CROSBY
CAPITAL LIMITED
Stock Code: 8088

Interim Report 2011
For the six months ended 30 June

Characteristics of The Growth Enterprise Market ("Gem") of The Stock Exchange Of Hong Kong Limited (The "Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

ABOUT CROSBY CAPITAL LIMITED

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reports a reduced loss attributable to owners for the period under review of US$0.2 million when compared to a loss of US$4.8 million for the same period last year.

Revenue from continuing operations have increased to US$3.3 million for the period under review when compared to US$0.9 million for the same period last year. Shikumen Capital Management (HK) Limited ("Shikumen"), a wholly owned subsidiary acquired in September 2010, was the major contributor to the increase in the revenue of the Group for the period. Total operating expenses (being other administrative expenses plus other operating expenses) for the period under review were US$4.7 million. Excluding those incurred by the newly acquired Shikumen of US$1.3 million, the total operating expenses were controlled at a level of US$3.4 million for the period under review as compared to that of US$3.2 million for the same period last year.

After the restructuring of the Group last year, the Group wishes to utilize its resources more efficiently and the Directors consider that it is time to expand its existing business or invest in new investment business in the near future so as to strengthen the Group's income base and financial position. The Group intends to increase its assets under management in different asset classes either by launching new investment funds under its management or via acquisitions of other asset management firms. To facilitate this strategy, the Company announced that it proposed to raise a minimum of approximately HK$39.25 million before expenses by way of a rights issue of a minimum of 49,059,798 rights shares at a subscription price of HK$0.80 per rights share on the basis of one rights shares for every one consolidated share held on the record date of the rights issue with an option to subscribe for one new non-voting redeemable convertible preference share ("RCPS") for every two rights shares allotted and taken up by shareholders. The Company has engaged Emperor Securities Limited as the underwriter of the rights issue and the largest shareholder of the Company, Crosby Management Holdings Limited, has undertaken to the Company to subscribe for its entitlement to the rights shares and the RCPS. The rights issue together with the option to subscribe for the RCPS shall be subject to shareholders' approval at the extraordinary general meeting to be held on 12 August 2011.

FINANCIAL POSITION AND RESOURCES

Liquidity

At 30 June 2011, the Group had cash and bank balances of US$6.4 million increased from US$4.4 million at 31 December 2010 and net current assets of US$5.7 million increased from US$4.1 million at 31 December 2010.

Significant Investments

At 30 June 2011, the Group also had available-for-sale investments of US$0.6 million and financial assets at fair value through profit or loss of US$0.2 million as compared with those of US$0.6 million and US$0.3 million respectively at 31 December 2010. Details of these investments are set out in Notes 14 and 17 to the unaudited condensed interim financial information respectively.

Gearing and Charges

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place new 5-year Zero Coupon Convertible Bonds with an aggregate principal amount of up to HK$250 million, comprising Tranche 1 of principal amount up to HK$160 million (the "Tranche 1 Convertible Bonds") and Tranche 2 of principal amount of up to HK$90 million (the "Tranche 2 Convertible Bonds"), subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required for Tranche 1 Convertible Bonds, the Company issued the Tranche 1 Convertible Bonds, HK$156 million of which was used to finance the repurchase of the convertible bonds previously issued in March 2006 as detailed in the Company's 2010 Annual Report. On 30 March 2011, with the fulfillment of all conditions required for Tranche 2 Convertible Bonds, the Company further issued the Tranche 2 Convertible Bonds, the proceeds of which was used to finance the purchase of the new office premises together with the mortgage bank loan.

The terms and conditions of the Tranche 2 Convertible Bonds are the same as those of the Tranche 1 Convertible Bonds, which were detailed in the Company's 2010 Annual Report. In accordance with the terms and conditions thereof, the conversion price was reset to HK$0.17259 per share with effect from 4 April 2011.

In March 2011, a mortgage bank loan of principal amount of HK$30 million was drawn to finance the purchase of the new office premises as mentioned above. It is secured by the new office premises, corporate guarantees of unlimited amount and HK$30 million by the Company and Shikumen Capital Management (HK) Limited, its wholly owned subsidiary respectively.

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 in September 2010, as disclosed under note payable in Note 21 to the unaudited condensed interim financial information. A principal amount of HK$20 million was prepaid during the period under review.

At 30 June 2011, the Group had no other significant debt and no other significant charges on its investments and assets.

Commitments and Contingent Liabilities

At 30 June 2011, the Group had no significant commitments, other than those under operating leases for the rental of its office premises and motor vehicle as set out in Note 26 to the unaudited condensed interim financial information and no significant contingent liabilities, including pension obligations, other than those set out in Note 27 to the unaudited condensed interim financial information.

Equity Structure

An analysis of the movements in equity during the period is provided in the consolidated statement of changes in equity on page 9 of the unaudited condensed interim financial information.

At 30 June 2011, the issued ordinary share capital of the Company was 490,597,984 shares. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the period under review.

At 30 June 2011, the Company had 43,480,000 options outstanding under the Company's Share Option Scheme of which 23,980,000 options were exercisable. The Company can grant a further 49,059,798 options pursuant to the existing shareholder mandate limit.

Non-controlling interests in the consolidated statement of financial position decreased to US$1.0 million at 30 June 2011 from US$1.4 million at 31 December 2010. The balance at 30 June 2011 represents the 44.14% non-controlling shareholders interest in the Group's wealth management operating subsidiary.

EMPLOYEE INFORMATION

As at 30 June 2011, the Group had 35 full-time employees (31 December 2010: 33). Details of the directors' and employees' remuneration during the period are provided in Note 7 to the unaudited condensed interim financial information.

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 out-of the money. The Group's remuneration policies and practices are reviewed regularly and benchmarked against a peer group of international financial institutions.

FOREIGN CURRENCY EXPOSURE

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

(a) Corporate Governance Practices

Throughout the period of the six months ended 30 June 2011, 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 deviation:

Code Provision A.2.1

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

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 three Executive Directors of the Company collectively.

(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.

RESULTS

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Group for the six months and three months ended 30 June 2011 (the "Review Periods"), together with the comparative unaudited figures of the corresponding periods in 2010, as follows:

CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30 June 2011

		Unaudited Six months ended 30 June		**Unaudited Three months ended 30 June**	
	Notes	**2011** *US$'000*	(Restated) 2010 *US$'000*	**2011** *US$'000*	(Restated) 2010 *US$'000*
Continuing operations					
Revenue	*5*	3,262	943	2,378	470
Cost of sales		(262)	(15)	(153)	(7)
Gross profit		3,000	928	2,225	463
(Loss)/Gain on financial assets at fair value through profit or loss	*17*	(68)	–	(57)	218
Gain on financial liabilities at fair value through profit or loss		2,988	–	2,835	–
Other income	*6*	134	3,804	40	3,393
Administrative expenses					
Amortisation of intangible assets		(404)	–	(203)	–
Other administrative expenses		(4,426)	(3,104)	(2,394)	(1,910)
		(4,830)	(3,104)	(2,597)	(1,910)
Impairment of available-for-sale investments	*14*	–	(59)	–	(58)
Impairment of loan receivable		–	(1,021)	–	(483)
Other operating expenses		(308)	(140)	(247)	(32)
Profit from operations		916	408	2,199	1,591
Finance costs	*8*	(1,436)	(751)	(902)	(387)
Share of profits of jointly controlled entities		103	51	52	26
(Loss)/Profit before taxation	*9*	(417)	(292)	1,349	1,230
Taxation	*10*	(270)	3	(71)	–
(Loss)/Profit for the period from continuing operations		(687)	(289)	1,278	1,230
Discontinued operations					
Loss for the period from discontinued operations	*11*	–	(3,679)	–	(1,873)
(Loss)/Profit for the period		(687)	(3,968)	1,278	(643)

		Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	Note	**2011** US$'000	(Restated) 2010 US$'000	**2011** US$'000	(Restated) 2010 US$'000
Attributable to:					
Owners of the Company					
(Loss)/Profit for the period from continuing operations		(239)	(975)	1,561	401
Loss for the period from discontinued operations		–	(3,809)	–	(2,031)
		(239)	(4,784)	1,561	(1,630)
Non-controlling interests					
(Loss)/Profit for the period from continuing operations		(448)	686	(283)	829
Profit for the period from discontinued operations		–	130	–	158
		(448)	816	(283)	987
(Loss)/Profit for the period		(687)	(3,968)	1,278	(643)
(Loss)/Profit per share attributable to owners of the Company	12	US cents	US cents	US cents	US cents
Basic					
Continuing operations		(0.05)	(0.30)	0.32	0.12
Discontinued operations		–	(1.15)	–	(0.61)
		(0.05)	(1.45)	0.32	(0.49)
Diluted					
Continuing operations		N/A	N/A	N/A	N/A
Discontinued operations		N/A	N/A	N/A	N/A
		N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2011

		Unaudited Six months ended 30 June		**Unaudited Three months ended 30 June**	
			(Restated)		(Restated)
		2011	2010	**2011**	2010
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
(Loss)/Profit for the period		(687)	(3,968)	1,278	(643)
Other comprehensive income:					
Exchange differences on translating foreign operations		–	65	–	1
Available-for-sale investments					
Surplus/(Deficit) on revaluation		40	(71)	33	(53)
Recycle to income statement:	*9*				
Provision for impairment		–	59	–	58
Gain upon disposal		(15)	(285)	(15)	(285)
Other comprehensive income for the period, net of tax		25	(232)	18	(279)
Total comprehensive income for the period, before and net of tax		(662)	(4,200)	1,296	(922)
Attributable to:					
Owners of the Company		(214)	(5,025)	1,579	(1,909)
Non-controlling interests		(448)	825	(283)	987
		(662)	(4,200)	1,296	(922)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**Unaudited 30 June 2011** *US$'000*	Audited 31 December 2010 *US$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	10,993	264
Deposit paid for acquisition of property		–	1,423
Interests in jointly controlled entities		103	136
Available-for-sale investments	*14*	573	553
Intangible assets		987	1,388
Goodwill	*15*	3,311	3,311
		15,967	7,075
Current assets			
Trade and other receivables	*16*	1,888	1,946
Financial assets at fair value through profit or loss	*17*	167	274
Cash and cash equivalents		6,387	4,362
		8,442	6,582
Current liabilities			
Other payables	*18*	2,052	2,328
Deferred income		8	8
Provision for taxation		408	161
Bank borrowings	*19*	251	–
		2,719	2,497
Net current assets		5,723	4,085
Total assets less current liabilities		21,690	11,160
Non-current liabilities			
Loan payable		57	56
Financial liabilities at fair value through profit or loss	*20*	6,870	6,901
Note payable	*21*	1,195	3,366
Convertible bonds	*22*	25,543	15,793
Bank borrowings	*19*	3,557	–
		37,222	26,116
Net liabilities		(15,532)	(14,956)
EQUITY			
Share capital	*23*	4,906	4,906
Reserves	*24*	(21,403)	(21,271)
Capital deficiency attributable to owners of the Company		(16,497)	(16,365)
Non-controlling interests		965	1,409
Capital deficiency		(15,532)	(14,956)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Capital deficiency 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 2011 (Audited)	4,906	108,221	271	77	6,903	191	–	(136,934)	(16,365)	1,409	(14,956)
Employee share-based compensation	–	–	–	–	82	–	–	–	82	4	86
Transactions with owners	–	–	–	–	82	–	–	–	82	4	86
Loss for the period	–	–	–	–	–	–	–	(239)	(239)	(448)	(687)
Other comprehensive income:											
Available-for-sale investments											
Surplus on revaluation	–	–	–	–	–	40	–	–	40	–	40
Recycle to income statement:											
Gain upon disposal	–	–	–	–	–	(15)	–	–	(15)	–	(15)
Total comprehensive income for the period	–	–	–	–	–	25	–	(239)	(214)	(448)	(662)
At 30 June 2011 (Unaudited)	**4,906**	**108,221**	**271**	**77**	**6,985**	**216**	**–**	**(137,173)**	**(16,497)**	**965**	**(15,532)**
At 1 January 2010 (Audited)	3,306	106,444	4,872	77	11,973	318	(13)	(138,369)	(11,392)	895	(10,497)
Employee share-based compensation	–	–	–	–	401	–	–	–	401	(175)	226
Lapse of share options	–	–	–	–	(4,063)	–	–	3,877	(186)	186	–
Effect on exercising share options of a subsidiary	–	–	–	–	(32)	–	–	–	(32)	45	13
Transactions with owners	–	–	–	–	(3,694)	–	–	3,877	183	56	239
(Loss)/Profit for the period	–	–	–	–	–	–	–	(4,784)	(4,784)	816	(3,968)
Other comprehensive income:											
Exchange differences on translating foreign operations	–	–	–	–	–	–	56	–	56	9	65
Available-for-sale investments											
Deficit on revaluation	–	–	–	–	–	(71)	–	–	(71)	–	(71)
Recycle to income statement:											
Provision for impairment	–	–	–	–	–	59	–	–	59	–	59
Gain upon disposal	–	–	–	–	–	(285)	–	–	(285)	–	(285)
Total comprehensive income for the period	–	–	–	–	–	(297)	56	(4,784)	(5,025)	825	(4,200)
At 30 June 2010 (Unaudited)	3,306	106,444	4,872	77	8,279	21	43	(139,276)	(16,234)	1,776	(14,458)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Unaudited Six months ended 30 June	
		(Restated)
	2011	2010
	US$'000	*US$'000*
Net cash outflow from operating activities		
Continuing operations	(1,413)	(1,238)
Discontinued operations	–	(262)
	(1,413)	(1,500)
Net cash (outflow)/inflow from investing activities		
Continuing operations	(9,487)	55
Discontinued operations	–	303
	(9,487)	358
Net cash inflow/(outflow) from financing activities		
Continuing operations	12,919	36
Discontinued operations	–	(146)
	12,919	(110)
Net increase/(decrease) in cash and cash equivalents	2,019	(1,252)
Cash and cash equivalents at beginning of the period	4,362	7,846
Effect of exchange rate fluctuations, net	6	(21)
Cash and cash equivalents at end of the period	6,387	6,573
Analysed into:		
Continuing operations	6,387	5,429
Discontinued operations	–	1,144
Total	6,387	6,573

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The Company was incorporated in the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.

The Company acts as the holding company of the Group. The Group was principally engaged in the businesses of merchant banking, asset management and direct investment. Subsequent to the completion of 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.

The Board has adopted International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. The unaudited condensed interim financial information complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited condensed interim financial information has been prepared under historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are measured at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited condensed interim financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed interim financial information, are set out in Note 3 to the unaudited condensed interim financial information.

For the purpose of presenting discontinued operations, the comparative unaudited consolidated income statement, the comparative unaudited condensed consolidated statement of cash flows and the related notes have been re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period as consistent with the annual audited consolidated financial statements of the Group for the year ended 31 December 2010 ("2010 Annual Report").

The Directors have prepared cash flow forecasts through to 31 August 2012. The forecasts take into account the reduced cost structure of the Group following the acquisition of Shikumen business and disposal of the merchant banking, corporate finance and financial advisory services businesses to ECK Partners Holdings Limited as completed on 13 September 2010 and 4 October 2010 respectively, and a conservative estimate of the proceeds of the proposed rights issue as detailed in the announcement dated 2 June 2011 and the circular dated 21 July 2011 of the Group and the income to be generated from the asset management business. For these reasons, they continue to adopt the going concern basis in preparing the unaudited condensed interim financial information.

The condensed interim financial information for the six months ended 30 June 2011 is unaudited but has been reviewed by the audit committee of the Company.

2. Principal accounting policies

The unaudited condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". These unaudited condensed interim financial information should be read in conjunction with the Company's 2010 Annual Report, which have been prepared in accordance with IFRSs.

The principal accounting policies adopted to prepare the unaudited condensed interim financial information are consistent with those adopted in the Company's 2010 Annual Report, except for the following additional accounting policy adopted by the Group as set out below:

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

The Group has not early adopted the new/revised IFRSs which have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new/revised IFRSs and the Directors so far anticipated that the application of these new/revised IFRSs will have no material impact on the Group's unaudited condensed interim financial information.

3. *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 period 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 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 14, 17, 20 and 22 to the unaudited condensed interim financial information respectively, have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period.

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.

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.

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.

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 16 to the unaudited condensed interim financial information.

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 relevant 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 1 to the unaudited condensed interim financial information.

4. 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 in late 2010 and the comparative figures were re-presented 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 in late 2010 and the comparative figures were re-presented 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 makers, which are collectively the three Executive Directors of the Company, 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/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 on financial liabilities at fair value through profit or loss;
- share of profits of jointly controlled entities accounted for using the equity method;
- restructuring credit;
- amortisation of intangible assets;
- finance costs;
- taxation; and
- certain other unallocated income and expenses

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

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

The revenues generated and (losses)/profits incurred from operations and total assets by each of the Group's operating segments are summarised as follows:

	Merchant banking		Asset management		Direct investment		Total	
	Unaudited Six months ended 30 June 2011 *US$'000*	(Restated) Unaudited Six months ended 30 June 2010 *US$'000*	**Unaudited Six months ended 30 June 2011** *US$'000*	(Restated) Unaudited Six months ended 30 June 2010 *US$'000*	**Unaudited Six months ended 30 June 2011** *US$'000*	(Restated) Unaudited Six months ended 30 June 2010 *US$'000*	**Unaudited Six months ended 30 June 2011** *US$'000*	(Restated) Unaudited Six months ended 30 June 2010 *US$'000*
Revenue from external customers								
Continuing operations	–	–	3,262	943	–	–	3,262	943
Discontinued operations*	–	–	–	85	–	–	–	85
	–	–	3,262	1,028	–	–	3,262	1,028
Inter-segment revenues								
Continuing operations	–	–	–	118	–	–	–	118
Discontinued operations*	–	13	–	267	–	–	–	280
	–	13	–	385	–	–	–	398
Total revenue	–	13	3,262	1,413	–	–	3,262	1,426
Segment (loss)/profit from operations								
Continuing operations	–	–	(785)	2,076	20	(516)	(765)	1,560
Discontinued operations*	–	(3,344)	–	(108)	–	–	–	(3,452)
Total segment (loss)/profit from operations	–	(3,344)	(785)	1,968	20	(516)	(765)	(1,892)
	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*	**Unaudited 30 June 2011** *US$'000*	Audited 31 December 2010 *US$'000*	**Unaudited 30 June 2011** *US$'000*	Audited 31 December 2010 *US$'000*	**Unaudited 30 June 2011** *US$'000*	Audited 31 December 2010 *US$'000*
Segment total assets	–	–	6,871	6,684	220	388	7,091	7,072

* *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, was shown as discontinued operations upon disposal as the management believes that information about the segments would be useful to users of the financial statements.*

Segment (loss)/profit from operations can be reconciled to consolidated loss from operations as follows:

	Continuing operations		Discontinued operations		Total	
	Unaudited Six months ended 30 June 2011 *US$'000*	(Restated) Unaudited Six months ended 30 June 2010 *US$'000*	**Unaudited Six months ended 30 June 2011** *US$'000*	(Restated) Unaudited Six months ended 30 June 2010 *US$'000*	**Unaudited Six months ended 30 June 2011** *US$'000*	(Restated) Unaudited Six months ended 30 June 2010 *US$'000*
Segment (loss)/profit from operations	(765)	1,560	–	(3,452)	(765)	(1,892)
Reconciling items:						
Other income not allocated	35	32	–	–	35	32
Gain on financial liabilities at fair value through profit or loss	2,988	–	–	–	2,988	–
Amortisation of intangible assets	(404)	–	–	–	(404)	–
Restructuring credit	–	–	–	115	–	115
Other expenses not allocated	(1,444)	(1,274)	–	(303)	(1,444)	(1,577)
Elimination of inter-segment revenue	506	90	–	–	506	90
Profit/(Loss) from operations	916	408	–	(3,640)	916	(3,232)
Finance costs	(1,436)	(751)	–	(39)	(1,436)	(790)
Share of profits of jointly controlled entities	103	51	–	–	103	51
Loss before taxation	(417)	(292)	–	(3,679)	(417)	(3,971)

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

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Segment total assets	7,091	7,072
Reconciling item:		
Other assets not allocated	17,318	6,585
Total assets	24,409	13,657

	Merchant banking		Asset management		Direct investment		Other		Total	
	Unaudited Six months ended 30 June 2011	(Restated) Unaudited Six months ended 30 June 2010	**Unaudited Six months ended 30 June 2011**	(Restated) Unaudited Six months ended 30 June 2010	**Unaudited Six months ended 30 June 2011**	(Restated) Unaudited Six months ended 30 June 2010	**Unaudited Six months ended 30 June 2011**	(Restated) Unaudited Six months ended 30 June 2010	**Unaudited Six months ended 30 June 2011**	(Restated) Unaudited Six months ended 30 June 2010
	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	–	–	(2)	(7)	–	(505)	–	–	(2)	(512)
Interest expenses	–	–	1	1	–	750	1,435	–	1,436	751
Depreciation	–	–	55	101	–	–	118	–	173	101
Impairment of available-for-sale investments	–	–	–	59	–	–	–	–	–	59
Impairment of loan receivable	–	–	–	–	–	1,021	–	–	–	1,021
Impairment of trade and other receivables	–	–	–	3	–	–	–	–	–	3
Discontinued operations										
Interest income	–	(9)	–	(1)	–	–	–	–	–	(10)
Interest expenses	–	1	–	38	–	–	–	–	–	39
Depreciation	–	65	–	–	–	–	–	–	–	65

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.

5. *Revenue – continuing operations*

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011	(Restated) 2010	**2011**	(Restated) 2010
	US$'000	*US$'000*	*US$'000*	*US$'000*
Fund management fee income	2,364	132	1,921	64
Wealth management services fee	898	811	457	406
	3,262	943	2,378	470

6. *Other income – continuing operations*

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011	(Restated) 2010	**2011**	(Restated) 2010
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bad debts recovery	75	–	–	–
Bank interest income	2	2	1	1
Foreign exchange gain, net	7	–	2	–
Gain on deemed disposal of a subsidiary	–	32	–	32
Gain on disposal of available-for-sale investments	15	–	15	–
Other interest income	–	510	–	262
Release of provision for claims	–	3,046	–	3,046
Others	35	214	22	52
	134	3,804	40	3,393

7. *Employee benefit expense (including directors' remuneration)*

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011	(Restated) 2010	**2011**	(Restated) 2010
	US$'000	*US$'000*	*US$'000*	*US$'000*
Fees	70	80	35	40
Salaries, allowances and benefits in kind	2,375	4,394	1,198	2,496
Commission paid and payable	240	210	119	113
Bonus paid and payable	121	25	117	8
Share-based compensation expense	86	226	35	90
Retirement fund contributions	26	24	13	12
Social security costs	–	83	–	43
	2,918	5,042	1,517	2,802
Analysed into:				
Continuing operations	2,918	2,042	1,517	1,245
Discontinued operations	–	3,000	–	1,557
	2,918	5,042	1,517	2,802

8. *Finance costs – continuing operations*

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011	(Restated) 2010	**2011**	(Restated) 2010
	US$'000	*US$'000*	*US$'000*	*US$'000*
Effective interest expense on convertible bonds *(Note 22)* – wholly repayable within five years	1,255	750	831	386
Other interest expenses – wholly repayable within five years	181	1	71	1
	1,436	751	902	387

9. *(Loss)/Profit before taxation – continuing operations*

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011 *US$'000*	(Restated) 2010 *US$'000*	**2011** *US$'000*	(Restated) 2010 *US$'000*
(Loss)/Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
– audit services	59	27	31	13
– other services	8	14	5	12
Depreciation – owned assets	173	101	123	50
Effective interest income on loan receivable	–	(505)	–	(257)
Employee benefit expense (including directors' remuneration) *(Note 7)*	2,918	2,042	1,517	1,245
Foreign exchange gains, net	(7)	(7)	(2)	(26)
Impairment of available-for-sale investments *(Note 14)*	–	59	–	58
Impairment of loan receivable	–	1,021	–	483
Impairment of trade and other receivables	–	3	–	–
Gain on disposal of available-for-sale investments	(15)	–	(15)	–
Loss on disposal of property, plant and equipment	32	–	32	–
Operating lease charges in respect of rented premises	289	228	122	154

10. *Taxation – continuing operations*

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2011 *US$'000*	2010 *US$'000*	**2011** *US$'000*	2010 *US$'000*
Current tax charge/(credit)				
Hong Kong:				
– Under provision in prior years	199	32	–	–
– Current year charge	71	–	71	–
	270	32	71	–
Overseas:				
– Over provision in prior years	–	(35)	–	–
Net charge/(credit)	270	(3)	71	–

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong for the three months and six months ended 30 June 2011. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the period.

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

11. *Discontinued operations*

	Note	Unaudited Six months ended 30 June 2011 US$'000	2010 US$'000	Unaudited Three months ended 30 June 2011 US$'000	2010 US$'000
Revenue		–	85	–	–
Cost of sales		–	(124)	–	–
Gross loss		–	(39)	–	–
Loss on financial assets at fair value through profit or loss		–	(9)	–	(18)
Other income		–	377	–	327
Administrative expenses					
Restructuring credit/(expenses)		–	115	–	(103)
Other administrative expenses		–	(3,205)	–	(1,534)
			(3,090)		(1,637)
Other operating expenses		–	(879)	–	(527)
Loss from operations		–	(3,640)	–	(1,855)
Finance costs		–	(39)	–	(18)
Loss before taxation	*(i)*	–	(3,679)	–	(1,873)
Taxation		–	–	–	–
Loss for the period		–	(3,679)	–	(1,873)

Notes:

(i) Loss before taxation – discontinued operations

	Unaudited Six months ended 30 June 2011 US$'000	2010 US$'000	Unaudited Three months ended 30 June 2011 US$'000	2010 US$'000
Loss before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
– audit services	–	40	–	21
– other services	–	4	–	1
Depreciation				
– owned assets	–	58	–	29
– assets held under finance leases	–	7	–	4
Employee benefit expense (including directors' remuneration) (*Note 7*)	–	3,000	–	1,557
Foreign exchange losses, net	–	141	–	90
Gain on disposal of available-for-sale investments	–	(285)	–	(285)

(ii) For the purpose of presenting discontinued operations, the comparative unaudited interim consolidated income statement, the comparative unaudited condensed interim statement of cash flows and the related notes were re-presented as if the operations discontinued during the period had been discontinued at the beginning of the comparative period.

12. *(Loss)/Profit per share attributable to owners of the Company*

(a) *Basic*

Basic loss per share is calculated by dividing consolidated (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June		**Unaudited Three months ended30 June**	
	2011 *US$'000*	2010 *US$'000*	**2011** *US$'000*	2010 *US$'000*
(US$'000)				
Consolidated (loss)/profit attributable to owners of the Company				
Continuing operations	(239)	(975)	1,561	401
Discontinued operations	–	(3,809)	–	(2,031)
	(239)	(4,784)	1,561	(1,630)
(Number)				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	490,597,984	330,597,984	490,597,984	330,597,984
Basic (loss)/profit per share (US cents per share)				
Continuing operations	(0.05)	(0.30)	0.32	0.12
Discontinued operations	–	(1.15)	–	(0.61)
	(0.05)	(1.45)	0.32	(0.49)

(b) *Diluted*

No diluted loss per share are shown for the three months and six months ended 30 June 2011 and 30 June 2010 as the outstanding share options, convertible bonds and warrants are anti-dilutive or have no dilutive effect.

13. *Property, plant and equipment*

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Net carrying amount at 1 January	264	639
Additions	11,139	6
Acquisition of a subsidiary	–	3
Disposals	(237)	(34)
Disposal of subsidiaries	–	(35)
Depreciation for the period/year *(Note 9)*	(173)	(315)
Net carrying amount at 30 June/31 December	10,993	264

14. *Available-for-sale investments*

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Unlisted investments, at cost or fair value		
Equity securities	2,042	2,017
Less: Impairment losses	(1,469)	(1,469)
	573	548
Listed investments, at fair value		
Equity securities, listed outside Hong Kong	–	5
Total	573	553

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

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
At 1 January	553	607
Disposals	(20)	(224)
Change in fair value recognised directly in other comprehensive income	40	170
At 30 June/31 December	573	553

The investments included above mainly represent investments that offer the Group the opportunities for return through dividend income and fair value gains. The fair values of the investments are based on Group's share of the underlying net assets of the fund which are valued at fair value.

Provision for impairment of US$Nil (30 June 2010: US$59,000) has been made during the six months ended 30 June 2011 which has been removed from investment revaluation reserve in equity and recognised in the unaudited interim consolidated income statement.

15. *Goodwill*

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Carrying amount at 1 January	3,311	–
Acquisition of a subsidiary	–	3,311
Carrying amount at 30 June/31 December	3,311	3,311

16. *Trade and other receivables*

	Notes	Unaudited 30 June 2011 US$'000	Audited 31 December 2010 US$'000
Trade receivables	*(i)*	1,168	1,346
Other receivables – gross		474	249
Less: Impairment losses	*(ii)*	(118)	(193)
Other receivables – net		356	56
Deposits and prepayments		364	544
Total		1,888	1,946

Notes:

(i) The ageing analysis of trade receivables based on invoice date and net of provisions, is as follows:

	Unaudited 30 June 2011 US$'000	Audited 31 December 2010 US$'000
0 – 30 days	397	1,282
31 – 60 days	70	38
61 – 90 days	419	26
Over 90 days	282	–
Total	1,168	1,346

The Group allows a credit period ranging from 15 to 45 days (31 December 2010: 15 to 45 days) to its asset management clients. The credit period for asset management contracts can be extended in special circumstances.

At 30 June 2011 and 31 December 2010, the trade receivables related to three customers for which there was no recent history of default.

At 30 June 2011 and 31 December 2010, no impairment provision has been made in respect of trade receivables.

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

	Unaudited 30 June 2011 US$'000	Audited 31 December 2010 US$'000
At 1 January	193	774
Impairment losses	–	77
Reversal due to debt recovery	(75)	(2)
Disposal of subsidiaries	–	(7)
Written off	–	(649)
At 30 June/31 December	118	193

The Group has provided impairment on material other receivables as at 30 June 2011 and 31 December 2010, which have been past due.

17. *Financial assets at fair value through profit or loss*

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Held for trading		
Listed securities:		
– Equity securities – Australia	128	227
– Equity securities – Japan	39	10
– Equity securities – United Kingdom	–	37
Fair value of listed securities	167	274

The movements in financial assets at fair value through profit or loss during the period/year are as follows:

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
At 1 January	274	8,560
Additions	–	4,265
Disposals	(39)	(12,671)
Disposal of subsidiaries	–	(16)
(Loss)/Gain on financial assets at fair value through profit or loss	(68)	136
At 30 June/31 December	167	274

18. *Other payables*

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Other payables	315	42
Accrued charges	1,737	2,286
Total	2,052	2,328

Included in the Group's accrued charges is the insurance deductible of US$505,000 (31 December 2010: US$255,000) as detailed in Note 27 to the unaudited condensed interim financial information.

19. Bank borrowings

	Unaudited 30 June 2011 US$'000	Audited 31 December 2010 US$'000
Current liabilities		
Bank loan – secured	251	–
Non-current liabilities		
Bank loan – secured	3,557	–
Total	3,808	–

	Unaudited 30 June 2011 US$'000	Audited 31 December 2010 US$'000
Borrowings are repayable as follows:		
Within one year	251	–
In the second year	235	–
In the third to fifth year	727	–
After the fifth year	2,595	–
Total	3,808	–

Notes:

(i) The contractual interest rate is HIBOR+1.25%. HIBOR represents the Hong Kong Interbank Offered Rate;

(ii) The bank loan is repayable by instalments. The maturity date, on which the last instalment shall be due for repayment, will be 31 March 2026;

(iii) The bank loan is secured by:

(a) mortgage over the Group's leasehold land and building situated in Hong Kong at net carrying amount of US$9,869,000 as at 30 June 2011 (31 December 2010: US$Nil); and

(b) corporate guarantees given by the Company and Shikumen Capital Management (HK) Limited, a wholly owned subsidiary of the Company, for an unlimited amount and HK$30,000,000 respectively.

(iv) The amounts due are based on the scheduled repayment dates set out in the loan agreement. The banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangement with financial institution. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the bank loan and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 30 June 2011, none of the covenants relating to drawn down facilities had been breached (31 December 2010: Nil).

20. *Financial liabilities at fair value through profit or loss*

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Derivatives embedded in the convertible bonds issued:		
Balance at 1 January	6,375	–
Initial recognition *(Note 22)*	2,957	4,969
(Gain)/Loss on financial liabilities at fair value through profit or loss	(2,644)	1,406
Balance at 30 June/31 December	6,688	6,375
Warrants issued:		
Balance at 1 January	526	–
Initial recognition *(Note 22)*	–	807
Exercise of warrants	–	(478)
(Gain)/Loss on financial liabilities at fair value through profit or loss	(344)	197
Balance at 30 June/31 December	182	526
Total	6,870	6,901

The fair values at 30 June 2011 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:

	At 30 June 2011	
	Derivatives embedded in the convertible bond issued	**Warrants issued**
Expected volatility	90.97%	90.97%
Expected life	4.27 years	4.27 years
Risk-free rate	1.06%	1.06%
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.

21. *Note payable*

The note payable represents the balance of the consideration payable on the acquisition of Shikumen Capital Management (HK) Limited, a wholly owned subsidiary of the Company, during the year ended 31 December 2010 after the allotment of new shares of the Company. 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.

During the six months ended 30 June 2011, principal amount of HK$20,000,000 has been prepaid and the remaining principal amount of HK$10,000,000 has been assigned by Crosby Management Holdings Limited ("CMHL"), a shareholder of the Company, to a director of CMHL who is also a Director of the Company.

22. *Convertible bonds*

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent 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 Convertible Bonds") and Tranche 2 of principal amount of up to HK$90,000,000 (the "Tranche 2 Convertible Bonds"), subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required for Tranche 1 Convertible Bonds, the Company issued the Tranche 1 Convertible Bonds, HK$156,000,000 of which was used to finance the repurchase of the convertible bonds previously issued in March 2006 as detailed in the Company's 2010 Annual Report. On 30 March 2011, with the fulfillment of all conditions required for Tranche 2 Convertible Bonds, the Company further issued the Tranche 2 Convertible Bonds, the proceeds of which was used to finance the purchase of the new office premises together with the mortgage bank loan.

The terms and conditions of the Tranche 2 Convertible Bonds are the same as those of the Tranche 1 Convertible Bonds, which were detailed in the Company's 2010 Annual Report. In accordance with the terms and conditions thereof, the conversion price was reset to HK$0.17259 per share with effect from 4 April 2011.

The Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds recognised in the consolidated statement of financial position at the date of issuance on 4 October 2010 and 30 March 2011 respectively are calculated as follows:

	Tranche 2 Convertible Bonds *US$'000*	**Tranche 1 Convertible Bonds** *US$'000*
Face value of Convertible Bonds issued	11,538	20,513
Transaction costs	(86)	(310)
	11,452	20,203
Financial liabilities at fair value through profit or loss *(Note 20)*	(2,957)	(4,969)
Liability component on initial recognition upon issuance of Convertible Bonds, i.e. 30 March 2011/4 October 2010	8,495	15,234

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Net carrying amounts at 1 January	15,793	21,408
Effective interest expense for the period/year *(Note 8)*	1,255	1,712
Redemption	–	(22,561)
Issue of new bonds	8,495	15,234
Net carrying amounts at 30 June/31 December	25,543	15,793

On 4 October 2010, the Company repurchased the convertible bonds previously issued in March 2006 at a consideration comprising cash of HK$156,000,000 (approximately US$20,000,000) financed by the issue of Tranche 1 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 20 to the unaudited condensed interim financial information.

The interest expense of the Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds for the six months ended 30 June 2011 is calculated using the effective interest method by applying an effective interest rate of 9.43% (2010: Nil) and 10.95% (2010: Nil) to the liability component respectively. The interest expense of the convertible bonds previously issued in March 2006 for the six months ended 30 June 2010 was calculated using the effective interest method by applying an effective interest rate of 7.15% to the liability component.

The residual amount of the proceeds of the Tranche 1 Convertible Bonds and Tranche 2 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.

23. *Share capital*

	Number of ordinary shares	Number of convertible redeemable preference shares	Value US$'000
Authorised			
(par value of US$0.01 each)			
At 30 June 2011 and 31 December 2010	4,000,000,000	100,000	40,001
Issued and fully paid			
(par value of US$0.01 each)			
At 30 June 2011 and 31 December 2010	490,597,984	–	4,906

24. *Reserves*

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Share premium	108,221	108,221
Capital reserve	271	271
Capital redemption reserve	77	77
Employee share-based compensation reserve	6,985	6,903
Investment revaluation reserve	216	191
Accumulated losses	(137,173)	(136,934)
Total	(21,403)	(21,271)

25. *Material related party transactions*

Other than those disclosed elsewhere in the unaudited condensed interim financial information, the Group had the following material related party transactions during the period/year and balances as at end of the period/year:

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Effective interest prepaid to Crosby Management Holdings Limited ("CMHL"), a shareholder of the Company, in respect of note payable	97	–
Effective interest payable to a Director of the Company in respect of note payable	73	–

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Note payable to CMHL *(Note 21)*	–	3,366
Note payable to a Director of the Company *(Note 21)*	1,195	–

26. Commitments

(a) Operating leases

As at 30 June 2011, the total future minimum lease payments of the Group under non-cancellable operating are payable as follows:

	Unaudited 30 June 2011 Land and building *US$'000*	Audited 31 December 2010 Land and building *US$'000*	**Unaudited 30 June 2011 Motor vehicle** *US$'000*	Audited 31 December 2010 Motor vehicle *US$'000*	**Unaudited 30 June 2011 Total** *US$'000*	Audited 31 December 2010 Total *US$'000*
Within one year	367	501	29	29	396	530
In the second to fifth years	–	156	39	54	39	210
	367	657	68	83	435	740

(b) Capital commitments

As at 30 June 2011 and 31 December 2010, the Group had the following capital commitments:

	Unaudited 30 June 2011 *US$'000*	Audited 31 December 2010 *US$'000*
Commitments for the acquisition of property, plant and equipment:		
– contracted for but not provided	–	8,064

27. Contingencies

Crosby Wealth Management (Hong Kong) Limited ("CWM (HK)"), a 55.86% owned subsidiary of the Group, settled the legal proceeding brought by a client in Hong Kong concerning a trade execution error in May 2010. In addition, CWM (HK) received a writ of summons (the "Writ") issued in High Court in Hong Kong dated 21 October 2010 by another client in Hong Kong claiming for alleged losses arising from its investments in 2007. CWM (HK) has engaged legal counsel's advice and has filed a defence to the claims. The Directors considered that it is still an early stage for assessing the probable outcome of the litigation. Having consulted the legal counsel, the Directors are of view that as at 30 June 2011, the Group has not recognised any contingent liabilities in relation to the litigation since it is still in an early stage. No provision for claims in respect of these matters, save as the insurance deductible included in other payables as disclosed in Note 18 to the unaudited condensed interim financial information.

The Company and Shikumen Capital Management (HK) Limited, its wholly owned subsidiary, have provided corporate guarantees of unlimited amount and HK$30,000,000 respectively to secure the bank loan as disclosed in Note 19 to the unaudited condensed interim financial information.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2011.

28. Financial risk management objectives and policies

The Group is exposed to a variety of financial risks, which are the same as those detailed in the Company's 2010 Annual Report, which are managed through the three Executive Directors of the Company collectively in close cooperation with the Board of Directors.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

DISCLOSURE OF INTERESTS

(a) Directors

As at 30 June 2011, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(i) Interests in the ordinary shares of the Company

Name of Directors	Personal interest	Family interest	Corporate interest	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Johnny Chan Kok Chung *(Note)*	15,155,320	477,738	–	15,633,058	3.19
Ulric Leung Yuk Lun	17,110,000	–	–	17,110,000	3.49
Joseph Tong Tze Kay	500,000	–	–	500,000	0.10
Daniel Yen Tzu Chen	200,000	–	–	200,000	0.04

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

(ii) Interests in the underlying shares of the Company

The interests in the underlying shares of the Company arise from outstanding share options granted to the Directors under the Company's Share Option Scheme and the outstanding convertible bonds due in 2015 which is held by a Director, details of which are provided below:

(a) Outstanding options

Name of Directors	Date of grant	Subscription price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Johnny Chan Kok Chung	26 April 2006	HK$7.70	6,000,000	
	11 February 2008	HK$1.80	3,000,000	
	7 October 2010	HK$0.158	2,800,000	
			11,800,000	2.41
Jeffrey Lau Chun Hung	7 October 2010	HK$0.158	3,000,000	0.61
Ulric Leung Yuk Lun	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

(b) Outstanding convertible bonds

Name of Director	Conversion 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 %
Ulric Leung Yuk Lun	HK$0.17259	28,970,392	5.91

(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 30 June 2011, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

(b) Substantial Shareholders and Other Persons

As at 30 June 2011, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

Name	Number or approximate attributable number of ordinary shares	Aggregate long position in underlying shares of the Company	Approximate percentage or approximate attributable percentage holding of ordinary shares currently in issue and/or percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Nelson Tang Yu Ming *(Notes 1 and 2)*	130,000,000	958,990,243	221.97
Crosby Management Holdings Limited *(Note 1)*	130,000,000	954,390,243	221.03
Dr. Yeung Sau Shing, Albert *(Notes 3 and 4)*	–	719,830,848	146.73
Luk Siu Man, Semon *(Notes 3 and 4)*	–	719,830,848	146.73
Emperor Securities Limited *(Note 4)*	–	360,597,984	73.50
Emperor Capital Group Limited *(Note 4)*	–	360,597,984	73.50
Million Way Holdings Limited *(Note 4)*	–	360,597,984	73.50
STC International Limited *(Note 4)*	–	360,597,984	73.50
Main Wealth Enterprises Limited *(Note 5)*	15,000,000	243,351,295	52.66
Lau Kit Mei *(Note 5)*	15,000,000	243,351,295	52.66
Greyhound International Limited *(Note 6)*	–	246,763,138	50.03
Wu Ting Fai, James *(Note 6)*	–	246,763,138	50.03
Sodikin *(Note 7)*	15,000,000	225,969,059	49.12
Sun Hung Kai Strategic Capital Limited ("SHK Strategic") *(Note 8)*	–	86,911,176	17.72
Shipshape Investments Limited ("Shipshape") *(Note 8)*	–	86,911,176	17.72
Sun Hung Kai & Co. Limited ("SHK & Co.") *(Note 9)*	–	86,911,176	17.72
AP Emerald Limited ("AP Emerald") *(Note 9)*	–	86,911,176	17.72
AP Jade Limited ("AP Jade") *(Note 9)*	–	86,911,176	17.72

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
			%
Allied Properties (H.K.) Limited (“APL”) *(Note 9)*	–	86,911,176	17.72
Allied Group Limited (“AGL”) *(Note 9)*	–	86,911,176	17.72
Lee Seng Huang *(Note 10)*	–	86,911,176	17.72
Lee Seng Hui *(Note 10)*	–	86,911,176	17.72
Lee Su Hwei *(Note10)*	–	86,911,176	17.72
Ng Chun Fai Frank *(Note 11)*	–	42,058,549	8.57
TBV Holdings Limited *(Note 12)*	34,176,940	–	6.97

Notes:

1. Crosby Management Holdings Limited held 130,000,000 ordinary shares of the Company. Crosby Management Holdings Limited was beneficially owned as 96.7% by Nelson Tang Yu Ming who is entitled to exercise more than 30% of the voting power at the general meetings of Crosby Management Holdings Limited and, accordingly, he is deemed to be interested in 130,000,000 ordinary shares owned by Crosby Management Holdings Limited. Crosby Management Holdings Limited has undertaken to subscribe for its entitlement of 13,000,000 rights shares and also undertaken to exercise its option to subscribe for 6,500,000 redeemable convertible preference shares, to which it is entitled under the Rights Issue.

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

3. Following the reset of conversion price from HK$0.18 per share initially to HK$0.17259 per share with effect from 4 April 2011, Dr. Yeung Sau Shing, Albert is deemed to be interested in 359,232,864 underlying shares which will be allotted and issued upon the full conversion of the outstanding convertible bonds in a principal sum of HK$62 million by virtue of his direct interest in the entire share capital of Win World Profits Limited. Ms. Luk Siu Man, Semon, as the spouse of Dr. Yeung Sau Shing, Albert, is deemed to be interested in these underlying shares for the purposes of the SFO.

4. Emperor Securities Limited is deemed to be interested in these underlying shares by virtue of the Underwriting Agreement dated 2 June 2011 entered into between the Company and the Underwriter in relation to the Rights Issue. 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 36,059,798 rights shares for the purposes of the SFO.

5. Following the reset of conversion price from HK$0.18 per share initially to HK$0.17259 per share with effect from 4 April 2011, Main Wealth Enterprises Limited owns 258,351,295 underlying shares, out of which 243,351,295 will be allotted and issued upon the full conversion of outstanding convertible bonds for a total principal sum of HK$42 million; 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.

6. Following the reset of conversion price from HK$0.18 per share initially to HK$0.17259 per share with effect from 4 April 2011, Greyhound International Limited owns 246,763,138 underlying shares, out of which 231,763,138 will be allotted and issued upon the full conversion of Tranche 1 Convertible Bonds for a principal sum of HK$40 million; 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. Following the reset of conversion price from HK$0.18 per share initially to HK$0.17259 per share with effect from 4 April 2011, Sodikin owns 240,969,059 underlying shares, out of which 225,969,059 will be allotted and issued upon the full conversion of Tranche 1 Convertible Bonds for a principal sum of HK$39 million; 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.

8. SHK Strategic is a wholly-owned subsidiary of Shipshape which in turn is wholly owned by SHK & Co. Therefore SHK & Co. and Shipshape are deemed to have an interest in the underlying shares in which SHK Strategic is interested. Following the reset of conversion price from HK$0.18 per share initially to HK$0.17259 per share with effect from 4 April 2011, SHK Strategic owns 86,911,176 underlying shares which will be allotted and issued upon the full conversion of the outstanding Tranche 1 Convertible Bonds for a principal sum of HK$15 million.

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

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

11. Following the reset of conversion price from HK$0.18 per share initially to HK$0.17259 per share with effect from 4 April 2011, Ng Chun Fai Frank owns 42,058,549 underlying shares, out of which 40,558,549 will be allotted and issued upon the full conversion of Tranche 1 Convertible Bonds for a principal sum of HK$7 million; and 1,500,000 underlying shares 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.

12. TBV Holdings Limited is a company wholly-owned by the Kuwait Fund for Arab Economic Development, a development finance agency owned by the government of Kuwait.

(ii) Short positions

No person held short positions in the Shares and Underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed above, as at 30 June 2011, the Directors of the Company were not aware of any other person who had or deemed to have interests or short position in the Shares and Underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30 June 2011, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

(c) Share Options

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

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

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

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

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

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

Date of options grant	Options granted	Options exercise price per share	Options lapsed since grant		Options outstanding	Options exercisable as at 30 June 2011
27 March 2002	24,824,470	HK$0.704	(24,794,470)		30,000	30,000
18 March 2003	5,400,000	HK$0.350	(5,400,000)		–	–
14 May 2003	1,500,000	HK$0.350	(1,000,000)		–	–
18 June 2003	2,606,400	HK$0.350	(2,606,400)		–	–
11 July 2003	31,200,000	HK$0.350	(31,200,000)		–	–
1 December 2003	2,100,000	HK$0.350	(2,100,000)		–	–
20 August 2004	1,500,000	HK$0.350	–		–	–
24 March 2006	4,000,000	HK$7.700	(2,000,000)		2,000,000	2,000,000
26 April 2006	18,000,000	HK$7.700	(6,000,000)		12,000,000	12,000,000
29 January 2007	1,000,000	HK$3.650	–		1,000,000	1,000,000
11 February 2008	11,750,000	HK$1.800	(4,000,000)		7,750,000	7,750,000
29 December 2008	2,000,000	HK$0.180	–		2,000,000	1,200,000
7 October 2010	18,700,000	HK$0.158	–		18,700,000	–
	124,580,870		(79,100,870)	*(Note)*	43,480,000	23,980,000

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

No options granted under the Share Option Scheme had been exercised during the six months ended 30 June 2011.

(d) Competing Interests

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

AUDIT COMMITTEE

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

The audit committee meets at least quarterly with the most recent meeting held on 11 August 2011. The unaudited condensed interim financial information of the Company for the six months ended 30 June 2011 has been reviewed by the audit committee.

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

The Company has not redeemed any of its shares during the six months ended 30 June 2011 and 30 June 2010. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the six months ended 30 June 2011 and 30 June 2010.

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

Hong Kong, 11 August 2011

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

Executive Directors:	*Johnny Chan Kok Chung, Ulric Leung Yuk Lun and Jeffrey Lau Chun Hung*
Non-Executive Director:	*Ahmad S. Al-Khaled*
Independent Non-Executive Directors:	*Daniel Yen Tzu Chen, Joseph Tong Tze Kay and David John Robinson Herratt*