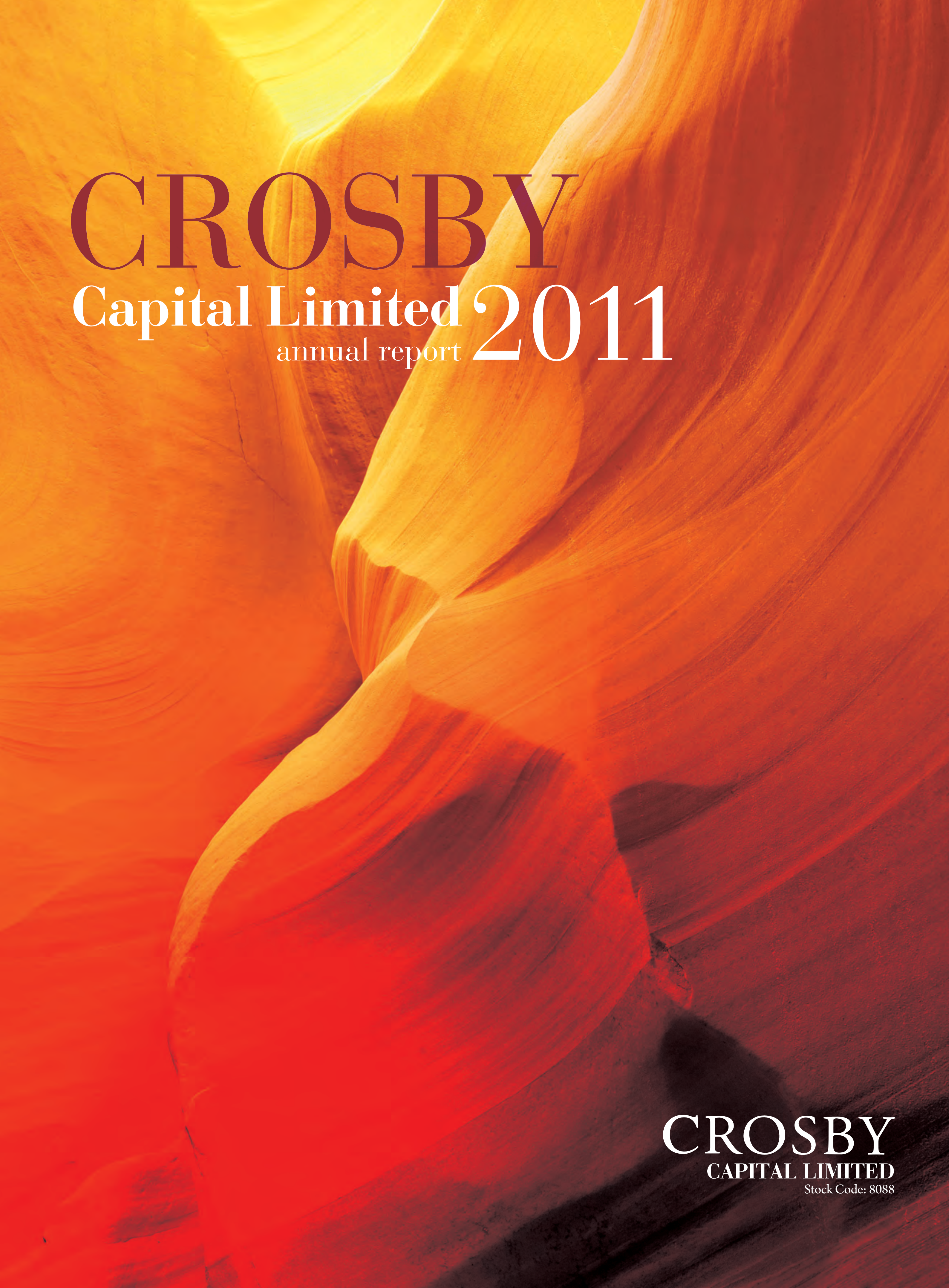

CROSBY Capital Limited annual report 2011

CROSBY
CAPITAL LIMITED
Stock Code: 8088

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.

Hong Kong Exchanges and Clearing Limited and the Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

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.

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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$**5.6** million
(2010: US$4.8 million)

US$5.6 million (2010: US$4.7 million)
of which was from continuing operations

Loss attributable to shareholders

US$**6.3** million
(2010: US$5.9 million)

US$6.3 million (2010: US$4.1 million)
of which was from continuing operations

Shareholders' capital deficiency

US$**17.9** million
(2010: US$16.4 million)

Management Discussion and Analysis

OVERVIEW

After the restructuring of the Group to reduce the loss arising from its merchant banking business and refocus its resources on its asset management businesses and the acquisition of Shikumen Capital Management (HK) Limited ("Shikumen") in 2010, the Group intended to utilize its resources more efficiently to expand its existing business and invest in new investment business so as to strengthen the Group's income base and financial position. The Group also intended to increase its assets under management in different asset classes either by organically expanding its existing fund and wealth management businesses, launching new investment funds under its management or via acquisitions of other asset management firms.

During the year 2011, the Group successfully completed a rights issue with an option to subscribe for non-voting redeemable convertible preference shares ("RCPS") and allotted 49,059,798 rights shares at a subscription price of HK$0.80 each and 10,019,790 RCPS at an initial subscription price of US$0.10 each on 14 September 2011, raising total new fund of US$5.6 million in cash to facilitate this strategy. The Group also completed the placing of the HK$90 million Tranche 2 5-year Zero Coupon Convertible Bonds in March 2011, the proceeds of which were used to fund the acquisition of a new office premise for the Group.

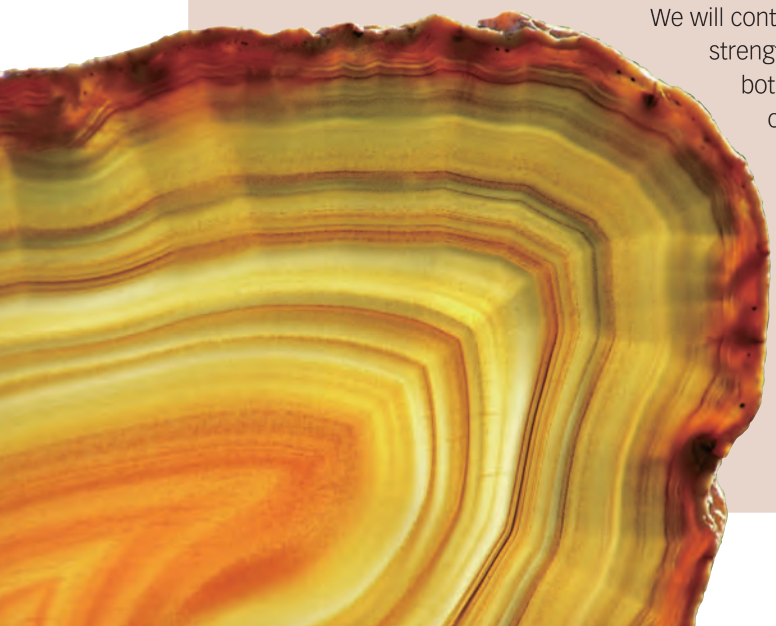
BUSINESS REVIEW

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 Private Equity Partners Fund has since commenced investment activities and started to contribute fee income to the Group.

We also continued to provide wealth management services through Crosby Wealth Management (Hong Kong) Limited, whose assets under management has increased by 29% on a year-on-year basis despite increased volatility during the second half of 2011. We also implemented new measures to continue to lower the fixed costs of the wealth management operation.

During the year, we also successfully completed the purchase of the new office premise in AXA Centre in Wanchai, Hong Kong in March 2011, which helped shield the Group from being subject to upward rental pressure which continue to be evident in the Hong Kong office markets last year.

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.



FINANCIAL REVIEW

Financial Results

The Group reported a loss attributable to owners for the year under review of US$6.3 million as compared to a loss of US$5.9 million for last year.

Revenue from continuing operations increased to US$5.6 million for the year under review when compared to US$4.7 million for last year. Shikumen Capital Management (HK) Limited ("Shikumen"), a wholly owned subsidiary acquired in September 2010, continued to be the major contributor to the increase in the revenue of the Group for the year. Total operating expenses (being other administrative expenses plus other operating expenses) for the year under review were US$9.6 million as compared to that of US$8.4 million for last year. Excluding those incurred by Shikumen, the total operating expenses were US$6.6 million for the year under review which were lower than that of US$7.3 million for last year.

Other income from continuing operations decreased to US$0.2 million for the year under review when compared to US$6.6 million for last year. The higher other income reflected last year was mainly due to one-off gain on the repurchase of old 5-year Zero Coupon Convertible Bonds issued in 2006 and the release of excess provision in respect of legal proceedings brought by a client from the wealth management business concerning a trade execution error upon settlement.

Gain on financial liabilities at fair value through profit or loss of US$0.7 million for the year under review arose from the recognition of the embedded derivatives in the Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds placed, the warrants issued on the repurchase of the old 5-year Zero Coupon Convertible Bonds as well as the RCPS issued with the rights issue as set out in Note 27 to the financial statements.

Segment Results

The major reportable operating segment is asset management (including wealth management and Shikumen businesses) for the year under review following the disposal of merchant banking business and the asset management business in United Kingdom last year. The segment results from asset management for the year under review was a loss of US$2.7 million as compared with a profit of US$1.9 million last year. An analysis of the results by operating segments is provided in Note 5 to the financial statements.

Finance Costs

The finance costs increased to US$2.5 million for the year under review when compared to US$1.8 million for last year. The increase arose largely from the higher notional effective interest expenses on the Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds issued in October 2010 and March 2011 respectively as compared to that on the old 5-year Zero Coupon Convertible Bonds which was repurchased in 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 the year under review of US$1.0 million represented 44.14% non-controlling shareholders' share of losses in the Group's wealth management operating subsidiaries for the year. The slight higher credit to non-controlling interests of US$1.3 million last year consisted of the non-controlling shareholders' share of losses of US$2.0 million in Crosby Asset Management Inc., a former non-wholly subsidiary quoted on AIM of the London Stock Exchange, before disposal by the Group in December last year as offset by those share of profits of US$0.7 million in the Group's wealth management operating subsidiaries as a result of the release of excess provision on legal proceedings mentioned above.

Financial Position and Resources

Significant Capital Assets and Investments

The Group successfully completed the purchase of the new office premise in AXA Centre in Wanchai, Hong Kong in March 2011. The net carrying amount of this leasehold land and building as at 31 December 2011 was US$9.7 million as set out in Note 15 to the financial statements.

As at 31 December 2011, the Group had available-for-sale investments of US$0.7 million (2010: US$0.6 million), and financial assets at fair value through profit or loss of US$0.1 million (2010: US$0.3 million). Details of these investments are set out in Notes 18 and 22 to the financial statements respectively. Details of the Group's risk management policy and exposure to market risk are set out in Note 40 to the financial statements.

As of the date of this report, the Group has no existing plans to acquire any further significant capital assets and/or investments in the forthcoming year.

Liquidity

As at 31 December 2011, the Group had cash and cash equivalents balances of US$7.8 million increased from US$4.4 million and net current assets of US$7.3 million increased from US$4.1 million as at 31 December 2010. Further details of the current assets are set out in Notes 21, 22 and 23 to the financial statements. Details of the Group's risk management policy and exposure to liquidity risk are set out in Note 40 to the financial statements.

Gearing

As allowed under the terms of the old 5-year Zero Coupon Convertible Bonds issued in 2006, the Company entered into a Deed of Settlement with the holders of this old Convertible Bonds to repurchase the outstanding balance of US$20 million, for a consideration of US$20 million in cash financed by the issue of new 5-year Zero Coupon Convertible Bonds as detailed below and an aggregate of 60,000,000 warrants issued by the Company. All these 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 agreed to place new 5-year Zero Convertible Bonds with an aggregate principal amount of up to HK$250 million, comprising Tranche 1 and Tranche 2 of principal amounts up to HK$160 million and HK$90 million respectively, subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required, the Company issued the Tranche 1 5-year Convertible Bonds, HK$156 million of which was used to finance the repurchase of the old 5-year Zero Coupon Convertible Bonds as described above. On 30 March 2011, with the fulfilment of all conditions required, the Company further issued the Tranche 2 5-year Zero Coupon Convertible Bonds, the proceeds of which was used to finance the purchase of the new office premise at AXA Centre in Wanchai together with the mortgage loan.

The terms and conditions of the Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds are detailed in Note 29 to the financial statements. During the year under review, in accordance with the terms and conditions thereof, the conversion price was reset on 4 April 2011 and 4 October 2011, and the prevailing conversion price is HK$0.93 per share as reset on 4 October 2011.

The embedded derivatives in the Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds and the warrants issued on the repurchase of the old 5-year Zero Coupon Convertible Bonds were disclosed as financial liabilities at fair value through profit or loss as set out in Note 27 to the financial statements.

In March 2011, a mortgage bank loan of principal amount of HK$30 million (approximately US$3,846,000) was drawn to finance the purchase of new office premise as mentioned above. It is secured by the new office, corporate guarantees of unlimited amount and HK$30 million (approximately US$3,846,000) by the Company and Shikumen, 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 as note payable in Note 28 to the financial statements. It was fully prepaid during the year under review.

As at 31 December 2011, the Group had no other significant debt.

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

The Group's financial resources and working capital are sufficient to finance its operation. If necessary, debt or equity financing, or both, would be considered for business development, especially when appropriate business opportunities are identified and market conditions are favourable.

Charges
There are no significant charges on Group's investments and assets other than those on the new office premises as detailed above.

Commitments and Contingent Liabilities
At 31 December 2011, the Group had no significant commitments, other than those under operating leases for the rental of its office premises as set out in Note 34 to the financial statements, and no contingent liabilities, including pension obligations, other than those as set out in Note 35 to the financial statements.

Equity Structure
An analysis of the movements in equity during the year under review is set out in the consolidated statement of changes in equity on pages 36 to 37 of the financial statements.

On 15 August 2011, the Company effected a Capital Reorganisation, which involved the Diminution, the Share Consolidation, the increase in authorised share capital of the Company and the Redesignation and Reclassification of Authorised Share Capital as follows:

(i) Diminished the authorised but unissued share capital by cancelling 100,000 convertible redeemable preference shares of US$0.01 each.

(ii) Consolidated every ten issued and unissued ordinary shares of US$0.01 each in the share capital of the Company into one ordinary share of US$0.10 each.

(iii) Increased the authorised share capital of the Company from US$40,000,000 divided into 400,000,000 consolidated shares of US$0.10 each to US$200,000,000 divided into 2,000,000,000 consolidated shares each.

(iv) Redesignated and reclassified the authorised share capital of US$200,000,000 of 2,000,000,000 consolidated shares into: (a) 1,900,000,000 ordinary shares of par value US$0.10 each and (b) 100,000,000 redeemable convertible preference shares of par value of US$0.10 each.

During the year under review, the Company raised total new fund of approximately US$5.6 million in cash, by way of the Rights Issue at subscription price of HK$0.80 per rights share on the basis of one rights share for every one ordinary share held on the record date with option to subscribe for one redeemable convertible preference share ("RCPS") for every two rights shares allotted and taken up. On 14 September 2011, the Company allotted 49,059,798 rights shares at subscription price of HK$0.80 each and 10,019,790 RCPS at initial subscription price of US$0.10 each.

Details of the movement in total share capital are set out in Note 30 to the financial statements.

As at 31 December 2011, the total issued share capital of the Company were 98,119,596 ordinary shares (2010: 490,597,984 ordinary shares) and 10,019,790 RCPS (2010: Nil). 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 2011.

Non-controlling Interests

Non-controlling interests in the consolidated statement of financial position decreased to US$0.4 million at 31 December 2011 from US$1.4 million at 31 December 2010 as a result of the disposal of Crosby Asset Management Inc., a former non-wholly owned subsidiary quoted on AIM of the London Stock Exchange, last year. The balance at 31 December 2011 only represents 44.14% non-controlling shareholders interests in the Group's wealth management operating subsidiaries.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had 30 full-time employees (2010: 33). Details of the Directors' remuneration and employees' emoluments during the year are provided in Note 14 to the financial statements.

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

RETIREMENT BENEFIT SCHEMES

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

FOREIGN CURRENCY EXPOSURE

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

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, the Group made no significant acquisition or disposal of subsidiaries or affiliated companies as set out in Notes 38 and 39 to the financial statements.

Johnny Chan Kok Chung
Johnny, aged 52, 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 Crosby Asset Management (Hong Kong) Limited.

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 from 2007 to 2011 and acts as the President currently. He serves as a member of the Hong Kong Trade Development Council's Financial Services Advisory Committee and is a member of the Innovation and Technology Commission chaired by the Financial Secretary. 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.

Jeffrey Lau Chun Hung
Jeffrey, aged 35, joined the Board in March 2011. He is a co-founder and Managing Director of Shikumen Capital Management (HK) Limited, and Co-Head and Managing Director of BlackPine Private Equity Partners. Jeffrey oversees the group operations and principal investments, including private equity, special-situation transactions and the co-investment programs. Prior to Shikumen Capital Management (HK) Limited, Jeffrey worked at Och-Ziff Capital Management Group in New York and Hong Kong where he focused on event-driven investments in non-Japan Asia. He also sourced and executed private equity and special-situation transactions in Greater China. Prior to Och-Ziff, Jeffrey worked at The Blackstone Group in New York and at Morgan Stanley in Hong Kong, Los Angeles and New York.

Jeffrey graduated from Harvard Business School with a Master of Business Administration. He graduated from Harvard College with a Bachelor of Arts (Magna Cum Laude) in Social Studies, where he was elected to Phi Beta Kappa.

Ulric Leung Yuk Lun
Ulric, aged 48, 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. Prior to joining Shikumen Capital Management (HK) Limited, Ulric was Chief Financial Officer of SAIL Advisors Limited. Ulric has also worked with Deutsche Bank in Hong Kong and Tokyo as Director and Regional Controller of the Global Equities Division in the Asia Pacific. Ulric was previously Director and Head of Finance at NatWest Securities Asia and Vice President and Regional Financial Controller of Lehman Brothers in Hong Kong.

Ulric received his Bachelor of Business Administration (Honours) from the Chinese University of Hong Kong. He is a Chartered Financial Analyst, a Chartered Alternative Investments Analyst, a member of the Chartered Association of Certified Accountants, the American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants.

Profiles of Directors

Ahmad S. Al-Khaled

Ahmad, aged 45, joined the Board in November 2000. He is currently General Manager of Senyar Capital, a company to provide financial advisory & research to private and institutional clients. Prior to his tenure at Senyar Capital, Ahmad held the title of Assistant General Manager at Al-Mal Investment Company for about three years. Prior to joining Al-Mal he was an investment consultant in the Kuwait Fund for Arab Economic Development for thirteen years where he headed the Alternative Investment Department overseeing a diversified portfolio of hedge fund, private equity , and real estate funds. Ahmad has a degree in Computer Engineering from California State University.

David John Robinson Herratt

David, aged 61, joined the Board in October 2010. He 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 and a 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).

Joseph Tong Tze Kay

Joseph, aged 49, 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.

Daniel Yen Tzu Chen

Daniel, aged 56, 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.

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The Group is principally engaged in the businesses of asset management and direct investment. The principal activities of the Company's principal subsidiaries as at 31 December 2011 are set out in Notes 41 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 30 to 122.

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 30 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 36 to 37 and 95 respectively.

DISTRIBUTABLE RESERVE

There is no reserve available for distribution to shareholders as at 31 December 2011 and 31 December 2010.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Company during the year are set out in Note 29 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 123.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTION SCHEMES

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

DONATIONS

The Group made charitable and other donations during the year amounting to approximately US$6,000 (2010: US$3,000).

DIRECTORS

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

Executive Directors:

Johnny Chan Kok Chung
Jeffrey Lau Chun Hung (appointed on 18 March 2011)
Ulric Leung Yuk Lun

Non-Executive Director:

Ahmad S. Al-Khaled

Independent Non-Executive Directors:

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

In accordance with article 87 of the Company's Articles of Association, Messrs. Johnny Chan Kok Chung and Daniel Yen Tzu Chen retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Mr. Daniel Yen Tzu Chen has served as an Independent Non-Executive Director for more than nine years. The Board is of the opinion that he remains independent, notwithstanding his length of tenure. Mr. Yen continues to demonstrate the attributes of an Independent Non-Executive Director and there is no evidence that his tenure has had any impact on his independence. The Board believes that his detailed knowledge and experience of the Group's business and his external experience continue to be of significant benefit to the Company, and that he maintains an independent view of its affairs.

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 "GEM Listing Rules"). 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' 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 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
					%
Ulric Leung Yuk Lun	3,411,000	–	–	3,411,000	3.48
Johnny Chan Kok Chung (Note)	1,892,532	47,773	–	1,940,305	1.98
Joseph Tong Tze Kay	50,000	–	–	50,000	0.05
Daniel Yen Tzu Chen	20,000	–	–	20,000	0.02

Note: Yuda Udomritthiruj was beneficially interested in 47,773 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 redeemable convertible preference shares ("RCPS") of the Company

Name of Directors	Personal interest	Family interest	Corporate interest	Aggregate long position in RCPS of the Company	Percentage which the aggregate long position in RCPS represents to the total RCPS of the Company in issue
					%
Ulric Leung Yuk Lun	850,000	–	–	850,000 (Note 1)	8.48
Johnny Chan Kok Chung	188,500	–	–	188,500 (Note 2)	1.88

Notes:

1. Mr. Ulric Leung Yuk Lun owns 850,000 RCPS of the Company which can be convertible into 10,780,487 ordinary shares at the initial conversion price of HK$1.23 per share upon conversion, representing 10.99% of the total ordinary share capital of the Company in issue. Following the reset of conversion price to HK$1.19 per share on 14 March 2012, 11,142,857 shares will be allotted and issued upon full conversion of the outstanding RCPS.

2. Mr. Johnny Chan Kok Chung owns 188,500 RCPS of the Company which can be convertible into 2,390,731 ordinary shares at the initial conversion price of HK$1.23 per share upon conversion, representing 2.44% of the total ordinary share capital of the Company in issue. Following the reset of conversion price to HK$1.19 per share on 14 March 2012, 2,471,092 shares will be allotted and issued upon full conversion of the outstanding RCPS.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(iii) Interests in the underlying shares of the Company

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

(a) Outstanding options

Name of Directors	Date of grant	Exercise price HK$	Exercise period	Balance as at 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2011
Johnny Chan Kok Chung	26 April 2006	57.054	26 April 2007 to 25 April 2016	809,756	–	–	–	809,756
	11 February 2008	13.337	11 February 2009 to 10 February 2018	404,888	–	–	–	404,888
	7 October 2010	1.171	7 October 2011 to 06 October 2020	377,886	–	–	–	377,886
				1,592,530	–	–	–	1,592,530
Jeffrey Lau Chun Hung	7 October 2010	1.171	7 October 2011 to 06 October 2020	404,878	–	–	–	404,878
Ulric Leung Yuk Lun	7 October 2010	1.171	7 October 2011 to 06 October 2020	202,439	–	–	–	202,439
Ahmad S. Al-Khaled	24 March 2006	57.054	24 March 2007 to 23 March 2016	67,479	–	–	–	67,479
	29 January 2007	27.045	29 January 2008 to 28 January 2017	33,739	–	–	–	33,739
	11 February 2008	13.337	11 February 2009 to 10 February 2018	67,479	–	–	–	67,479
	29 December 2008	1.334	29 December 2009 to 28 December 2018	67,479	–	–	–	67,479
				236,176	–	–	–	236,176
Daniel Yen Tzu Chen	24 March 2006	57.054	24 March 2007 to 23 March 2016	67,479	–	–	–	67,479
	29 January 2007	27.045	29 January 2008 to 28 January 2017	33,739	–	–	–	33,739
	11 February 2008	13.337	11 February 2009 to 10 February 2018	67,479	–	–	–	67,479
	29 December 2008	1.334	29 December 2009 to 28 December 2018	67,479	–	–	–	67,479
				236,176	–	–	–	236,176
Joseph Tong Tze Kay	24 March 2006	57.054	24 March 2007 to 23 March 2016	67,479	–	–	–	67,479
	29 January 2007	27.045	29 January 2008 to 28 January 2017	33,739	–	–	–	33,739
	11 February 2008	13.337	11 February 2009 to 10 February 2018	67,479	–	–	–	67,479
	29 December 2008	1.334	29 December 2009 to 28 December 2018	67,479	–	–	–	67,479
				236,176	–	–	–	236,176

Note: The exercise prices per outstanding options and the number of shares to be allotted and issued attaching to the instruments incorporated the adjustments as a result of the Share Consolidation and issue of rights shares which took effect from 15 August 2011 and 14 September 2011 as set out in Note 30(g)(ii) and Note 30(h)(i) to the financial statements respectively.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(iii) Interests in the underlying shares of the Company (continued)

(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$0.93	5,376,344	5.48

Note: Mr. Ulric Leung Yuk Lun owns convertible bonds for a principal sum of HK$5,000,000 which can be converted in to 5,376,344 ordinary shares at conversion price of HK$0.93 per share upon full conversion.

(iv) 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 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 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 5% 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	Aggregate long position in ordinary shares	Aggregate long position in underlying shares of the Company	The total long position in ordinary shares and underlying shares to the total ordinary share capital of the Company in issue
			%
Substantial Shareholders			
Hidy Investment Limited (Note 1)	3,000,000	118,114,345	123.44
Sodikin (Note 1)	3,000,000	118,114,345	123.44
Nelson Tang Yu Ming (Notes 2 and 3)	27,244,000	83,059,837	112.42
Crosby Management Holdings Limited (Note 2)	27,244,000	82,439,024	111.79
Main Wealth Enterprises Limited (Note 4)	1,500,000	45,161,290	47.56
Lau Kit Mei (Note 4)	1,500,000	45,161,290	47.56
Greyhound International Limited (Note 5)	–	45,035,954	45.90
Wu Ting Fai, James (Note 5)	–	45,035,954	45.90
Lau Yu Fung Wilson (Note 6)	–	16,129,032	16.44
Other Persons			
Wu Siu Fai Simon (Note 7)	6,644,800	1,216,292	8.01
Ng Chun Fai Frank (Note 8)	–	7,729,320	7.88

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

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

Notes:

1. Hidy Investment Limited held 3,000,000 ordinary shares and 750,000 RCPS of the Company. Following the reset of conversion price to HK$0.93 per share on 4 October 2011, Hidy Investment Limited owns 118,114,345 underlying shares, out of which 108,602,150 will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$101,000,000; and 9,512,195 underlying shares will be allotted and issued upon conversion of 750,000 RCPS at an initial conversion price of HK$1.23. Sodikin is deemed to be interested in these shares through his 100% interests in Hidy Investment Limited.

   Following the reset of the conversion price to HK$1.19 per share on 14 March 2012, 9,831,932 shares will be allotted and issued upon full conversion of the outstanding RCPS, increasing its aggregate interest from 123.44% to 123.76% of the total ordinary share capital of the Company in issue.

2. Crosby Management Holdings Limited ("Crosby Management") held 27,244,000 ordinary shares of the Company. Crosby Management is 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 and, accordingly, he is deemed to be interested in 27,244,000 ordinary shares owned by Crosby Management. Crosby Management also owns 6,500,000 RCPS which can be converted into 82,439,024 ordinary shares at initial conversion price of HK$1.23 upon full conversion.

   Following the reset of the conversion price to HK$1.19 per share on 14 March 2012, 85,210,084 shares will be allotted and issued upon full conversion of the outstanding RCPS, increasing its aggregate interest from 112.42% to 114.61% of the total ordinary share capital of the Company in issue.

3. Nelson Tang Yu Ming was granted options on 7 October 2010 and 620,813 underlying shares will be allotted and issued upon exercise of the subscription rights at an adjusted exercise price of HK$1.171 per share as a result of rights issue with effect from 14 September 2011.

4. Following the reset of conversion price to HK$0.93 per share on 4 October 2011, Main Wealth Enterprises Limited owns 46,661,290 underlying shares, out of which 45,161,290 will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$42,000,000; and 1,500,000 ordinary shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company. Lau Kit Mei is deemed to be interested in these shares through her 100% interests in Main Wealth Enterprises Limited.

5. Following the reset of conversion price to HK$0.93 per share on 4 October 2011, Greyhound International Limited owns 45,035,954 underlying shares, out of which 43,010,752 will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$40,000,000; and 2,025,202 ordinary shares will be allotted and issued upon its exercise of the subscription rights attached to certain warrants of the Company at the adjusted exercise price of HK$1.111 per share. Wu Ting Fai, James is deemed to be interested in these shares through his 100% interests in Greyhound International Limited.

6. Lau Yu Fung Wilson owns the outstanding convertible bonds for a principal sum of HK$15,000,000 convertible into 16,129,032 underlying shares following the reset of the conversion price to HK$0.93 per share on 4 October 2011.

7. Wu Siu Fai Simon owns 6,644,800 ordinary shares and 95,900 RCPS of the Company, out of which 1,216,292 underlying shares will be allotted and issued upon full conversion of the outstanding RCPS at initial conversion price of HK$1.23 per share.

   Following the reset of the conversion price to HK$1.19 per share on 14 March 2012, 1,257,176 shares will be allotted and issued upon full conversion of the outstanding RCPS, increasing his aggregate interest from 8.01% to 8.05% of the total ordinary share capital of the Company in issue.

8. Ng Chun Fai Frank owns 7,729,320 underlying shares, out of which 7,526,881 shares will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$7,000,000 following the reset of the conversion price to HK$0.93 per share on 4 October 2011; and 202,439 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 at the adjusted exercise price of HK$1.171 per share.

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 2011, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and Underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2011, 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

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

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2011, 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 2011 which was required to be disclosed under Rule 17.18 of the GEM Listing Rules.

COMPETING INTERESTS

The Directors are not aware of any business or interest, as at 31 December 2011, 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 2011.

AUDITOR

The financial statements in respect of the financial year ended 31 December 2009 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the business 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 years ended 31 December 2010 and 31 December 2011 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

15 March 2012

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 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 deviations:

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 three Executive Directors of the Company collectively.

DIRECTORS' SECURITIES TRANSACTION

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.

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.

BOARD OF DIRECTORS

Composition

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

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

Non-Executive Director:
Ahmad S. Al-Khaled

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

The biographies of the Directors are set out under the "Profiles of Directors" on pages 9 and 10, and are posted on the Company's website (www.crosbycapitallimited.com).

BOARD OF DIRECTORS (continued)

Composition (continued)

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.

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.

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 GEM Listing Rules.

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 GEM Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

Mr. Daniel Yen Tzu Chen has served as an Independent Non-Executive Director for more than nine years. The Board is of the opinion that he remains independent, notwithstanding his length of tenure. Mr. Yen continues to demonstrate the attributes of an Independent Non-Executive Director and there is no evidence that his tenure has had any impact on his independence. The Board believes that his detailed knowledge and experience of the Group's business and his external experience continue to be of significant benefit to the Company, and that he maintains an independent view of its affairs.

BOARD OF DIRECTORS (continued)

Composition (continued)

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

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.

Term of Appointment and Re-election

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.

Training and Support for Directors

All the Directors, including Non-Executive Directors and Independent Non-Executive Directors, are briefed on regular basis to have a proper understanding of their collective responsibilities as Directors and of the operations and business of the Group. The Group assists in arranging professional development training to all the Directors to develop and refresh the Directors' knowledge and skills, and continuously updates all the Directors on latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

Board Meetings

There have been nine meetings of the Board during the year.

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

	No. of board meetings attended
Johnny Chan Kok Chung	7
Jeffrey Lau Chun Hung (appointed on 18 March 2011)	7
Ulric Leung Yuk Lun	9
Ahmad S. Al-Khaled	5
David John Robinson Herratt	6
Joseph Tong Tze Kay	6
Daniel Yen Tzu Chen	6

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 performed by the three Executive Directors of the Company collectively.

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

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.

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.

There was one Remuneration Committee meeting during the year.

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

NOMINATION COMMITTEE AND NOMINATION OF DIRECTORS

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.

The Nomination Committee comprised a majority of Independent Non-Executive Directors, is chaired by Mr. Ulric Leung Yuk Lun, and its membership includes Messrs. Jeffrey Lau Chun Hung, Daniel Yen Tzu Chen and Joseph Tong Tze Kay.

There was one Nomination Committee meeting during the year.

AUDIT COMMITTEE

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 auditor, 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.

The Audit Committee met four times during the year ended 31 December 2011.

The Audit Committee has met with the Auditor and the Chief Financial Officer during the year to review the 2010 Annual Report and the Quarterly Report for the quarters ended 31 March 2011 and 30 September 2011, and the Interim Report for the six months ended 30 June 2011. The Audit Committee has also met to review these annual figures and was satisfied with the outcome of its review.

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

AUDITOR'S REMUNERATION

Auditor's remuneration for the year ended 31 December 2011 was US$75,000 from continuing operations (2010: US$47,000). During the year, the Group has paid in aggregate to its external auditor's fees of US$12,000 from continuing operations (2010: US$78,000) for non-audit related activities in respect of the 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.

INTERNAL CONTROL

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

(i) Effectiveness and efficiency of operations;

(ii) Reliability of financial reporting; and

(iii) Compliance with applicable laws and regulations.

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

Through the Group's risk management framework, there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group, including business, financial, compliance, legal and operating risks. As part of this process, the Company conducted a review of the effectiveness of its system of internal control during the year ended 31 December 2011. 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.

INTERNAL CONTROL (continued)

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.

SHARE INTERESTS OF SENIOR MANAGEMENT

The number of shares held by senior management are set out in the Directors' Report on pages 13 to 16.

DIRECTORS' AND OFFICERS' INSURANCE

The Company arranges appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

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 Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The meeting shall be held within two months after the deposit of such requisition.

SHAREHOLDERS (continued)

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 Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, 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 Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.

The most recent shareholders meetings were as follows:

EGM held at 2:30 p.m. on 12 August 2011 at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The major items discussed were:

(i) Approval of the Share Consolidation.

(ii) Approval of the Diminution, the increased in authorised share capital, the Redesignation and Reclassification of authorised share capital.

(iii) Approval of the Rights Issue and the transactions contemplated thereunder.

(iv) Approval of the option to subscribe for the Redeemable Convertible Preference Shares and the transactions contemplated thereunder.

(v) Approval of the issue and allotment of all additional shares of the Company as a result of the adjustment to the Outstanding Warrants.

(vi) Approval of the issue and allotment of all additional shares of the Company as a result of the adjustment to the Outstanding Options.

(vii) Approval of the proposed Capital Reduction.

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:

4 May 2012	2011 Annual General Meeting
11 May 2012	1st Quarterly Results Announcement
9 August 2012	Interim Results Announcement
8 November 2012	3rd Quarterly Results Announcement

As at 31 December 2011, the public float capitalisation was approximately US$7,696,000 and the number of issued shares on the public float, represents 67.98% of the outstanding issued share capital of the Company.

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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 30 to 122, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

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 2011, 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 no. P05440

Hong Kong, 15 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Continuing operations			
Revenue	6	5,631	4,733
Cost of sales		(570)	(28)
Gross profit		5,061	4,705
(Loss)/Gain on financial assets at fair value through profit or loss	22(b)	(175)	133
Gain/(Loss) on financial liabilities at fair value through profit or loss	27	654	(1,603)
Other income	7	171	6,599
Administrative expenses			
Amortisation of intangible assets	19	(815)	(246)
Other administrative expenses		(8,907)	(7,594)
		(9,722)	(7,840)
Impairment of available-for-sale investments	18	(4)	(8)
Impairment of loan receivable		–	(2,310)
Other operating expenses		(732)	(835)
Loss from operations		(4,747)	(1,159)
Finance costs	8	(2,535)	(1,849)
Loss before taxation	9	(7,282)	(3,008)
Taxation	10(a)	(4)	(386)
Loss for the year from continuing operations		(7,286)	(3,394)
Discontinued operations			
Loss for the year from discontinued operations	11	–	(3,802)
Loss for the year		(7,286)	(7,196)

	Notes	2011 US$'000	2010 US$'000
Attributable to:			
Owners of the Company	12		
Loss for the year from continuing operations		**(6,294)**	(4,105)
Loss for the year from discontinued operations		**–**	(1,753)
		(6,294)	(5,858)
Non-controlling interests			
(Loss)/Profit for the year from continuing operations		**(992)**	711
Loss for the year from discontinued operations		**–**	(2,049)
		(992)	(1,338)
Loss for the year		**(7,286)**	(7,196)
Loss per share attributable to owners of the Company during the year	13	**US cents**	US cents (Restated)
Basic			
Continuing operations		**(9.88)**	(10.98)
Discontinued operations		**–**	(4.69)
		(9.88)	(15.67)
Diluted			
Continuing operations		**N/A**	N/A
Discontinued operations		**N/A**	N/A
		N/A	N/A

The notes on pages 40 to 122 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Loss for the year		**(7,286)**	(7,196)
Other comprehensive income:			
Available-for-sale investments			
Surplus on revaluation	18	**57**	170
Recycle to income statement:			
Provision for impairment		**4**	8
Gain upon disposal		**(15)**	(285)
Exchange differences on translating foreign operations		**4**	176
Exchange differences recycled to income statement upon disposal of subsidiaries		**–**	(743)
Other comprehensive income for the year, net of tax		**50**	(674)
Total comprehensive income for the year, before and net of tax		**(7,236)**	(7,870)
Attributable to:			
Owners of the Company		**(6,244)**	(6,544)
Non-controlling interests		**(992)**	(1,326)
Total comprehensive income for the year, before and net of tax		**(7,236)**	(7,870)

The notes on pages 40 to 122 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 US$'000	2010 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	10,688	264
Deposit paid for acquisition of property		–	1,423
Interests in jointly controlled entities	17	220	136
Available-for-sale investments	18	718	553
Intangible assets	19	577	1,388
Goodwill	20	3,311	3,311
		15,514	7,075
Current assets			
Trade and other receivables	21	2,153	1,946
Tax recoverable		195	–
Financial assets at fair value through profit or loss	22	60	274
Cash and cash equivalents	23	7,774	4,362
		10,182	6,582
Current liabilities			
Other payables	24	2,536	2,328
Deferred income		52	8
Provision for taxation		–	161
Borrowings	25	251	–
		2,839	2,497
Net current assets		7,343	4,085
Total assets less current liabilities		22,857	11,160
Non-current liabilities			
Loan payable		59	56
Financial liabilities at fair value through profit or loss	27	9,262	6,901
Note payable	28	–	3,366
Convertible bonds	29	26,573	15,793
Borrowings	25	4,392	–
		40,286	26,116
Net liabilities		(17,429)	(14,956)

Consolidated Statement of Financial Position

As at 31 December 2011

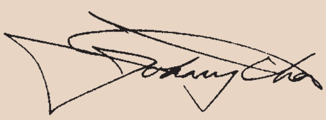
	Notes	2011 US$'000	2010 US$'000
EQUITY			
Share capital	30	**9,812**	4,906
Reserves	31	**(27,662)**	(21,271)
Capital deficiency attributable to owners of the Company		**(17,850)**	(16,365)
Non-controlling interests		**421**	1,409
Capital deficiency		**(17,429)**	(14,956)

Johnny Chan Kok Chung
Director

Ulric Leung Yuk Lun
Director

The notes on pages 40 to 122 form part of these financial statements.

	Notes	2011 US$'000	2010 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	**9,536**	11,690
Current assets			
Other receivables		**54**	47
Cash and cash equivalents	23	**4,916**	14
		4,970	61
Current liabilities			
Other payables		**646**	765
Net current assets/(liabilities)		**4,324**	(704)
Total assets less current liabilities		**13,860**	10,986
Non-current liabilities			
Financial liabilities at fair value through profit or loss	27	**9,262**	6,901
Convertible bonds	29	**26,573**	15,793
Borrowings	25	**950**	–
		36,785	22,694
Net liabilities		**(22,925)**	(11,708)
EQUITY			
Share capital	30	**9,812**	4,906
Reserves	31	**(32,737)**	(16,614)
Capital deficiency		**(22,925)**	(11,708)



Johnny Chan Kok Chung
Director

Ulric Leung Yuk Lun
Director

The notes on pages 40 to 122 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Capital deficiency attributable to owners of the Company									Non-controlling interests	Capital deficiency
	Share capital US$'000	*Share premium US$'000	*Capital reserve US$'000	*Capital redemption reserve US$'000	*Employee share-based compensation reserve US$'000	*Investment revaluation reserve US$'000	*Foreign exchange reserve US$'000	*Accumulated losses US$'000	Total US$'000	US$'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)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Capital deficiency attributable to owners of the Company									Non-controlling interests	Capital deficiency
	Share capital US$'000	*Share premium US$'000	*Capital reserve US$'000	*Capital redemption reserve US$'000	*Employee share-based compensation reserve US$'000	*Investment revaluation reserve US$'000	*Foreign exchange reserve US$'000	*Accumulated losses US$'000	Total US$'000	US$'000	US$'000
At 1 January 2011	4,906	108,221	271	77	6,903	191	–	(136,934)	(16,365)	1,409	(14,956)
Employee share-based compensation	–	–	–	–	131	–	–	–	131	4	135
Issue of shares as a result of rights issue	4,906	126	–	–	–	–	–	–	5,032	–	5,032
Shares issue costs	–	(404)	–	–	–	–	–	–	(404)	–	(404)
Transactions with owners	4,906	(278)	–	–	131	–	–	–	4,759	4	4,763
Loss for the year	–	–	–	–	–	–	–	(6,294)	(6,294)	(992)	(7,286)
Other comprehensive income:											
Available-for-sale investments											
Surplus on revaluation	–	–	–	–	–	57	–	–	57	–	57
Recycle to income statement:											
Provision for impairment	–	–	–	–	–	4	–	–	4	–	4
Gain upon disposal	–	–	–	–	–	(15)	–	–	(15)	–	(15)
Exchange differences on translating foreign operations	–	–	–	–	–	–	4	–	4	–	4
Total comprehensive income for the year	–	–	–	–	–	46	4	(6,294)	(6,244)	(992)	(7,236)
At 31 December 2011	9,812	107,943	271	77	7,034	237	4	(143,228)	(17,850)	421	(17,429)

* The total of these reserves amounts to a deficiency of US$27,662,000 (2010: US$21,271,000).

The notes on pages 40 to 122 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Continuing operations			
Cash outflow from operations	36	(3,888)	(3,987)
Tax paid		(359)	(243)
Tax refund		–	35
Net cash outflow from operating activities from continuing operations		(4,247)	(4,195)
Discontinued operations			
Net cash outflow from operating activities from discontinued operations		–	(810)
Net cash outflow from operating activities		(4,247)	(5,005)
Cash flows from investing activities			
Continuing operations			
Acquisition of a subsidiary, net of cash acquired	38	–	949
Acquisition of trademarks	19	(4)	(4)
Dividend received from available-for-sale investments		3	186
Bank interest received		2	7
Proceeds from disposals of associates		–	32
Proceeds from disposals of available-for-sale investments		20	303
Proceeds from disposals of property, plant and equipment		199	22
Purchase of property, plant and equipment		(9,732)	(6)
Repayment from loan receivable		5	79
Net cash (outflow)/inflow from investing activities from continuing operations		(9,507)	1,568
Discontinued operations			
Net cash outflow from investing activities from discontinued operations		–	(218)
Net cash (outflow)/inflow from investing activities		(9,507)	1,350

	Notes	2011 US$'000	2010 US$'000
Cash flows from financing activities			
Continuing operations			
Dividend paid to non-controlling interests		–	(375)
Drawdown of bank loan		3,846	–
Proceeds from exercise of share options of a subsidiary		–	45
Proceeds from exercise of warrants	30(f)	–	577
Net proceeds from issue of convertible bonds	29	11,452	20,203
Net proceeds from issue of redeemable convertible preference shares	26	1,005	–
Proceeds from issue of shares	30(h)(i)	5,032	–
Shares issue costs		(404)	(11)
Interest paid on bank loan		(37)	–
Repayment of bank loan		(153)	–
Repayment of finance lease obligations		–	(19)
Interest paid on note payable		(45)	–
Prepayment of note payable		(3,527)	–
Repurchase of convertible bonds	29	–	(20,000)
Net cash inflow from financing activities from continuing operations		17,169	420
Discontinued operations			
Net cash outflow from financing activities from discontinued operations		–	(233)
Net cash inflow from financing activities		17,169	187
Net increase/(decrease) in cash and cash equivalents		3,415	(3,468)
Effect of exchange rate fluctuations, net		(3)	(16)
Cash and cash equivalents as at 1 January		4,362	7,846
Cash and cash equivalents as at 31 December		7,774	4,362
Analysed into:			
Continuing operations		7,774	4,362
Discontinued operations		–	–
Total		7,774	4,362

The notes on pages 40 to 122 form part of these financial statements.

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 Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The Company's shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000.

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

The audited consolidated financial statements on pages 30 to 122 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB") and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by IASB. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The financial statements for the year ended 31 December 2011 were approved by the Board of Directors on 15 March 2012.

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 2011:

(a) Adoption of new/revised IFRSs – effective 1 January 2011

IFRSs (Amendments)	Improvements to IFRSs 2010
Amendments to IAS 32	Classification of Rights Issues
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 24 (Revised)	Related Party Disclosures

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 (Amendments) – Business Combinations

As part of the Improvements to IFRSs issued in 2010, IFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by IFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as the Group did not have any business acquisition in 2011.

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2011 (continued)

IAS 24 (Revised) – Related Party Disclosures

IAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has revised its accounting policy for the identification of its related parties and has reassessed counterparties of transactions in accordance with the revised definition. The reassessment did not result in new related parties being identified. Related parties identified in prior years remain unchanged under the new accounting policy and the Group concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

IAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

The Group has not applied the following new/revised IFRSs, that have been issued, but are not yet effective in these financial statements.

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to IAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
IFRS 9	Financial Instruments[6]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 19 (2011)	Employee Benefits[4]
IAS 27 (2011)	Separate Financial Statements[4]
IAS 28 (2011)	Investments in Associates and Joint Ventures[4]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

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

Information on new/revised IFRSs that are expected to affect the Group is as follows:

Amendments to IAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designed as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The Directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2015 and that the application of IFRS 9 may affect the classification and measurement of the Group's financial assets and financial liabilities should such designation be made in the future.

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

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

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidation related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions.

IFRS 11 – Joint Arrangements

Joint arrangements under IFRS 11 have the same basic characteristics as joint ventures under IAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. IFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under IAS 31. IFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

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

IFRS 13 – Fair Value Measurement

IFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with IFRS 7 "Financial Instruments: Disclosures". IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. IFRS 13 can be adopted early and is applied prospectively.

Except for IFRS 9, the Directors anticipated that the application of other 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 certain financial instruments classified as available-for-sale and at fair value through profit or loss, which are measured at fair value. The measurement bases are fully described in the accounting policies below.

In preparing the financial statements, the Directors have considered the operations of the Group as a going concern notwithstanding the Group had a capital deficiency attributable to owners of the Company of approximately US$17,850,000 as at 31 December 2011 (2010: US$16,365,000), and the Group incurred a loss attributable to owners of the Company of approximately US$6,294,000 (2010: US$5,858,000). 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 and financial resources to finance its operations for twelve months from the end of the reporting period, based on the current cost structures and cost control measures, especially with saving in office rent following the purchase of a new office and focusing on the existing businesses of asset management and direct investment, and to attain positive 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 working capital and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in Note 4 to the financial statements.

(b) 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.

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 interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 interests that represent present ownership interests in the subsidiary 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 such non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

(d) Associates and jointly controlled entities

An associate is an entity over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which is neither a subsidiary nor jointly controlled entity.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and jointly controlled entities (continued)

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

Leasehold land and buildings

The land and building elements of a lease of land and buildings 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.

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 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:

Leasehold land and buildings	2% or over the terms of the lease, whichever is shorter
Computer hardware and software	$33^1/_3$%
Furniture and fixtures	20%
Leasehold improvements	20% or over the terms of the lease, whichever is shorter
Motor vehicles	25%
Office equipment	$33^1/_3$%

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

(f) Leases

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases (continued)

(iii) Operating lease charges as the lessee

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

(g) Foreign currencies

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

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

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

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

When a foreign operation is sold, such exchange differences are 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale investments

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

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

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables (continued)

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 include 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible bonds (continued)

In subsequent periods, the liability component of the convertible bond 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.

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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Redeemable convertible preference shares

Redeemable convertible preference shares 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.

Preference shares, which are redeemable on a specific date or at the option of the shareholders, are classified as liabilities.

In subsequent periods, the liability component 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Redeemable convertible preference shares (continued)

When the preference shares 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 preference shares 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 redeemable convertible preference shares are allocated to the liability and conversion option components in proportion to the allocation of proceeds. Transaction costs relating to the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the preference shares using the effective interest method.

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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iii) Derecognition (continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 cash flows, 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, interests in jointly controlled entities, goodwill and other intangible assets are subject to impairment testing.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) Income taxes

Income tax for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

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:

– 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) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(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.

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 relevant income 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

For the year ended 31 December 2010, the Group contributed 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(iii) Share-based employee compensation (continued)

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.

(r) Provisions and contingent liabilities

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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 represented 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 represented 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 discontinued 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, assess the performance of the operating segments based on a measure of operating profit. 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;
- 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.

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, financial assets and liabilities at fair value through profit or loss, redeemable convertible preference shares 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 at fair value through profit or loss, redeemable convertible preference shares, financial liabilities at fair value through profit or loss and convertible bonds, detailed in Notes 18, 22, 26, 27 and 29 to the financial statements respectively, have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year.

Valuations of share options granted

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

Impairment of assets

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

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 21 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)/profits incurred from operations and total assets by each of the Group's operating segments, which are detailed in Note 3(t) to the financial statements, are summarised as follows:

	Merchant banking		Asset management		Direct investment		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers								
Continuing operations	–	–	5,626	4,733	5	–	5,631	4,733
Discontinued operations	–	–	–	85	–	–	–	85
	–	–	5,626	4,818	5	–	5,631	4,818
Inter-segment revenues								
Continuing operations	–	–	–	137	–	–	–	137
Discontinued operations	–	180	–	267	–	–	–	447
	–	180	–	404	–	–	–	584
Total revenue	–	180	5,626	5,222	5	–	5,631	5,402
Segment (loss)/profit from operations								
Continuing operations	–	–	(2,749)	1,879	(87)	(951)	(2,836)	928
Discontinued operations	–	(5,199)	–	(324)	–	–	–	(5,523)
Total segment (loss)/profit from operations	–	(5,199)	(2,749)	1,555	(87)	(951)	(2,836)	(4,595)
Segment total assets	–	–	5,586	6,684	113	388	5,699	7,072

5. SEGMENT INFORMATION (continued)

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

	Continuing operations		Discontinued operations		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Segment (loss)/profit from operations	(2,836)	928	–	(5,523)	(2,836)	(4,595)
Reconciling items:						
Other income not allocated	55	1,754	–	4	55	1,758
Gain/(Loss) on financial liabilities at fair value through profit or loss	654	(1,603)	–	–	654	(1,603)
Amortisation of intangible assets	(815)	(246)	–	–	(815)	(246)
Restructuring credit	–	–	–	23	–	23
Other expenses not allocated	(2,964)	(2,287)	–	(812)	(2,964)	(3,099)
Elimination of inter-segment revenue	1,159	295	–	–	1,159	295
Loss from operations	(4,747)	(1,159)	–	(6,308)	(4,747)	(7,467)
Finance costs	(2,535)	(1,849)	–	(52)	(2,535)	(1,901)
Loss before taxation	(7,282)	(3,008)	–	(6,360)	(7,282)	(9,368)

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

	2011 US$'000	2010 US$'000
Segment total assets	5,699	7,072
Reconciling items:		
Other assets not allocated	19,997	6,585
Total assets	25,696	13,657

5. SEGMENT INFORMATION (continued)

	Merchant banking		Asset management		Direct investment		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	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)	(21)	–	(1,041)	–	–	(2)	(1,062)
Gain on disposal of available-for-sale investments	–	–	–	–	(15)	(285)	–	–	(15)	(285)
Depreciation of property, plant and equipment	–	–	109	175	–	–	385	50	494	225
Impairment of available-for-sale investments	–	–	4	8	–	–	–	–	4	8
Impairment of note receivable	–	–	–	531	–	–	–	–	–	531
Impairment of loan receivable	–	–	–	–	–	2,310	–	–	–	2,310
Impairment of other receivables	–	–	–	3	–	74	–	–	–	77
Share-based compensation expense	–	–	57	98	–	–	78	169	135	267
Discontinued operations										
Interest income	–	(9)	–	(1)	–	–	–	–	–	(10)
Depreciation of property, plant and equipment	–	67	–	–	–	–	–	23	–	90
Share-based compensation expense	–	–	–	–	–	–	–	101	–	101

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.

6. REVENUE – CONTINUING OPERATIONS

Revenue, which is also the Group's turnover, represents the following:

	2011 US$'000	2010 US$'000
Fund management fee income	4,318	2,535
Wealth management services fee	1,308	2,198
Others	5	–
	5,631	4,733

7. OTHER INCOME – CONTINUING OPERATIONS

	2011 US$'000	2010 US$'000
Bad debts recovery on loan and other receivables	81	–
Bank interest income	2	4
Dividend income	3	186
Effective interest income on loan receivable	–	1,041
Gain on deemed disposal of a subsidiary	–	32
Gain on disposal of a subsidiary	5	–
Gain on disposal of available-for-sale investments	15	285
Gain on repurchase and cancellation of convertible bonds (Note 29)	–	1,754
Management fee income	46	23
Other interest income	–	17
Release of provision for claims	–	3,046
Others	19	211
	171	6,599

8. FINANCE COSTS – CONTINUING OPERATIONS

	2011 US$'000	2010 US$'000
Effective interest expense on convertible bonds – wholly repayable within five years (Note 29)	2,285	1,712
Interest on bank loan – not wholly repayable within five years	37	–
Effective interest expense on redeemable convertible preference shares (Note 26)	3	–
Other interest expense – wholly repayable within five years	210	137
	2,535	1,849

9. LOSS BEFORE TAXATION – CONTINUING OPERATIONS

	2011 US$'000	2010 US$'000
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	75	47
– other services	12	78
Amortisation of intangible assets	815	246
Depreciation of property, plant and equipment	494	225
Employee benefit expense (including directors' remuneration) (Note 14(c))	6,217	4,711
Foreign exchange losses, net	5	60
Impairment of available-for-sale investments	4	8
Impairment of note receivable	–	531
Impairment of other receivables (Note 21)	–	77
Impairment of loan receivable	–	2,310
Loss on disposal of a subsidiary	–	54
Loss on disposal of property, plant and equipment	38	2
Operating leases charges in respect of leased premises	452	441
After crediting:		
Effective interest income on loan receivable	–	1,041
Gain on deemed disposal of a subsidiary	–	32
Gain on disposal of a subsidiary	5	–

10(a). TAXATION – CONTINUING OPERATIONS

	2011 US$'000	2010 US$'000
Current tax charge		
Hong Kong:		
– Under provision in prior years	4	263
– Current year charge	–	158
	4	421
Overseas:		
– Over provision in prior years	–	(35)
Net charge	4	386

No Hong Kong profits tax has been provided in the financial statements as the Group did not make any assessable profit for the year ended 31 December 2011.

Hong Kong profits tax was provided at the rate of 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.

10(a). TAXATION – CONTINUING OPERATIONS (continued)

Reconciliation between tax charge and accounting loss at applicable rates:

	2011 US$'000	2011 %	2010 US$'000	2010 %
Loss before taxation				
Continuing operations	(7,282)		(3,008)	
Discontinued operations	–		(6,360)	
	(7,282)		(9,368)	
Tax at the domestic income tax rates	(1,201)	16.50	(1,546)	16.50
Tax effect of non-taxable income	(110)	1.51	(216)	2.31
Tax effect of non-deductible expenses	624	(8.57)	1,016	(10.84)
Tax effect of unrecognised temporary differences	(9)	0.12	35	(0.37)
Tax effect of unrecognised tax losses	696	(9.56)	869	(9.28)
Under provision in prior years	4	(0.05)	263	(2.81)
Over provision in prior years	–	–	(35)	0.37
Tax charge at the Group's effective tax rate	4	(0.05)	386	(4.12)

10(b). DEFERRED TAXATION

Group

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

	(Accelerated)/ Decelerated tax depreciation US$'000	Unutilised tax losses* US$'000	Total US$'000
At 31 December 2011	**(1,107)**	**8,853**	**7,746**
At 31 December 2010	49	9,235	9,284

* 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 relating to tax losses of the Group has been made as the recoverability of the potential deferred tax assets is uncertain.

Company

No deferred tax has been provided in the financial statements of the Company as the recoverability of the potential deferred tax assets is uncertain.

11. DISCONTINUED OPERATIONS

	Notes	2011 US$'000	2010 US$'000
Revenue		–	85
Cost of sales		–	(123)
Gross loss		–	(38)
Gain on financial assets at fair value through profit or loss		–	3
Other income		–	146
Administrative expenses			
Restructuring credit	(i)	–	23
Other administrative expenses		–	(5,472)
		–	(5,449)
Other operating expenses		–	(970)
Loss from operations		–	(6,308)
Finance costs		–	(52)
Loss before taxation	(ii)	–	(6,360)
Taxation		–	–
Loss for the year		–	(6,360)
Gain on disposal of subsidiaries (Note 39)	(iii)	–	2,558
		–	(3,802)

Notes:

(i) For the year ended 31 December 2010, the amounts included the additional provision for onerous contract of US$106,000 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 was achieved for the remaining term of the lease.

(ii) Loss before taxation – Discontinued operations

	2011 US$'000	2010 US$'000
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	–	62
– other services	–	7
Depreciation of property, plant and equipment	–	90
Employee benefit expense (including directors' remuneration) (Note 14(c))	–	4,567
Foreign exchange losses, net	–	162
Loss on disposal of property, plant and equipment	–	5
Operating leases charges in respect of leased premises	–	128

(iii) For the year ended 31 December 2010, 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 39 to the financial statements.

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company, a loss of US$15,971,000 (2010: US$22,984,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

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

	2011	2010
(US$'000)		
Consolidated loss attributable to owners of the Company		
Continuing operations	(6,294)	(4,105)
Discontinued operations	–	(1,753)
	(6,294)	(5,858)
(Number)		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	63,710,532	37,374,867
	2011 US cents	2010 US cents (Restated)
Basic loss per share		
Continuing operations	(9.88)	(10.98)
Discontinued operations	–	(4.69)
	(9.88)	(15.67)

The comparative figures for the basic loss per share for 2010 are restated to take into effect the Company's share consolidation and rights issue completed during the year retrospectively as if they had taken place since the beginning of the comparative year. Details of the share consolidation and rights issue completed during the year are set out in Note 30(g)(ii) and Note 30(h)(i) to the financial statements respectively.

(b) Diluted loss per share

No diluted loss per share is shown for 2011 and 2010 as the outstanding share options, convertible bonds, warrants and redeemable convertible preference shares were anti-dilutive or have no dilutive effect.

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees US$'000	Salaries and allowances US$'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
2011									
Executive Directors:									
Johnny Chan Kok Chung	–	606	–	–	3	–	18	22	649
Jeffrey Lau Chun Hung	–	263	21	–	3	–	–	13	300
Ulric Leung Yuk Lun	–	385	218	–	3	–	–	8	614
Non-Executive Director:									
Ahmad S. Al-Khaled	40	–	–	–	–	–	–	2	42
Independent Non-Executive Directors:									
David John Robinson Herratt	20	–	–	–	–	–	–	–	20
Joseph Tong Tze Kay	40	–	–	–	–	–	–	2	42
Daniel Yen Tzu Chen	40	–	–	–	–	–	–	2	42
	140	1,254	239	–	9	–	18	49	1,709
2010									
Executive Directors:									
Johnny Chan Kok Chung	–	1,004	–	–	2	–	25	124	1,155
Ilyas Tariq Khan	–	385	–	1,172	–	13	13	62	1,645
Ulric Leung Yuk Lun	–	102	131	–	1	–	–	2	236
Non-Executive Directors:									
Ahmad S. Al-Khaled	40	–	–	–	–	–	–	12	52
Simon Jeremy Fry	–	17	–	–	–	2	–	–	19
Independent Non-Executive Directors:									
David John Robinson Herratt	4	–	–	–	–	–	–	–	4
Peter McIntyre Koenig	33	–	–	10	–	–	–	11	54
Joseph Tong Tze Kay	40	–	–	–	–	–	–	12	52
Daniel Yen Tzu Chen	40	–	–	–	–	–	–	12	52
	157	1,508	131	1,182	3	15	38	235	3,269

* 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(q)(iii) to the financial statements. Particulars of share options granted to the Directors under the Company's share option scheme are set out in Note 32 to the financial statements.

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

(a) Directors' remuneration (continued)

During the year ended 31 December 2011, Mr. Jeffrey Lau Chun Hung was appointed as the Director of the Company on 18 March 2011.

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 assets to ECK Partners Holdings Limited as detailed in Note 39 to the financial statements. Mr. Peter McIntyre 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2010: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 US$'000	2010 US$'000
Salaries, allowances and benefits in kind	**898**	789
Commission paid and payable	**213**	636
Contractual and discretionary bonuses	**127**	–
Termination/gratuitous payments	**13**	–
Retirement fund contributions	**5**	5
Share-based compensation expense	**18**	68
	1,274	1,498

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
US$321,001 to US$385,000	**–**	–
US$385,001 to US$449,000	**2**	1
US$449,001 to US$513,000	**1**	1
US$513,001 to US$577,000	**–**	–
US$577,001 to US$641,000	**–**	1

Save the compensation for loss of office paid to one of the three remaining highest paid individuals during the year, and Messrs. Ilyas Tariq Khan and Peter McIntyre Koenig in prior year 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 2011 and 31 December 2010.

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

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

	2011 US$'000	2010 US$'000
Fees	140	157
Salaries, allowances and benefits in kind	4,908	6,591
Commission paid and payable	361	636
Bonus paid and payable	618	194
Termination/gratuitous payments	–	1,182
Retirement fund contributions *	55	49
Social security costs	–	101
Share-based compensation expense	135	368
Total	6,217	9,278
Analysed into:		
Continuing operations	6,217	4,711
Discontinued operations	–	4,567
Total	6,217	9,278

* There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2011 and 31 December 2010.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings US$'000	Computer hardware and software US$'000	Furniture and fixtures US$'000	Leasehold improvements US$'000	Motor vehicles US$'000	Office equipment US$'000	Total US$'000
At 1 January 2010							
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 38)	–	3	–	–	–	–	3
Disposals	–	(13)	–	–	(21)	–	(34)
Disposal of subsidiaries (Note 39)	–	(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
Year ended 31 December 2011							
Opening carrying amount	–	14	22	216	–	12	264
Additions	10,201	148	137	361	237	71	11,155
Disposals	–	–	–	–	(237)	–	(237)
Depreciation	(187)	(42)	(31)	(209)	–	(25)	(494)
Closing carrying amount	10,014	120	128	368	–	58	10,688
At 31 December 2011							
Cost	**10,201**	**355**	**223**	**819**	**–**	**148**	**11,746**
Accumulated depreciation	**(187)**	**(235)**	**(95)**	**(451)**	**–**	**(90)**	**(1,058)**
Carrying amount	**10,014**	**120**	**128**	**368**	**–**	**58**	**10,688**

As at 31 December 2011, the Group's leasehold land and buildings were situated in Hong Kong, which was held under long-term lease.

Property, plant and equipment includes certain leasehold land and buildings of total carrying amount of US$9,732,000 (2010: US$Nil) pledged to a bank to secure a mortgage loan granted to one of the wholly owned subsidiaries as at 31 December 2011.

16. INTERESTS IN SUBSIDIARIES

Company

	Notes	2011 US$'000	2010 US$'000
Investments at cost			
– Unlisted shares, inside Hong Kong		**6,078**	8,067
– Unlisted shares, outside Hong Kong		**41,534**	39,028
Less: Impairment losses		**(37,132)**	(27,694)
	(i)	**10,480**	19,401
Amounts due from subsidiaries		**3,660**	215
Less: Impairment losses		**(3,573)**	–
	(ii)	**87**	215
Amounts due to subsidiaries	(ii)	**(1,031)**	(7,926)
		9,536	11,690

Notes:

(i) The investments in subsidiaries are stated at cost less 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$37,132,000 (2010: US$27,694,000) being made as at 31 December 2011. Details of principal subsidiaries are set out in Note 41 to the financial statements.

(ii) Amounts due from/(to) subsidiaries are interest-free, unsecured and have no fixed repayment terms. Impairment losses of US$3,573,000 (2010: US$Nil) has been recognised in the income statement as the Directors are of the opinion that the amounts are unrecoverable from the subsidiaries.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

Group

	2011 US$'000	2010 US$'000
Amount due from a jointly controlled entity	220	136

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

	2011 US$'000	2010 US$'000
At 1 January	136	16
Net advance during the year	84	120
At 31 December	220	136

Amount due from a jointly controlled entity is interest-free, unsecured and has no fixed repayment terms.

Particulars of the principal jointly controlled entities as at 31 December 2011 are as follows:

Name	Place of incorporation	Issued/Paid-up share capital	Percentage of interest held by the Company indirectly 2011	2010	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 the Cayman Islands

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

	Assets US$'000	Liabilities US$'000	Equity US$'000	Revenue US$'000	Profit US$'000
2011					
100 per cent	**432**	**(432)**	**–**	**441**	**–**
Group's effective interest at 31 December	**216**	**(216)**	**–**	**221**	**–**
2010					
100 per cent	272	(272)	–	282	–
Group's effective interest at 31 December	136	(136)	–	141	–

The financial information above is based on the unaudited management accounts for each of the two years ended 31 December 2011 and 31 December 2010.

18. AVAILABLE-FOR-SALE INVESTMENTS

Group

	Notes	2011 US$'000	2010 US$'000
Unlisted investments, at fair value			
Equity securities		**605**	559
Less: Impairment losses		**(15)**	(11)
	(i)	**590**	548
Unlisted investments, at cost			
Equity securities		**1,586**	1,458
Less: Impairment losses		**(1,458)**	(1,458)
	(ii)	**128**	–
Listed investments, at fair value			
Equity securities, listed outside Hong Kong		**–**	5
		–	5
Total		**718**	553

18. AVAILABLE-FOR-SALE INVESTMENTS (continued)

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

	2011 US$'000	2010 US$'000
At 1 January	553	607
Additions (Note 37)	128	–
Disposals	(20)	(224)
Change in fair value recognised directly in other comprehensive income	57	170
At 31 December	718	553

Notes:

(i) Provision for impairment of US$4,000 (2010: US$8,000) has been made during the year ended 31 December 2011 which has been removed from the investment revaluation reserve in equity and recognised in the consolidated income statement.

(ii) The fair value of unlisted investments was not disclosed as there was no open market on the unlisted investments and the fair value cannot be measured reliably.

19. INTANGIBLE ASSETS

Group

	Non-compete contract US$'000	Trademarks US$'000	Total US$'000
Carrying amount at 1 January 2010	–	21	21
Addition	–	4	4
Acquisition of a subsidiary (Note 38)	1,630	–	1,630
Disposal of subsidiaries (Note 39)	–	(21)	(21)
Amortisation	(246)	–	(246)
Carrying amount at 31 December 2010 and 1 January 2011	1,384	4	1,388
Addition	–	4	4
Amortisation	(815)	–	(815)
Carrying amount at 31 December 2011	569	8	577

The non-compete contracts was attributable to the acquisition of the Shikumen Capital Management (HK) Limited on 13 September 2010 and was amortised over its expected useful life of 2 years.

20. GOODWILL

Group

	2011 US$'000	2010 US$'000
Carrying amount at 1 January	3,311	–
Acquisition of a subsidiary (Note 38)	–	3,311
Carrying amount at 31 December	3,311	3,311

The recoverable amount of Shikumen Capital Management (HK) Limited ("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 and followed by an extrapolation of expected cash flows with growth rate of 4%. 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 pre-tax discount rate applied to the cash flow projections is 18.56% (2010: 18.56%) reflecting specific risks relating to the relevant cash generating unit. Based on the assessment performed, no impairment provision against the carrying amount of goodwill was considered necessary.

21. TRADE AND OTHER RECEIVABLES

Group

	Notes	2011 US$'000	2010 US$'000
Trade receivables	(i)	1,316	1,346
Other receivables – gross		246	249
Less: Impairment losses	(ii)	(107)	(193)
Other receivables – net		139	56
Deposits and prepayments		698	544
Total		2,153	1,946

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

21. TRADE AND OTHER RECEIVABLES (continued)

Group (continued)

Notes:

(i) At 31 December 2011, the ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	2011 US$'000	2010 US$'000
0–30 days	519	1,282
31–60 days	702	38
61–90 days	30	26
Over 90 days	65	–
	1,316	1,346

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

As at 31 December 2011, trade receivables related to three customers (2010: three customers) for which there was no recent history of default.

As at 31 December 2011 and 31 December 2010, no impairment has been made in respect of trade receivables.

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2011 US$'000	2010 US$'000
Less than 30 days past due	1,221	1,320
31–60 days past due	30	26
61–90 days past due	65	–
	1,316	1,346

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

	2011 US$'000	2010 US$'000
At 1 January	193	774
Impairment losses		
– Continuing operations (Note 9)	–	77
Reversal due to debt recovery		
– Continuing operations	(76)	–
– Discontinued operations	–	(2)
Disposal of subsidiaries	–	(7)
Written off	(10)	(649)
At 31 December	107	193

The ageing analysis of other receivables which are past due but not impaired is as follows:

	2011 US$'000	2010 US$'000
Less than 30 days past due	123	13
31–60 days past due	–	–
61–90 days past due	–	–
Over 90 days past due	16	43
	139	56

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Group

	2011 US$'000	2010 US$'000
Held for trading		
Listed securities, at fair value:		
– Equity securities – Australia	31	227
– Equity securities – Japan	29	10
– Equity securities – United Kingdom	–	37
Total	60	274

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

	Notes	2011 US$'000	2010 US$'000
At 1 January		274	8,560
Additions	(1)	–	4,265
Disposals	(2)	(39)	(12,671)
Disposal of subsidiaries (Note 39)		–	(16)
(Loss)/Gain on financial assets at fair value through profit or loss			
– Continuing operations		(175)	133
– Discontinued operations		–	3
At 31 December		60	274

Notes:

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

	2011 US$'000	2010 US$'000
Acquisition by cash	–	4,265
Analysed into:		
Continuing operations	–	4,265
Discontinued operations	–	–
	–	4,265

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

(b) (continued)

Notes: (continued)

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

	2011 US$'000	2010 US$'000
Disposals for cash	39	9,965
Non-cash disposals (Note 39)	–	2,706
	39	12,671

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

	2011 US$'000	2010 US$'000
Disposals for cash, as above	39	9,965
Analysed into:		
Continuing operations	39	9,965
Discontinued operations	–	–
	39	9,965

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Bank and cash balances	7,774	2,855	4,916	14
Short-term bank deposits	–	1,507	–	–
	7,774	4,362	4,916	14
Average effective interest rates of short-term bank deposits	–	0.01%–0.24%	–	–

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 December 2010, the short-term bank deposits had maturity periods ranging from 1 to 31 days and were eligible for immediate cancellation without receiving any interest for the last deposit period.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$35,000 (2010: US$Nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. OTHER PAYABLES

Group

	2011 US$'000	2010 US$'000
Other payables	371	42
Accrued charges	2,165	2,286
	2,536	2,328

Included in the Group's accrued charges is the insurance deductible and related costs of US$405,000 (2010: US$255,000) as detailed in Note 35 to the financial statements and the provision for bonus of US$1,028,000 (2010: US$558,000) to directors and staff, of which the provision for bonus of US$414,000 (2010: US$414,000) is deferred from prior years.

25. BORROWINGS

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Current liabilities				
Bank loan – secured	251	–	–	–
Non-current liabilities				
Bank loan – secured	3,442	–	–	–
Redeemable convertible preference shares (Note 26)	950	–	950	–
	4,392	–	950	–
Total	4,643	–	950	–

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Borrowings are repayable as follows:				
Within one year	251	–	–	–
In the second year	235	–	–	–
In the third to fifth years	1,679	–	950	–
After the fifth years	2,478	–	–	–
Total	4,643	–	950	–

25. BORROWINGS (continued)

Notes:

(i) The contractual interest rate of the bank loan is HIBOR+1.25%. HIBOR represents the Hong Kong Interbank Offered Rate and the effective interest rate of the redeemable convertible preference shares is 1.14% per annum;

(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 certain leasehold land and building of the Group situated in Hong Kong of net carrying amount of US$9,732,000 as at 31 December 2011 (2010: US$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 (2010: US$Nil) and HK$30,000,000 which is equivalent to approximately US$3,846,000 (2010: US$Nil) respectively for the year ended 31 December 2011.

(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 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: Nil).

26. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Group and Company

On 14 September 2011 ("issue date"), the Company issued 10,019,790 redeemable convertible preference shares ("RCPS") of par value of US$0.10 each at subscription price of US$2.00 per RCPS, of which US$0.10 per RCPS was paid on subscription and the remaining balance of US$1.90 per RCPS will be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company.

Each holder of the RCPS has the option to convert the RCPS into shares at an initial conversion price of HK$1.23 per share initially, subject to the conversion price reset scheme. At the end to 6-month period from the issue date and at the end of every 6-month period thereafter, the conversion price share be adjusted to 110% of the one-month volume weighted average price of the ordinary shares of the Company. The conversion price shall not be lower than the par value of the ordinary shares of the Company. The RCPS mature five years from the issue date at an amount equals to the initial RCPS subscription price of the RCPS redeemed or can be converted into shares on and after the issue date up to 7 September 2016 at the holder's option upon the payment of the remaining balance of US$1.90 per share. The RCPS holders may request the Company to redeem the RCPS (in whole or in part) on or after the third anniversary of the issue date of the RCPS. The RCPS are not entitled to any dividend. The RCPS may be redeemed by the Company after the issue date at the early redemption amount provided that the closing market price of the ordinary shares of the Company is at least 150% of the conversion price for 30 consecutive trading days.

26. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (continued)

The residual amount of the proceeds of the RCPS 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 and is included in borrowings under non-current liabilities.

The RCPS recognised in the statement of financial position at the issue date on 14 September 2011 are calculated as follows:

	US$'000
Face value of RCPS issued (Note 30(h)(ii))	1,002
Initial value of subscription option over RCPS recognised upon subscription	3
Transaction costs	–
Net proceeds	1,005
Fair value of derivatives embedded in the RCPS (Note 27)	(58)
Liability component on initial recognition upon issuance of RCPS	947

The carrying value of the liability component of the RCPS recognised in the statement of financial position at the end of the reporting period are as follows:

	2011 **US$'000**	2010 US$'000
Net carrying amount at 1 January	**–**	–
Issue of RCPS	**947**	–
Effective interest expense for the year (Note 8)	**3**	–
Net carrying amount at 31 December (Note 25)	**950**	–

Interest expense on the RCPS is calculated using the effective interest method by applying the effective interest rate of 1.14% (2010: Nil) per annum.

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Derivatives embedded in the convertible bonds issued:				
Balance at 1 January	**6,375**	–	**6,375**	–
Initial recognition (Note 29)	**2,957**	4,969	**2,957**	4,969
(Gain)/Loss on financial liabilities at fair value through profit or loss	**(348)**	1,406	**(348)**	1,406
Balance at 31 December	**8,984**	6,375	**8,984**	6,375
Warrants issued:				
Balance at 1 January	**526**	–	**526**	–
Initial recognition (Note 29)	**–**	807	**–**	807
Exercise of warrants	**–**	(478)	**–**	(478)
(Gain)/Loss on financial liabilities at fair value through profit or loss	**(281)**	197	**(281)**	197
Balance at 31 December	**245**	526	**245**	526
Derivatives embedded in the redeemable convertible preference shares issued:				
Balance at 1 January	**–**	–	**–**	–
Initial recognition (Note 26)	**58**	–	**58**	–
Gain on financial liabilities at fair value through profit or loss	**(25)**	–	**(25)**	–
Balance at 31 December	**33**	–	**33**	–
Total	**9,262**	6,901	**9,262**	6,901

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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 2011 and 31 December 2010 are calculated using the Binomial Option Pricing Model for the derivatives embedded in the convertible bonds and the RCPS and the warrants issued respectively. The inputs into the model are as follows:

	Derivatives embedded in the convertible bonds issued		Warrants issued		Derivatives embedded in the redeemable convertible preference shares issued	
	2011	2010	2011	2010	2011	2010
Expected volatility	90.83%	86.59%	90.83%	86.52%	89.93%	N/A
Expected life	3.76 years	4.76 years	3.76 years	4.76 years	4.71 years	N/A
Risk-free rate	0.71%	1.67%	0.71%	1.67%	0.90%	N/A
Spot price	HK$0.83	HK$0.193*	HK$0.83	HK$0.193*	HK$0.83	N/A
Expected dividend yield	0%	0%	0%	0%	0%	N/A

* before adjustment for the effect of Share Consolidation as disclosed in Note 30(g)(ii) to the financial statements.

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 estimates.

28. NOTE PAYABLE

Group

The note payable represented 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 38 to the financial statements. The promissory note, disclosed as note payable, was 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. The effective interest rate was 13.07% (2010: 13.07%) per annum.

In May 2011, principal amount of HK$20,000,000, was prepaid and the remaining principal amount of HK$10,000,000 was assigned by Crosby Management Holdings Limited ("CMHL"), a substantial shareholder of the Company, to a director of CMHL, who is also a Director of the Company.

In September 2011, this remaining principal amount of HK$10,000,000 was further assigned to another director of CMHL, who is also a substantial shareholder of the Company, and then to an independent third party immediately before it was fully prepaid.

29. CONVERTIBLE BONDS

Group and Company

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 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 premise together with the bank loan (Note 25 to the financial statements).

The Tranche 1 and Tranche 2 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 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 (before the Share Consolidation as disclosed in Note 30(g)(ii) to the financial statements) 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$0.78 per share (after adjustment for the effect of the Share Consolidation as disclosed in Note 30(g)(ii) to the financial statements) and provided that the conversion price shall not in any event be higher than the lower of HK$1.80 per share (after adjustment for the effect of the Share Consolidation as disclosed in Note 30(g)(ii) to the financial statements) and the previous adjusted conversion price reset. The Tranche 1 and Tranche 2 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 and Tranche 2 Convertible Bonds may request the Company to redeem at the aforesaid early redemption amount on or after third anniversary year from 4 October 2010.

In accordance with the terms and conditions thereof, the conversion price was reset on 4 April 2011 and 4 October 2011, and the prevailing conversion price is HK$0.93 per share as reset on 4 October 2011.

29. CONVERTIBLE BONDS (continued)

The Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds recognised in the 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)
Net proceeds	11,452	20,203
Financial liabilities at fair value through profit or loss (Note 27)	(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

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:

	2011 US$'000	2010 US$'000
Net carrying amounts at 1 January	**15,793**	21,408
Effective interest expense for the year (Note 8)	**2,285**	1,712
Redemption of convertible bonds previously issued in March 2006	**–**	(22,561)
Issue of new bonds	**8,495**	15,234
Net carrying amounts at 31 December	**26,573**	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 values of warrants issued amounting to HK$6,294,000 (approximately US$807,000) were valued by an independent professional valuer. The gain on the repurchase of the convertible bonds previously issued in March 2006 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 convertible bonds of US$22,561,000, was recognised in the profit and loss for the year ended 31 December 2010.

The interest expense of the Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds for the year ended 31 December 2011 is calculated using the effective interest method by applying an effective interest rate of 9.43% (2010: 9.43%) and 10.95% (2010: Nil) to the liability component respectively. The interest expense of the convertible bonds previously issued in March 2006 for the year ended 31 December 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.

30. SHARE CAPITAL

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of redeemable convertible preference shares	Number of non-voting convertible deferred shares	Value US$'000
Authorised					
At 1 January 2010 (par value of US$0.01 each)	2,000,000,000	100,000	–	– (Note (a))	20,001
Increase in authorised ordinary share capital (Note (c)) (par value of US$0.01 each)	2,000,000,000	–	–	–	20,000
At 31 December 2010 and 1 January 2011 (par value of US$0.01 each)	4,000,000,000	100,000	–	–	40,001
Diminution (Note (g)(i))	–	(100,000)	–	–	(1)
Effect of Share Consolidation (Note (g)(ii))	(3,600,000,000)	–	–	–	–
Increase in authorised ordinary share capital (Note (g)(iii)) (par value of US$0.1 each)	1,600,000,000	–	–	–	160,000
Redesignation and reclassification (Note (g)(iv))	(100,000,000)	–	100,000,000	–	–
At 31 December 2011 (par value of US$0.10 each)	1,900,000,000	–	100,000,000	–	200,000
Issued and fully paid					
At 1 January 2010 (par value of US$0.01 each)	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
Exercise of warrants (Note (f))	30,000,000	–	–	–	300
At 31 December 2010 and 1 January 2011 (par value of US$0.01 each)	490,597,984	–	–	–	4,906
Effect of Share Consolidation (Note (g)(ii))	(441,538,186)	–	–	–	–
Issue of shares as a result of Rights Issue (Note (h)(i)) (par value of US$0.10 each)	49,059,798	–	–	–	4,906
Issue of redeemable convertible preference shares as a result of Rights Issue (Note (h)(ii))	–	–	10,019,790	–	–
At 31 December 2011 (par value of US$0.10 each)	**98,119,596**	**–**	**10,019,790**	**–**	**9,812**

30. 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 38 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.

(g) Pursuant to an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 12 August 2011:

(i) The Company diminished its authorised but unissued share capital by cancelling 100,000 convertible redeemable preference shares of US$0.01 each with effect from 15 August 2011;

(ii) Every ten issued and unissued shares of US$0.01 each were consolidated into one new share of US$0.10 each with effect from 15 August 2011 (the "Share Consolidation"). The shares after the Share Consolidation rank pari passu in all respects with each other;

(iii) The authorised ordinary share capital of the Company were increased from US$40,000,000 divided into 400,000,000 shares of US$0.10 each to US$200,000,000 divided into 2,000,000,000 shares of US$0.10 each by the creation of an additional ordinary share capital of US$160,000,000 divided into 1,600,000,000 shares of US$0.10 each with effect from 15 August 2011; and

(iv) The authorised share capital of the Company of US$200,000,000 divided into 2,000,000,000 shares of US$0.10 each were redesignated and reclassified into: (a) 1,900,000,000 ordinary shares of par value US$0.10 each and (b) 100,000,000 redeemable convertible preference shares of par value US$0.10 each with effect from 15 August 2011.

(h) On 14 September 2011:

(i) 49,059,798 ordinary shares of par value of US$0.10 each of the Company were issued by way of rights issue at a subscription price of HK$0.80 per share (the "Rights Issue") in a total amount of approximately HK$39,248,000 (approximately US$5,032,000) with option to subscribe for one redeemable convertible preference share for every two rights shares issued and taken up. These shares rank pari passu in all respects with other ordinary shares in issue; and

(ii) 10,019,790 redeemable convertible preference shares ("RCPS") of par value of US$0.10 each of the Company were allotted and issued at subscription price of US$2.00 per RCPS, of which US$0.10 per RCPS was paid on subscription in a total amount of approximately US$1,002,000 and the remaining balance of US$1.90 per RCPS will be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company. The residual amount of the proceeds of the RCPS over the fair value of the embedded derivatives as set out in Note 27 to the financial statements, is assigned as the liability component as set out in Note 26 to the financial statements.

31. RESERVES

Group

	2011 US$'000	2010 US$'000
Share premium	107,943	108,221
Capital reserve	271	271
Capital redemption reserve	77	77
Employee share-based compensation reserve	7,034	6,903
Investment revaluation reserve	237	191
Foreign exchange reserve	4	–
Accumulated losses	(143,228)	(136,934)
	(27,662)	(21,271)

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 36 and 37.

Company

	Share premium US$'000	Capital reserve US$'000	Capital redemption reserve US$'000	Employee share-based compensation reserve US$'000	Investment revaluation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 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 share 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 2010 and at 1 January 2011	108,221	271	77	6,818	–	(132,001)	(16,614)
Issue of shares as a result of rights issue	126	–	–	–	–	–	126
Share issue costs	(404)	–	–	–	–	–	(404)
Employee share-based compensation	–	–	–	57	–	–	57
Employee share-based compensation granted to subsidiaries	–	–	–	69	–	–	69
Loss for the year	–	–	–	–	–	(15,971)	(15,971)
At 31 December 2011	107,943	271	77	6,944	–	(147,972)	(32,737)

32. SHARE OPTION SCHEMES

(a) Share Option Scheme of the Company

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

Pursuant to the Company's Share Option Scheme, a duly authorised committee of the board of Directors of the Company may, at its discretion, grant options to eligible employees, including Directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant of the particular option or (ii) the average of the closing prices of the shares of the Company for the five trading days immediately preceding the date of the grant of the options or (iii) the nominal value of the shares. On each grant of options HK$10 is payable by the grantee.

The total number of shares available for issue under options granted pursuant to the Company's Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date of the approval of the Company's Share Option Scheme (the "Scheme Mandate Limit"), unless shareholders' approval of the Company has been obtained. However, the overall limit must not on aggregate exceed 30% of the Company's issued share capital (i.e. 29,435,878 options as of 31 December 2011). 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.

32. SHARE OPTION SCHEMES (continued)

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

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

Date of grant	Exercise price HK$	Exercise period	Number of Share Options: Balance as at 1 January 2011 (Restated)	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2011	Options exercisable at 31 December 2011
27 March 2002	5.216	27 March 2003 to 26 March 2012	4,048	–	–	–	4,048	4,048
24 March 2006	57.054	24 March 2007 to 23 March 2016	269,916	–	–	–	269,916	269,916
26 April 2006	57.054	26 April 2007 to 25 April 2016	1,619,512	–	–	–	1,619,512	1,619,512
29 January 2007	27.045	29 January 2008 to 28 January 2017	134,956	–	–	–	134,956	134,956
11 February 2008	13.337	11 February 2009 to 10 February 2018	1,045,941	–	–	–	1,045,941	1,045,941
29 December 2008	1.334	29 December 2009 to 28 December 2018	269,916	–	–	–	269,916	269,916
7 October 2010	1.171	7 October 2011 to 6 October 2020	2,523,739	–	–	–	2,523,739	757,121
			5,868,028	–	–	–	5,868,028	4,101,410

Note: The exercise prices per outstanding options and the number of shares to be allotted and issued attaching to the instruments incorporated the adjustments as a result of the Share Consolidation and issue of rights shares which took effect from 15 August 2011 and 14 September 2011 as set out in Note 30(g)(ii) and Note 30(h)(i) to the financial statements respectively.

32. SHARE OPTION SCHEMES (continued)

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

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

Year	Grantees	Date of grant	Number of share options: Outstanding at 1 January	Granted during the year	Transfer/ lapsed during the year	Exercised during the year	Outstanding at 31 December	
2011	Directors	24 March 2006	**202,437**	**–**	**–**	**–**	**202,437**	
		26 April 2006	**809,756**	**–**	**–**	**–**	**809,756**	
		29 January 2007	**101,217**	**–**	**–**	**–**	**101,217**	
		11 February 2008	**607,325**	**–**	**–**	**–**	**607,325**	
		29 December 2008	**202,437**	**–**	**–**	**–**	**202,437**	
		7 October 2010	**985,203**	**–**	**–**	**–**	**985,203**	
			2,908,375	**–**	**–**	**–**	**2,908,375**	
	Employees	27 March 2002	**4,048**	**–**	**–**	**–**	**4,048**	
		24 March 2006	**67,479**	**–**	**–**	**–**	**67,479**	
		26 April 2006	**809,756**	**–**	**–**	**–**	**809,756**	
		29 January 2007	**33,739**	**–**	**–**	**–**	**33,739**	
		11 February 2008	**438,616**	**–**	**–**	**–**	**438,616**	
		29 December 2008	**67,479**	**–**	**–**	**–**	**67,479**	
		7 October 2010	**1,538,536**	**–**	**–**	**–**	**1,538,536**	
			2,959,653	**–**	**–**	**–**	**2,959,653**	
		Total	**5,868,028**	**–**	**–**	**–**	**5,868,028**	
		Weighted average exercise price	**HK$21.938**	**–**	**–**	**–**	**HK$21.938**	
2010 (Restated)	Directors	24 March 2006	269,916	–	(67,479)	–	202,437	
		26 April 2006	2,429,268	–	(1,619,512)	–	809,756	
		29 January 2007	134,956	–	(33,739)	–	101,217	
		11 February 2008	1,417,073	–	(809,748)	–	607,325	
		29 December 2008	269,916	–	(67,479)	–	202,437	
		7 October 2010	–	985,203	–	–	985,203	Note
			4,521,129	985,203	(2,597,957)	–	2,908,375	
	Employees	27 March 2002	4,048	–	–	–	4,048	
		24 March 2006	–	–	67,479	–	67,479	
		26 April 2006	–	–	809,756	–	809,756	
		29 January 2007	–	–	33,739	–	33,739	
		11 February 2008	33,739	–	404,877	–	438,616	
		29 December 2008	–	–	67,479	–	67,479	
		7 October 2010	–	1,538,536	–	–	1,538,536	Note
			37,787	1,538,536	1,383,330	–	2,959,653	
		Total	4,558,916	2,523,739	(1,214,627)	–	5,868,028	
		Weighted average exercise price	HK$38.908	HK$1.171	HK$42.482	–	HK$21.938	

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$1.56 after adjustment for the effect of Share Consolidation as set out in Note 30(g)(ii) to the financial statements.

32. SHARE OPTION SCHEMES (continued)

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

No options were granted during the year ended 31 December 2011. The fair value of the options granted during the year ended 31 December 2010, measured at the date of grant, totalled approximately US$1,690,000. The weighted average remaining contractual life of the options outstanding as at 31 December 2011 was approximately 6.68 years (2010: 7.68 years).

US$126,000 (2010: US$225,000) of employee share-based compensation expense is included in the consolidated income statement for the year ended 31 December 2011.

No options were lapsed during the year ended 31 December 2011.

There are 4,905,980 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 5% 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 to derive the fair value of the share options granted in the year ended 31 December 2010, 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.

32. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary

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. 4,522 options as at 31 December 2011). Options lapsed in accordance with the terms of the CWMA Share Option Scheme, prior to their exercise dates, are available for re-use.

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

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

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

			Number of Share Options					
Date of grant	Exercise price US$	Exercise period	Balance as at 1 January 2011	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2011	Options exercisable at 31 December 2011
1 June 2007	500	1 June 2010 to 31 May 2017	180	–	–	–	180	180
12 June 2007	500	12 June 2010 to 11 June 2017	90	–	–	–	90	90
1 June 2008	500	1 June 2011 to 31 May 2018	180	–	–	–	180	180
			450	–	–	–	450	450

32. SHARE OPTION SCHEMES (continued)

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

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

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

Year	Grantees	Date of grant	Number of share options				
			Outstanding at 1 January	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December
	US$						
2011	Directors of CWMA	1 June 2007	180	–	–	–	180
		1 June 2008	180	–	–	–	180
	Employees of CWMA	12 June 2007	90	–	–	–	90
		Total	450	–	–	–	450
		Weighted average exercise price	US$500	–	–	–	US$500
2010	Directors of CWMA	1 June 2007	180	–	–	–	180
		1 June 2008	180	–	–	–	180
	Employees of CWMA	12 June 2007	180	–	–	(90)	90
		Total	540	–	–	(90)	450
		Weighted average exercise price	US$500	–	–	US$500	US$500

No options were granted during the years ended 31 December 2011 and 31 December 2010.

The weighted average remaining contractual life of the options outstanding as at 31 December 2011 was approximately 5.83 years (2010: 6.83 years).

US$9,000 (2010: US$42,000) of employee share-based compensation expense is included in the consolidated income statement of the Group for the year ended 31 December 2011.

33. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of the other significant transactions between the Group and other related parties during the year ended 31 December 2011 are as follows:

(a) Remuneration for key management personnel of the Group is as follows:

	2011 US$'000	2010 US$'000
Fees	140	157
Salaries, allowances and benefits in kind	1,580	1,546
Bonus paid and payable	260	131
Termination/gratuitous payments	–	1,182
Retirement fund contributions	10	3
Social security costs	–	15
Share-based compensation expense	79	235
	2,069	3,269

(b) During the year, the Group had the following material related party transactions and balances:

	Note	2011 US$'000	2010 US$'000
Proceeds on disposal of subsidiaries and assets to ECK Partners Holdings Limited ("ECK Partners") (Note 39)	(i)	–	1,154
Management services fee received from ECK Partners		–	13
Effective interest charged by Crosby Management Holdings Limited ("CMHL"), a substantial shareholder of the Company, in respect of note payable		97	–
Partial prepayment of note payable to CMHL, including effective interest thereon		2,340	–
Interest paid to a Director of the Company in respect of note payable on the first anniversary date of issuance		45	–
Fee rebate paid and payable to key management staff of the Group		335	–

33. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) As at 31 December 2011 and 31 December 2010, the balances with related parties were:

	2011 US$'000	2010 US$'000
Note payable to CMHL (Note 28)	–	3,366
Fee rebate payable to key management staff of the Group	182	–

Note:

(i) 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 was 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 Crosby Asset Management Inc., a former subsidiary.

34. COMMITMENTS

(a) Operating leases

Group

As at 31 December 2011, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2011 Land and buildings US$'000	2010 Land and buildings US$'000	2011 Motor vehicles US$'000	2010 Motor vehicles US$'000	2011 Total US$'000	2010 Total US$'000
Within one year	16	501	29	29	45	530
In the second to fifth years	–	156	25	54	25	210
	16	657	54	83	70	740

The Group leased certain properties under operating leases in Hong Kong as at 31 December 2011 and 31 December 2010. The leases run for an initial period of 3 years (2010: from 1 to 3 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 2011 and 31 December 2010, the Company had no commitments under non-cancellable operating leases.

34. COMMITMENTS (continued)

(b) Capital commitments

As at 31 December 2011, the Group and the Company had the following capital commitments:

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Commitments for the acquisition of property, plant and equipment:				
– contracted for but not provided	–	8,064	–	–

35. CONTINGENCIES

Crosby Wealth Management (Hong Kong) Limited ("CWM (HK)"), a 55.86% owned subsidiary, received a writ of summons (the "Writ") issued in High Court in Hong Kong dated 21 October 2010 by a 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. Subsequent to the year end date, the claim was settled directly by the insurer. No provision for claims in respect of this matter as at 31 December 2011 and 31 December 2010, save as the insurance deductible and related costs included in other payables as set out in Note 24 to the financial statements.

CWM (HK) had settled a legal proceedings brought by another client in Hong Kong concerning a trade execution error during the year ended 31 December 2010 with the release of excess provision made in prior year recognised as set out in Note 7 to the financial statements.

The Company and Shikumen Capital Management (HK) Limited, its wholly owned subsidiary, have provided corporate guarantees of unlimited amount and HK$30,000,000 (approximately US$3,846,000) respectively to secure the bank loan granted to another wholly owned subsidiary of the Company, HK$28,802,000 (approximately US$3,693,000) of which was the maximum amount required to pay if the guarantees were called on, as set out in Note 25 to the financial statements. The Company had not recognised any provision in the financial statements as at 31 December 2011 in respect of the corporate guarantee as the Directors considered that the probability for the holder of the corporate guarantees to call upon the Company as a result of default in repayment is remote.

Save as disclosed above, the Group and the Company had no material contingent liabilities as at 31 December 2011 and 31 December 2010.

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

	Notes	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Continuing operations			
Loss before taxation		(7,282)	(3,008)
Adjustments for:			
Amortisation of intangible assets		815	246
Bad debts recovery		(81)	–
Depreciation of property, plant and equipment		494	225
Dividend income		(3)	(186)
Fee income received in kind		(76)	–
Finance costs		2,535	1,849
Foreign exchange losses, net		5	60
Employee share-based compensation expense	5	135	267
Loss on disposal of property, plant and equipment		38	2
Gain on disposal of available-for-sale investments		(15)	(285)
Gain on repurchase and cancellation of convertible bonds		–	(1,754)
(Gain)/Loss on financial liabilities at fair value through profit or loss		(654)	1,603
Impairment of available-for-sale investments		4	8
Impairment of loan receivable		–	2,310
Impairment of note receivable		–	531
Impairment of other receivables	21	–	77
Interest income		(2)	(1,062)
(Gain)/Loss on disposal of a subsidiary		(5)	54
Gain on deemed disposal of a subsidiary		–	(32)
Loss/(Gain) on financial assets at fair value through profit or loss		175	(133)
Operating (loss)/profit before working capital changes		(3,917)	772
Acquisition of financial assets at fair value through profit or loss	22(b)(1)	–	(4,265)
Proceeds from disposal of financial assets at fair value through profit or loss	22(b)(3)	39	9,965
Increase in amount due from a jointly controlled entity		(84)	(120)
Decrease in deferred income		(8)	(8)
Increase in trade and other receivables		(130)	(6,588)
Increase/(Decrease) in other payables		212	(497)
Decrease in provision for claims		–	(3,246)
Cash outflow from operations		(3,888)	(3,987)

37. MAJOR NON-CASH TRANSACTIONS

The major non-cash transaction during the year ended 31 December 2011 was in respect of the grant of 100,000 ordinary shares of State Fortune Capital Management Limited ("SFCM") on 28 July 2011 to an indirect wholly owned subsidiary of the Company, Crosby Investment (BVI) Limited, disclosed as available-for-sale investment (Note 18 to the financial statements), in return for providing management services and office facilities of US$128,000 to SFCM. US$52,000 of which was recognised as deferred income in the consolidated statement of financial position.

The major non-cash transactions during the year ended 31 December 2010 were as follows:

(i) Certain subsidiaries and assets were disposed to ECK Partners Holdings Limited at total consideration of US$1,154,000 (Note 39 to the financial statements) 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 Capital Management (HK) Limited.

(iii) 60,000,000 warrants were issued to finance the partial settlement of the consideration for the repurchase of the convertible bonds previously issued in March 2006.

Details of the abovementioned non-cash transactions are set out in Note 29, 38 and 39 to the financial statements.

38. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

During the year ended 31 December 2011, the Group had no significant acquisition.

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

38. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

Details of the net assets acquired and goodwill arising from the acquisition of Shikumen were 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 asset acquired (note (a))	(625)
Fair value of non-compete contract acquired (note (b))	(1,630)
Goodwill* (Note 20)	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, was recorded as goodwill.

Notes:

(a) The acquirees' fair values of assets and liabilities at the Acquisition Date were 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 considered the fair values of the net assets of Shikumen acquired were not materially different from the carrying amounts.

(b) The fair value of non-compete contract was calculated by discounting the future cash flows at the prevailing market rate of 18.56%. The aforementioned discount rate of 18.56% was 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.

38. ACQUISITION OF SUBSIDIARY UNDERTAKINGS (continued)

An analysis of net inflow of cash and cash equivalents in respect of the acquisition of Shikumen was 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 of the Company issued 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 cash flows 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 were set out in Note 28 to the financial statements.

The goodwill of US$3,311,000, which was 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, Shikumen had 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 had been expensed and were included in administrative expenses. The attributable costs of the issuance of Consideration Shares of US$9,000 had been deducted in the share premium.

In addition, during the year ended 31 December 2010, 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 39 to the financial statements. The carrying amounts of the Group's interest and the non-controlling interest were adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid or received was recognised directly in equity and attributed to owners of the Company.

39. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

During the year ended 31 December 2011, the Group had no significant disposal.

The disposal of subsidiary undertakings during the year ended 31 December 2010 was mainly the disposal of certain subsidiaries and assets to ECK Partners Holdings Limited.

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 subsidiaries 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 subsidiaries undertakings disposed of:	
Property, plant and equipment (Note 15)	35
Intangible assets (Note 19)	21
Trade and other receivables	592
Financial assets at fair value through profit or loss (Note 22(b))	16
Cash and cash equivalents	119
Trade and other payables	(1,024)
Provision for liabilities	(2,895)
Obligations under finance leases	(259)
	(3,395)
Add: Non-controlling interests	28
Foreign exchange reserve	(743)
Net liabilities of subsidiaries disposed of	(4,110)
Assets disposed of:	
Financial assets at fair value through profit or loss disposed of (Note 22(b)(2))	2,706
	(1,404)
Total consideration (Note 37)	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 fair values at the date of disposal of US$2,706,000 was US$6,000 which had 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 had been included in the net cash outflow from investing activities from discontinued operation for the year ended 31 December 2010.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(A) Credit risk

As at 31 December 2011, 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 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 mainly places deposits with leading financial institutions in Hong Kong and the United Kingdom.

As at 31 December 2011, the maximum exposure to credit risk in respect of financial guarantees issued by the Company was US$3,693,000 (2010: US$Nil) which represented the maximum amount the Company could be required to pay if the guarantees were called on. The carrying amount of financial guarantees issued by the Company is disclosed in Note 35 to the financial statements.

(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.

40. 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 2011 and 31 December 2010 are summarised as follows:

	2011					
	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	590	–	–	–	128	718
Trade and other receivables*	1,350	–	–	11	258	1,619
Financial assets at fair value through profit or loss	–	29	31	–	–	60
Cash and cash equivalents	1,871	–	–	–	5,903	7,774
	3,811	29	31	11	6,289	10,171
LIABILITIES						
Other payables	(774)	–	–	–	(1,762)	(2,536)
Financial liabilities at fair value through profit or loss	–	–	–	–	(9,262)	(9,262)
Borrowings	–	–	–	–	(4,643)	(4,643)
Convertible bonds	–	–	–	–	(26,573)	(26,573)
	(774)	–	–	–	(42,240)	(43,014)
NET TOTAL	3,037	29	31	11	(35,951)	(32,843)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

	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)
	(495)	–	–	(19)	(24,508)	(25,022)
NET TOTAL	5,292	10	228	70	(23,735)	(18,135)

* Excluded from the trade and other receivables of US$1,619,000 (2010: US$1,698,000) is an amount of US$534,000 (2010: US$248,000) representing prepayments which are not subject to foreign exchange risk.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in YEN, AUD and GBP. 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% (2010: 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 weaken 20% against the relevant currency. For a 20% strengthening of the US dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis (continued)

			2011		
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	29	20	(6)	(20)	6
AUD	31	20	(6)	(20)	6
GBP	11	20	(2)	(20)	2
TOTAL	71		(14)		14

			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

(ii) Interest rate risk management

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's floating interest rate borrowing as disclosed in Note 25 to the financial statements. During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iii) Equity price risk management

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

The carrying amounts of the listed equity securities recognised at 31 December 2011 and 31 December 2010, are summarised below:

	2011 US$'000	2010 US$'000
Carrying amount of listed equity securities included in the following classes of financial assets:		
Available-for-sale investments (Note 18)	–	5
Financial assets at fair value through profit or loss (Note 22)	60	274
	60	279

As at 31 December 2011 and 31 December 2010, 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 2011 is US$26,000 (2010: US$227,000).

Sensitivity Analysis

The sensitivity analysis and the table below have been determined based on the exposure to equity price risk at 31 December 2011 and 31 December 2010.

2011					
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	26	20	5	(20)	(5)
Others	34	20	7	(20)	(7)
TOTAL	60		12		(12)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iii) Equity price risk management (continued)

Sensitivity Analysis (continued)

			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)

As at 31 December 2011, the Group did not hold any listed investment classified as available-for-sale investments at fair value.

As at 31 December 2010, had the market price of available-for-sale investments increased or decreased by 20% with all other variables held constant, the Group's total equity would have increased or decreased by approximately US$1,000 respectively, with no effect on loss for the year.

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

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

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

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

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

	2011			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets:				
Available-for-sale investments				
– Unlisted	–	590	–	590
Financial assets at fair value through profit or loss				
– Listed	60	–	–	60
TOTAL	60	590	–	650
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	(9,262)	–	(9,262)

	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)

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

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

Listed securities

The listed equity securities are mainly denominated in YEN, AUD and GBP. 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 funds is determined by reference to their net assets value.

Financial liabilities at fair value through profit or loss

The fair value of financial liabilities at fair value through profit or loss is measured using a Binomial Option Pricing Model as disclosed in Note 27 to the financial statements.

(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.

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. As disclosed in Note 3(a) to the financial statements, the Directors of the Company have taken active steps to improve the liquidity position of the Group by saving of office rent following the purchase of a new office and focusing on the existing businesses of asset management and direct investment, and to attain positive cash flow operations.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk (continued)

The following table details the Group's remaining contractual maturities 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.

	2011						
	Less than 1 month or on demand US$'000	1–3 months US$'000	3 months– 1 year US$'000	1–5 years US$'000	More than 5 years US$'000	Total contractual undiscounted cash flow US$'000	Total carrying amount as at 31 December US$'000
Non-derivatives:							
Other payables*	(707)	(4)	(1,284)	–	–	(1,995)	(1,995)
Loan payable	–	–	–	(62)	–	(62)	(59)
Borrowings	(24)	(72)	(216)	(2,154)	(2,664)	(5,130)	(4,643)
Convertible bonds	–	–	–	(35,567)	–	(35,567)	(26,573)
TOTAL	(731)	(76)	(1,500)	(37,783)	(2,664)	(42,754)	(33,270)

	2010						
	Less than 1 month or on demand US$'000	1-3 months US$'000	3 months– 1 year US$'000	1–5 years US$'000	More than 5 years US$'000	Total contractual undiscounted cash flow US$'000	Total carrying amount as at 31 December US$'000
Non-derivatives:							
Other payables*	(481)	(133)	(1,222)	(31)	–	(1,867)	(1,867)
Loan payable	–	–	–	(62)	–	(62)	(56)
Note payable	–	–	–	(4,115)	–	(4,115)	(3,366)
Convertible bonds	–	–	–	(22,763)	–	(22,763)	(15,793)
TOTAL	(481)	(133)	(1,222)	(26,971)	–	(28,807)	(21,082)

* Excluded from other payables of US$1,995,000 (2010: US$1,867,000) are amounts of US$127,000 (2010: US$47,000) and US$414,000 (2010: US$414,000) 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.

40. 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 remaining contractual maturities is as follows:

	2011						
	Less than 1 month or on demand US$'000	1–3 months US$'000	3 months–1 year US$'000	1–5 years US$'000	More than 5 years US$'000	Total contractual undiscounted cash flow US$'000	Total carrying amount as at 31 December US$'000
Non-derivatives:							
Other payables	(646)	–	–	–	–	(646)	(647)
Borrowings	–	–	–	(1,002)	–	(1,002)	(950)
Convertible bonds	–	–	–	(35,567)	–	(35,567)	(26,572)
TOTAL	(646)	–	–	(36,569)	–	(37,215)	(28,169)
Financial guarantees issued:							
Maximum amount guaranteed	(3,693)	–	–	–	–	(3,693)	–

	2010						
	Less than 1 month or on demand US$'000	1–3months US$'000	3 months–1 year US$'000	1–5 years US$'000	More than 5 years US$'000	Total contractual undiscounted cash flow US$'000	Total carrying amount as at 31 December US$'000
Non-derivatives:							
Other payables	(765)	–	–	–	–	(765)	(765)
Convertible bonds	–	–	–	(22,763)	–	(22,763)	(15,793)
TOTAL	(765)	–	–	(22,763)	–	(23,528)	(16,558)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(D) Capital risk management

The Group's objectives when managing capital are:

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

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

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

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

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

The Directors of the Company review the capital structure annually. As part of this review, the Directors assess the annual budget prepared by management of the Company and consider the cost of capital and the risks associated with each class of capital. As disclosed in Note 3(a) to the financial statements, the Directors 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 working capital and financial resources to satisfy its future working capital and other financial requirements for the foreseeable future such that the Group is able to continue as a going concern.

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 2011 was US$17,850,000 (2010: US$16,365,000).

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2011 are as follows:

Name	Place/Country of incorporation/ establishment	Principal place of operation	Issued/Paid-up share capital/ registered capital	Percentage of issued/ paid-up share capital held by the Company 2011	2010	Principal activities
Crosby Asset Management (Asia) Limited	Cayman Islands	N/A	100,000 ordinary shares at US$0.001 each	100%	100%	Investment holding
Crosby Asset Management (Holdings) Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	100%	100%	Investment holding
Crosby Asset Management (Hong Kong) Limited	Hong Kong	Hong Kong	9,997 ordinary shares at HK$1 each	100%	100%	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 Investments (BVI) Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	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	18,090 ordinary shares at US$1 each	55.86%	55.86%	Investment holding
Crosby Wealth Management (Hong Kong) Limited	Hong Kong	Hong Kong	7,703 ordinary shares at HK$1 each	55.86%	55.86%	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	2,600,000 ordinary shares at HK$1 each	100%	100%	Provision of investment advisory and fund management services
Shikumen Capital Management (Tianjin) Company Limited# 石庫門(天津)股權投資基金管理有限公司	The People's Republic of China	The People's Republic of China	Registered capital of RMB5,000,000	100%	–	Provision of investment advisory and fund management services

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place/Country of incorporation/ establishment	Principal place of operation	Issued/Paid-up share capital/ registered capital	Percentage of issued/ paid-up share capital held by the Company 2011	2010	Principal activities
Softech Investment Management Company Limited	Hong Kong	Hong Kong	503 ordinary shares at HK$10 each	100%	100%	Provision of fund management services
techpacific.com Investments Limited	Cayman Islands	N/A	2 ordinary shares at US$1 each	100%	100%	Investment holding

The statutory financial statements of the subsidiary is not audited by BDO Limited. The English translation of Chinese name of the PRC subsidiary, if any, is included for identification only and should not be regarded as their official English translation. This subsidiary is registered as a wholly foreign owned enterprise under the PRC Laws.

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, Crosby Investments (BVI) 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.

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:

	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Financial results					
Loss attributable to owners of the Company	(6,294)	(5,858)	(16,036)	(61,791)	(64,651)
Assets and liabilities					
Total assets	25,696	13,657	21,107	41,771	124,902
Total liabilities	(43,125)	(28,613)	(31,604)	(36,930)	(43,623)
(Capital deficiency)/Total equity	(17,429)	(14,956)	(10,497)	4,841	81,279

CORPORATE INFORMATION

Board of Directors

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

Non-Executive Director:
Ahmad S. Al-Khaled

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Ulric Leung Yuk Lun *Chairman*
Jeffrey Lau Chun Hung
Joseph Tong Tze Kay
Daniel Yen Tzu Chen

Company Secretary

Winnie Sin Wing Hung

Compliance Officer

Johnny Chan Kok Chung

Principal Bankers

Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited
The Bank of East Asia Limited

Auditor

BDO Limited

Solicitors

J.S. Gale & Co.
Simmons & Simmons

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