Mr. Ilyas Tariq Khan, a former Director of the Company. ECK Partners is a company owned as to 88.86% by TW Indus Limited, a company wholly-owned by Mr. Ilyas Tariq Khan, and 11.14% by Mr. Robert John Richard Owen, the Director of CAM.

(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.

35. COMMITMENTS

(a) Operating leases

Group

As at 31 December 2010, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2010 Land and buildings US$'000	2009 Land and buildings US$'000	2010 Motor vehicles US$'000	2009 Motor vehicles US$'000	2010 Total US$'000	2009 Total US$'000
Within one year	501	833	29	29	530	862
In the second to fifth years	156	1,929	54	20	210	1,949
After fifth year	–	986	–	–	–	986
	657	3,748	83	49	740	3,797

The Group leases a number of properties under operating leases in Hong Kong and overseas. The leases run for an initial period from 1 to 3 years (2009: from 2 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 2010 and 31 December 2009, the Company had no commitments under non-cancellable operating leases.

(b) Capital commitments

As at 31 December 2010 and 31 December 2009, the Group and the Company had the following capital commitments:

	Group 2010 US$'000	Group 2009 US$'000	Company 2010 US$'000	Company 2009 US$'000
Commitments for the acquisition of property, plant and equipment:				
– contracted for but not provided	8,064	–	–	–

36. CONTINGENCIES

Crosby Wealth Management (Hong Kong) Limited ("CWM (HK)"), a 55.86% owned subsidiary, has settled legal proceedings brought by a client in Hong Kong concerning a trade execution error during the year ended 31 December 2010. The excess provision made in prior year has been released as set out in Note 26(b) to the financial statements.

During the year ended 31 December 2010, CWM (HK) received a writ of simmons (the "Writ") issued in High Court in Hong Kong by another client in Hong Kong, claiming for alleged losses arising from its investments in 2007. CWM (HK) has sought legal counsel and has been rigorously refuting these claims in correspondence, and it has filed a robust defence to the claims as stated in the Writ. Furthermore, the Group's asset management and wealth management operations are covered under the professional liability insurance carried by the Group in the event that claims are made against the Group for any actual or alleged wrongful professional act, subject to the insurer reviewing information of each claim and confirming the amount covered. The Group's insurer has been informed of the claim stated in the Writ. No provision for claims in respect of these matters, save for the insurance deductible included in other payable as disclosed in Note 26(a) to the financial statements.

Save as disclosed above, the Group and the Company had no material contingent liabilities as at 31 December 2010 and 31 December 2009.

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

	Notes	2010 US$'000	2009 US$'000 (Restated)
Cash flows from operating activities			
Continuing operations			
Loss before taxation		**(3,008)**	(12,715)
Adjustments for:			
Amortisation of intangible assets	20	**246**	–
Depreciation of property, plant and equipment		**225**	168
Dividend income		**(186)**	(2)
Excess over the cost of acquisition of a subsidiary		**–**	(11)
Fee on arrangement of loans		**–**	(374)
Finance costs		**1,849**	1,432
Foreign exchange losses/(gains), net		**60**	(209)
Employee share-based compensation expense	5	**267**	1,256
Loss on disposal of property, plant and equipment		**2**	–
Gain on disposal of available-for-sale investments		**(285)**	–
Gain on repurchase and cancellation of convertible bonds		**(1,754)**	–
Loss/(Gain) on financial liabilities at fair value through profit or loss		**1,603**	(2)
Impairment of associates		**–**	389
Impairment of available-for-sale investments		**8**	1,536
Impairment of a jointly controlled entity		**–**	128
Impairment of loan receivable		**2,310**	6,440
Impairment of note receivable		**531**	–
Impairment of other receivables		**77**	52
Interest income		**(1,062)**	(2,862)
Loss on disposal of available-for-sale investments		**–**	362
Loss on disposal of a subsidiary		**54**	–
Gain on deemed disposal of a subsidiary		**(32)**	–
(Gain)/Loss on financial assets at fair value through profit or loss		**(133)**	1,428
Share of losses of associates		**–**	42
Share of profits of jointly controlled entities		**–**	(128)
Write off of property, plant and equipment		**–**	16
Operating profit/(loss) before working capital changes		**772**	(3,054)
Acquisition of financial assets at fair value through profit or loss	23(b)(1)	**(4,265)**	(153)
Proceeds from disposal of financial assets at fair value through profit or loss	23(b)(3)	**9,965**	148
Decrease in amounts due from associates		**–**	14
(Increase)/Decrease in amounts due from jointly controlled entities		**(120)**	294
Decrease in deferred income		**(8)**	–
Increase in trade and other receivables		**(6,588)**	(3,293)
Decrease in other payables		**(497)**	(640)
Decrease in provision for liabilities		**(3,246)**	–
Cash used in from operations		**(3,987)**	(6,684)

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, the following non-cash transactions occurred:

(i) Certain subsidiaries and assets were disposed to ECK Partners Holdings Limited at total consideration of US$1,154,000 which was offset against termination payments to Mr. Ilyas Tariq Khan, a former Director of the Company.

(ii) 130,000,000 of new shares and promissory note of principal amount of HK$30,000,000 were issued to settle the consideration for the acquisition of Shikumen.

(iii) 60,000,000 warrants were issued to finance the partial settlement of the consideration for the repurchase of the Old Convertible Bonds.

Details of the abovementioned non-cash transactions are set out in Note 30, 39 and 40 to the financial statements.

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.

39. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

The acquisition of subsidiary undertakings during the year ended 31 December 2010 is mainly the acquisition of 100% interest in Shikumen Capital Management (HK) Limited ("Shikumen") on 13 September 2010 (the "Acquisition Date").

Details of the net assets acquired and goodwill arising from the acquisition of Shikumen are as follows:

	2010 US$'000
Purchase consideration:	
Issue of 130,000,000 new ordinary shares ("Consideration Shares")	2,333
Issue of promissory note	3,233
Total purchase consideration	5,566
Less: Fair value of net assets acquired	625
Fair value of non-compete contract acquired (Note 20)	1,630
Goodwill* (Note 21)	3,311

* The excess of total purchase consideration over the share of fair value of the net identifiable assets of the acquired subsidiary, including non-compete contract, at the date of acquisition, is recorded as goodwill.

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39. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

The acquirees' fair value of assets and liabilities at the Acquisition Date are as follows:

	2010 US$'000
Fair value of net assets acquired:	
Property, plant and equipment (Note 15)	3
Trade and other receivables	91
Cash and cash equivalents	949
Amount due to a related company	(25)
Other payables	(337)
Provision for taxation	(56)
Fair value of net assets acquired	625

The Directors of the Company consider the fair values of the net assets of Shikumen acquired are not materially different from the carrying amounts.

An analysis of net inflow of cash and cash equivalents in respect of the acquisition of Shikumen is as follows:

	2010 US$'000
Purchase consideration settled in cash	–
Cash and cash balances acquired	949
Net cash inflow from acquisition	949

The fair value of the Consideration Shares issued by the Company was determined by reference to their quoted market price of HK$0.14 per share at the Acquisition Date.

The fair value of the promissory note was calculated by applying the discount rate of 13.07 % to the future cashflows at the date of issuance and was stated at amortised cost using the effective interest method at 31 December 2010. The details of the promissory note is set out in Note 29 to the financial statements.

The goodwill of US$3,311,000, which is not deductible for tax purposes, comprising the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the Acquisition Date, Shikummen has contributed US$2,175,000 and US$956,000 to Group's revenue and profit respectively. If the acquisition had occurred on 1 January 2010, Group's revenue and loss would have been US$6,669,000 and US$5,768,000 respectively.

The acquisition-related costs of US$277,000 have been expensed and are included in administrative expenses. The attributable costs of the issuance of Consideration Shares of US$9,000 have been deducted in the share premium.

39. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

In addition, the Group acquired a further 2.9% equity interest in Crosby Asset Management Inc. ("CAM") upon the issue of 66,367,043 new ordinary shares by CAM to settle the consideration for the disposal of certain subsidiaries to the Company. The percentage holding of the Group in CAM increased from 86.45% at 31 December 2009 to 89.35% after the abovementioned disposal and up to the date of disposal to ECK Partners Holdings Limited as detailed in Note 40 to the financial statements. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

There were no acquisition of businesses during the year ended 31 December 2009 except the acquisition of a further 1.73% equity interest in CAM. The Group acquired a further 1.73% equity interest in CAM for a total consideration of US$32,000. The fair value of the net assets of CAM at the date of acquisition were US$43,000 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, as disclosed in Note 9 to the financial statements. The percentage holding of the Group in CAM increased from 84.72% as at 31 December 2008 to 86.45% as at 31 December 2009.

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40. DISPOSAL OF SUBSIDIARY UNDERTAKINGS AND ASSETS

On 4 October 2010, 6 October 2010 and 23 December 2010 (the "Dates of Disposal"), the Group disposed to ECK Partners Holdings Limited ("ECK Partners"), its entire interests in Crosby Capital Partners Limited, Crosby (Hong Kong) Limited, Crosby Special Situations Fund Limited and its subsidiaries, Crosby Corporate Finance (Holdings) Limited and its subsidiaries and Crosby Asset Management Inc as well as certain financial assets at fair value through profit or loss to ECK Partners. The net liabilities of the subsidiary undertakings and the net carrying amount of financial assets at fair value through profit or loss at the Dates of Disposal were as follows:

	2010 US$'000
Net liabilities of subsidiary undertakings disposed of:	
Property, plant and equipment (Note 15)	35
Intangible assets (Note 20)	21
Trade and other receivables	592
Financial assets at fair value through profit or loss (Note 23(b))	16
Cash and cash equivalents	119
Trade and other payables	(1,024)
Provision for liabilities (Note 26(b))	(2,895)
Oligations under finance leases	(259)
	(3,395)
Add: Non-controlling interests	28
Foreign exchange reserve	(743)
Net liabilities of subsidiary undertakings disposed of	(4,110)
Assets disposed of:	
Financial assets at fair value through profit or loss disposed of (Note 23(b)(2))	2,706
	(1,404)
Total consideration (Note 38)	1,154
Gain on disposal of subsidiaries (Note 11)	2,558

The total consideration of HK$1,154,000 was settled by offsetting the termination payments of US$1,172,000 to Mr. Ilyas Tariq Khan, a former Director of the Company, with the residual termination payments to be settled in cash.

The difference of the consideration on disposal of the assets over their fair values at the date of disposal of US$2,706,000 was US$6,000 which has been recognised as loss on financial assets at fair value through profit or loss in the consolidated income statement for the year ended 31 December 2010.

The cash and cash equivalents disposed of was US$119,000 which has been included in the net cash outflow from investing activities from discontinued operation.

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

41. 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:

	2010 US$'000	2009 US$'000
Classes of financial assets – carrying amounts:		
Note receivable	–	508
Loan receivable	–	1,348
Trade and other receivables*	1,698	1,054
Cash and cash equivalents	4,362	7,846
	6,060	10,756

* Excluded from the trade and other receivables of US$1,698,000 (2009: US$1,054,000) is an amount of US$248,000 (2009:US$434,000) representing prepayments which are not subject to credit risk.

As at 31 December 2010, 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.

(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.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

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 2010 and 31 December 2009 are summarised as follows:

	2010					
	USD denominated USD'000	YEN denominated equivalent USD'000	AUD denominated equivalent USD'000	GBP denominated equivalent USD'000	Other currencies equivalent USD'000	Total USD'000
ASSETS						
Available-for-sale investments	548	–	–	–	5	553
Trade and other receivables*	1,339	–	–	–	359	1,698
Financial assets at fair value through profit or loss	–	10	227	37	–	274
Cash and cash equivalents	3,900	–	1	52	409	4,362
	5,787	10	228	89	773	6,887
LIABILITIES						
Other payables	(495)	–	–	(19)	(1,814)	(2,328)
Financial liabilities at fair value through profit or loss	–	–	–	–	(6,901)	(6,901)
Convertible bonds	–	–	–	–	(15,793)	(15,793)
NET TOTAL	5,292	10	228	70	(23,735)	(18,135)

	2009					
	USD denominated USD'000	YEN denominated equivalent USD'000	AUD denominated equivalent USD'000	GBP denominated equivalent USD'000	Other currencies 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						
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

* Excluded from the trade and other receivables of US$1,698,000 (2009: US$1,054,000) is an amount of US$248,000 (2009: US$434,000) representing prepayments which are not subject to foreign exchange risk.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in YEN, AUD and GBP. Other currencies mainly represented HKD. Since HKD is pegged to USD, the Group does not expect any significant movements in USD / HKD exchange rate. The following table details the Group's sensitivity to a 20% (2009: 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.

			2010		
Foreign Currency	**As at 31 December US$'000**	**Increase in exchange rate %**	**Effect on loss for the year and capital deficiency US$'000**	**Decrease in exchange rate %**	**Effect on loss for the year and capital deficiency US$'000**
YEN	**10**	**20**	**2**	**(20)**	**(2)**
AUD	**228**	**20**	**46**	**(20)**	**(46)**
GBP	**70**	**20**	**14**	**(20)**	**(14)**
TOTAL	**308**		**62**		**(62)**

			2009		
Foreign Currency	As at 31 December US$'000	Increase in exchange rate %	Effect on loss for the year and capital deficiency US$'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)

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(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$Nil (2009: US$123,000).

(iii) Equity price risk management

The Group is exposed to equity price risk through its holdings of listed equity securities.

The carrying amounts of the listed equity securities recognised at 31 December 2010 and 31 December 2009, are summarised below:

	2010 US$'000	2009 US$'000
Carrying amount of listed equity securities included in the following classes of financial assets:		
Available-for-sale investments (Note 18)	5	316
Financial assets at fair value through profit or loss (Note 23)	274	5,632
	279	5,948

As at 31 December 2010 and 31 December 2009, 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 2010 is US$227,000 (2009: US$2,245,000).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iii) Equity price risk management (continued)

Sensitivity Analysis

The sensitivity analysis and the table below have been determined based on the exposure to equity price risk at 31 December 2010 and 31 December 2009.

			2010		
Financial assets at fair value through profit or loss	**Market value as at 31 December 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	**227**	**20**	**45**	**(20)**	**(45)**
Others	**47**	**20**	**10**	**(20)**	**(10)**
TOTAL	**274**		**55**		**(55)**

			2009		
Financial assets at fair value through profit or loss	Market value as at 31 December 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)
Others	3,387	20	677	(20)	(677)
TOTAL	5,632		1,126		(1,126)

As at 31 December 2010, had the market price of available-for-sale investments increased or decreased by 20% (2009: 20%) with all other variables held constant, the Group's total equity would have increased or decreased by approximately US$1,000 (2009: US$63,000) 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.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

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

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).

The level in the fair value hierarchy within which the financial assets 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:

	2010			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets:				
Available-for-sale investments				
– Listed	5	–	–	5
– Unlisted	–	548	–	548
Financial assets at fair value through profit or loss				
– Listed	274	–	–	274
TOTAL	279	548	–	827
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	(6,901)	–	(6,901)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

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

	2009			
	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'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

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

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

Listed securities

The listed equity securities are mainly denominated 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 Option 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.

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41. 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:

	2010 US$'000	2009 US$'000
Financial assets:		
At 1 January	2,928	2,240
Additions	–	350
Disposals	(2.928)	–
Gain on financial assets at fair value through profit or loss	–	338
At 31 December	–	2,928

(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 2010, 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.

41. 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 which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk.

	2010					
	Less than 1 month US$'000	1–3 months US$'000	3 months – 1 year US$'000	1-5 years US$'000	More than 5 years US$'000	Total carrying amount as at 31 December US$'000
Financial liabilities:						
Other payables*	(481)	(133)	(1,222)	(31)	–	(1,867)
Loan payable	–	–	–	(62)	–	(56)
Note payable	–	–	–	(4,115)	–	(3,366)
Convertible bonds	–	–	–	(22,763)	–	(15,793)
TOTAL	(481)	(133)	(1,222)	(26,971)	–	(21,082)

Notes to the Financial Statements

For the year ended 31 December 2010

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk (continued)

	2009					
	Less than 1 month US$'000	1-3 months US$'000	3 months– 1 year US$'000	1-5 years US$'000	More than 5 years US$'000	Total carrying amount as at 31 December US$'000
Financial liabilities:						
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	–	–	–	(62)	–	(54)
Convertible bonds	–	–	–	(23,220)	–	(21,408)
TOTAL	(355)	(860)	(8,025)	(23,438)	–	(30,858)

* Excluded from other payables of US$1,867,000 (2009: US$2,676,000) are amounts of US$47,000 (2009: US$60,000) and US$414,000 (2009: US$659,000) 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk (continued)

The maturity profile of the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments is as follows:

	2010					
	Less than 1 month US$'000	1-3 months US$'000	3 months-1 year US$'000	1-5 years US$'000	More than 5 years US$'000	Total carrying amount as at 31 December US$'000
Financial liabilities:						
Other payables	(765)	–	–	–	–	(765)
Convertible bonds	–	–	–	(22,763)	–	(15,793)
TOTAL	(765)	–	–	(22,763)	–	(16,558)

	2009					
	Less than 1 month US$'000	1-3 months US$'000	3 months-1 year US$'000	1-5 years US$'000	More than 5 years US$'000	Total carrying amount as at 31 December US$'000
Financial liabilities:						
Other payables	(66)	–	–	–	–	(66)
Convertible bonds	–	–	–	(23,220)	–	(21,408)
TOTAL	(66)	–	–	(23,220)	–	(21,474)

Notes to the Financial Statements

For the year ended 31 December 2010

41. 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 issuance of convertible bonds.

The Group is not subject to externally imposed capital requirements, except for four of its subsidiaries, namely Crosby Asset Management (Hong Kong) Limited, Crosby Wealth Management (Hong Kong) Limited, Shikumen Capital Management (HK) 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 attributable to owners of the Company as at 31 December 2010 was US$16,365,000 (2009: US$11,392,000).

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2010 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 2010	2009	Principal activities
Coniston International Capital Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	100%	100%	Investment holding
Crosby Asset Management (Asia) Limited	Cayman Islands	N/A	100,000 ordinary shares at US$0.001 each	100%*	86.45%	Investment holding
Crosby Asset Management (Holdings) Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	100%*	86.45%	Investment holding
Crosby Asset Management (Hong Kong) Limited	Hong Kong	Hong Kong	9,996 ordinary shares at HK$1 each	100%*	86.45%	Provision of investment advisory and fund administration 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	1,006 ordinary shares at HK$1 each	100%	100%	Provision of corporate services
Crosby Wealth Management (Asia) Limited	Cayman Islands	N/A	18,000 ordinary shares at US$1 each	55.86%*	48.53%	Investment holding
Crosby Wealth Management (Hong Kong) Limited	Hong Kong	Hong Kong	7,702 ordinary shares at HK$1 each	55.86%*	48.53%	Provision of wealth management services
Dragon Fund Inc.	Cayman Islands	N/A	2 ordinary shares at US$1 each	100%	100%	Investment holding
Shikumen Capital Management (HK) Limited	Hong Kong	Hong Kong	2,500,000 ordinary shares at HK$1 each	100%	–	Provision of investment advisory and fund management services
Softech Investment Management Company Limited	Hong Kong	Hong Kong	503 ordinary shares at HK$10 each	100%*	86.45%	Provision of fund management services

Notes to the Financial Statements

For the year ended 31 December 2010

42. 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 2010	2009	Principal activities
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

* These are the subsidiaries previously held by the Company through Crosby Asset Management Inc. ("CAM"), a former non-wholly owned subsidiary. Upon the disposal of CAM during the year ended 31 December 2010, as disclosed in Note 40 to the financial statements, these subsidiaries were held by the Company through wholly owned subsidiaries.

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

APPENDIX I

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:

	2010 **US$'000**	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Financial results					
Loss attributable to owners of the Company	**(5,858)**	(16,036)	(61,791)	(64,651)	(60,700)
Assets and liabilities					
Total assets	**13,657**	21,107	41,771	124,902	214,245
Total liabilities	**(28,613)**	(31,604)	(36,930)	(43,623)	(46,123)
(Capital deficiency)/Total equity	**(14,956)**	(10,497)	4,841	81,279	168,122

APPENDIX II

CORPORATE INFORMATION

Board of Directors

Johnny Chan Kok Chung
Executive Director
Ulric Leung Yuk Lun
Executive Director
Ahmad S. Al-Khaled
Non-Executive Director
Daniel Yen Tzu Chen
Independent Non-Executive Director
Joseph Tong Tze Kay
Independent Non-Executive Director
David John Robinson Herratt
Independent Non-Executive Director

Audit Committee

Joseph Tong Tze Kay *Chairman*
Daniel Yen Tzu Chen
David John Robinson Herratt

Remuneration Committee

Daniel Yen Tzu Chen *Chairman*
Joseph Tong Tze Kay
David John Robinson Herratt

Nomination Committee

Ulric Leung Yuk Lun *Chairman*
Joseph Tong Tze Kay
Daniel Yen Tzu Chen

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
The Bank of East Asia Limited

Auditor

BDO Limited

Solicitors

Stephenson Harwood
J. S. Gale & Co.

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