CROSBY

# CROSBY CAPITAL LIMITED

## (高誠資本有限公司)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8088)**

## INTERIM RESULTS
## FOR THE SIX MONTHS ENDED 30 JUNE 2012

### 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.**



*This announcement, for which the directors of Crosby Capital Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Crosby Capital Limited. The directors of Crosby Capital Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement 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 announcement misleading.*

* *For identification purposes only*

## ABOUT CROSBY CAPITAL LIMITED

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group has continued to focus our resources to further strengthen and grow the Group's asset management businesses, both organically and through acquisitions when the appropriate opportunities arise and to control our costs.

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 year 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 asset management businesses, launching new investment funds under its management or via the commencement or acquisitions of new financial services businesses complementary to the Group's strategies, including but not limited to asset management firms.

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. BlackPine Private Equity Partners Fund, a private equity fund managed by Shikumen combining the expertise of the personnel of both Shikumen and Crosby, has commenced investment activities and contributed fee income to the Group since its launch in early 2011, and recently accomplished a subsequent closing with further committed funding from overseas institutional investors, which is expected to bring positive contribution to the Group's revenues.

The Group reported a profit attributable to owners for the six months under review of US$0.5 million as compared to a loss of US$0.2 million for the same period last year, mainly contributed by the gain on financial liabilities at fair value through profit or loss of US$4.4 million for the six months under review (2011: a gain of US$3.0 million). Revenue decreased to US$1.3 million for the six months under review when compared to US$3.3 million for same period last year. Total operating expenses (being other administrative expenses plus other operating expenses) for the six months under review decreased to US$3.6 million as compared to those of US$4.7 million for same period last year.

## FINANCIAL POSITION AND RESOURCES

### Liquidity

At 30 June 2012, the Group had cash and bank balances of US$3.2 million decreased from US$7.8 million at 31 December 2011 and net current assets of US$2.9 million decreased from US$7.3 million at 31 December 2011.

### Significant Capital Assets and Investments

At 30 June 2012, the Group had leasehold land and building of net carrying amount of US$9.6 million in respect of the office premises in AXA Centre in Wanchai, available-for-sale investments and financial assets at fair value through profit or loss totaling US$0.8 million as compared with those of US$9.7 million and US$0.8 million respectively at 31 December 2011. Details of these investments are set out in Notes 12, 13 and 17 to the unaudited condensed interim financial information respectively.

### Gearing

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

The terms and conditions of the Tranche 2 Convertible Bonds are the same as those of the Tranche 1 Convertible Bonds, which were also detailed in Note 23 to the unaudited condensed interim financial information. In accordance with the terms and conditions thereof, the prevailing conversion price is to HK$0.93 per share as reset on 4 October 2011.

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

On 16 April 2012, principal amount of HK$35 million of Tranche 1 Convertible Bonds had been converted into 37,634,408 ordinary shares at conversion price of HK$0.93 per share.

On 11 June 2012, 2,025,202 ordinary shares were allotted and issued upon exercise of warrants for a total amount of HK$2.25 million (equivalent to approximately US$0.29 million) at an exercise price of HK$1.111 per share.

At 30 June 2012, the Group had no other significant debt.

### Charges

There are no significant charges on Group's investments and assets other than those on the office premises.

## Commitments and Contingent Liabilities

At 30 June 2012, the Group had no significant commitments, other than capital commitments and those under operating leases for the rental of land and building, motor vehicle and office equipment as set out in Note 27 to the unaudited condensed interim financial information and no significant contingent liabilities, including pension obligations, other than those set out in Note 28 to the unaudited condensed interim financial information.

## Equity Structure

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

Upon the capital reduction becoming effective from 31 May 2012, each authorized but unissued ordinary share and redeemable convertible preference share ("RCPS") of par value of US$0.10 has been subdivided into 10 new adjusted shares of US$0.01 each. The par value of each issued ordinary share and RCPS has been reduced from US$0.10 to US$0.01 by cancelling US$0.09 of the paid-up capital on each issued ordinary share and RCPS. The credit arising from the capital reduction of US$12.2 million along with the entire amount standing to the credit of share premium account of the Company of US$108.6 million was set off against the accumulated losses of the Company, totaling US$120.8 million.

At 30 June 2012, the issued ordinary share capital of the Company was 137,779,206 shares, increased from 98,119,596 as at 31 December 2011, as a result of conversion of Tranche 1 Convertible Bonds and exercise of warrants during the six months ended 30 June 2012. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the six months under review.

At 30 June 2012, the Company had 11,748,980 options outstanding under the Company's Share Option Scheme of which 4,097,362 options were exercisable. The Company can grant a further 12,595,400 options pursuant to the existing shareholder mandate limit.

Non-controlling interests in the consolidated statement of financial position decreased to US$0.2 million at 30 June 2012 from US$0.4 million at 31 December 2011. The balance at 30 June 2012 represents the 44.14% non-controlling shareholders interest in the Group's wealth management operating subsidiary.

# EMPLOYEE INFORMATION

As at 30 June 2012, the Group had 30 full-time employees (31 December 2011: 30). Details of the directors' and employees' remuneration during the period are provided in Note 7 to the unaudited condensed interim financial information.

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

## FOREIGN CURRENCY EXPOSURE

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

## CORPORATE GOVERNANCE REPORT

### (a) Corporate Governance Practices

Throughout the period of the six months ended 30 June 2012, the Company has complied with the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except for the following deviation:

*Code Provision A.2.1*

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

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

*Code Provision A.5.1*

Code Provision A.5.1 provides that the Nomination Committee should be chaired by the Chairman of the Board or an Independent Non-Executive Director and comprises a majority of Independent Non-Executive Directors.

Following the amendment to Code Provision A.5.1, the composition of Nomination Committee was restructured on 9 August 2012 and Mr. Ulric Leung Yuk Lun, the Executive Director, who was the chairman of the Nomination Committee, will no longer serve the Nomination Committee and Mr. Daniel Yen Tzu Chen, the Independent Non-Executive Director, who is a member of the Nomination Committee will replace Mr. Ulric Leung Yuk Lun to be the chairman of the Nomination Committee.

### (b) Directors' Securities Transactions

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

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

## RESULTS

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Group for the six months and three months ended 30 June 2012, together with the comparative unaudited figures of the corresponding periods in 2011, as follows:

## CONSOLIDATED INCOME STATEMENT

*For the six months and three months ended 30 June 2012*

| | | **Unaudited Six months ended 30 June** | | **Unaudited Three months ended 30 June** | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | *Notes* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| **Revenue** | *5* | **1,296** | 3,262 | **588** | 2,378 |
| Cost of sales | | **(298)** | (262) | **(148)** | (153) |
| **Gross profit** | | **998** | 3,000 | **440** | 2,225 |
| (Loss)/Gain on financial assets at fair value through profit or loss | *17* | **(6)** | (68) | **1** | (57) |
| Gain on financial liabilities at fair value through profit or loss | | **4,407** | 2,988 | **5,079** | 2,835 |
| Other income | *6* | **177** | 134 | **155** | 40 |
| Administrative expenses | | | | | |
| Amortisation of intangible assets | | **(404)** | (404) | **(203)** | (203) |
| Other administrative expenses | | **(3,318)** | (4,426) | **(1,511)** | (2,394) |
| | | **(3,722)** | (4,830) | **(1,714)** | (2,597) |
| Other operating expenses | | **(329)** | (308) | **(181)** | (247) |
| **Profit from operations** | | **1,525** | 916 | **3,780** | 2,199 |
| Finance costs | *8* | **(1,266)** | (1,436) | **(609)** | (902) |
| Share of profit of a jointly controlled entity | | **109** | 103 | **91** | 52 |
| **Profit/(Loss) before taxation** | *9* | **368** | (417) | **3,262** | 1,349 |
| Taxation | *10* | **–** | (270) | **–** | (71) |
| **Profit/(Loss) for the period** | | **368** | (687) | **3,262** | 1,278 |
| **Attributable to:** | | | | | |
| Owners of the Company | | **550** | (239) | **3,287** | 1,561 |
| Non-controlling interests | | **(182)** | (448) | **(25)** | (283) |
| **Profit/(Loss) for the period** | | **368** | (687) | **3,262** | 1,278 |
| **Earnings/(Loss) per share attributable to owners of the Company** | *11* | ***US cents*** | *US cents* (Restated) | ***US cents*** | *US cents* (Restated) |
| Basic | | **0.48** | (0.49) | **2.53** | 3.18 |
| Diluted | | **(0.70)** | (0.88) | **(0.18)** | (0.14) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months and three months ended 30 June 2012*

| | | Unaudited Six months ended 30 June | | Unaudited Three months ended 30 June | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | *Note* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| **Profit/(Loss) for the period** | | | | | |
| **Other comprehensive income:** | | **368** | (687) | **3,262** | 1,278 |
| Available-for-sale investments | | | | | |
| (Deficit)/Surplus on evaluation | | **(10)** | 40 | **(8)** | 33 |
| Recycle to income statement: | | | | | |
| Gain upon disposal | 9 | **–** | (15) | **–** | (15) |
| Exchange differences on translating foreign operations | | **2** | – | **–** | – |
| Other comprehensive income for the period, net of tax | | **(8)** | 25 | **(8)** | 18 |
| **Total comprehensive income for the period, before and net of tax** | | **360** | (662) | **3,254** | 1,296 |
| **Attributable to:** | | | | | |
| Owners of the Company | | **542** | (214) | **3,279** | 1,579 |
| Non-controlling interests | | **(182)** | (448) | **(25)** | (283) |
| **Total comprehensive income for the period, before and net of tax** | | **360** | (662) | **3,254** | 1,296 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2012*

| | Notes | **Unaudited 30 June 2012 US$'000** | Audited 31 December 2011 US$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *12* | **10,516** | 10,688 |
| Interests in jointly controlled entities | | **109** | 220 |
| Available-for-sale investments | *13* | **708** | 718 |
| Note receivable | *14* | **2,646** | – |
| Intangible assets | | **177** | 577 |
| Goodwill | *15* | **3,311** | 3,311 |
| | | **17,467** | 15,514 |
| **Current assets** | | | |
| Trade and other receivables | *16* | **1,132** | 2,153 |
| Tax recoverable | | **195** | 195 |
| Financial assets at fair value through profit or loss | *17* | **54** | 60 |
| Note receivable | *18* | **566** | – |
| Cash and cash equivalents | | **3,246** | 7,774 |
| | | **5,193** | 10,182 |
| **Current liabilities** | | | |
| Other payables | *19* | **2,089** | 2,536 |
| Deferred income | | **–** | 52 |
| Borrowings | *20* | **253** | 251 |
| | | **2,342** | 2,839 |
| **Net current assets** | | **2,851** | 7,343 |
| **Total assets less current liabilities** | | **20,318** | 22,857 |
| **Non-current liabilities** | | | |
| Loan payable | | **60** | 59 |
| Financial liabilities at fair value through profit or loss | *22* | **4,116** | 9,262 |
| Convertible bonds | *23* | **23,915** | 26,573 |
| Borrowings | *20* | **4,279** | 4,392 |
| | | **(32,370)** | 40,286 |
| **Net liabilities** | | **(12,052)** | (17,429) |
| **EQUITY** | | | |
| **Share capital** | *24* | **1,378** | 9,812 |
| **Reserves** | *25* | **(13,669)** | (27,662) |
| **Capital deficiency attributable to owners of the Company** | | **(12,291)** | (17,850) |
| **Non-controlling interests** | | **239** | 421 |
| **Capital deficiency** | | **(12,052)** | (17,429) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2012*

| | Capital deficiency attributable to owners of the Company | | | | | | | | | Non-controlling interests | Capital deficiency |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve | Capital redemption reserve | Employee share-based compensation reserve | Investment revaluation reserve | Foreign exchange reserve | Accumulated losses | Total | | |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| **At 1 January 2012 (Audited)** | **9,812** | **107,943** | **271** | **77** | **7,034** | **237** | **4** | **(143,228)** | **(17,850)** | **421** | **(17,429)** |
| **Employee share-based compensation** | – | – | – | – | 99 | – | – | – | 99 | – | 99 |
| **Issue of shares upon conversion of bonds** | 3,764 | 696 | – | – | – | – | – | – | 4,460 | – | 4,460 |
| **Capital reduction** | (12,218) | (108,639) | – | – | – | – | – | 120,857 | – | – | – |
| **Issue of shares upon exercise of warrants** | 20 | 438 | – | – | – | – | – | – | 458 | – | 458 |
| **Transactions with owners** | (8,434) | (107,505) | – | – | 99 | – | – | 120,857 | 5,017 | – | 5,017 |
| **Profit/(Loss) for the period** | – | – | – | – | – | – | – | 550 | 550 | (182) | 368 |
| **Other comprehensive income:** | | | | | | | | | | | |
| **Available-for-sale investments** | | | | | | | | | | | |
| **Deficit on revaluation** | – | – | – | – | – | (10) | – | – | (10) | – | (10) |
| **Exchange differences on translating foreign operations** | – | – | – | – | – | – | 2 | – | 2 | – | 2 |
| **Total comprehensive income for the period** | – | – | – | – | – | (10) | 2 | 550 | 542 | (182) | 360 |
| **At 30 June 2012 (Unaudited)** | **1,378** | **438** | **271** | **77** | **7,133** | **227** | **6** | **(21,821)** | **(12,291)** | **239** | **(12,052)** |
| At 1 January 2011 (Audited) | 4,906 | 108,221 | 271 | 77 | 6,903 | 191 | – | (136,934) | (16,365) | 1,409 | (14,956) |
| Employee share-based compensation | – | – | – | – | 82 | – | – | – | 82 | 4 | 86 |
| Transactions with owners | – | – | – | – | 82 | – | – | – | 82 | 4 | 86 |
| Loss for the period | – | – | – | – | – | – | – | (239) | (239) | (448) | (687) |
| Other comprehensive income: | | | | | | | | | | | |
| Available-for-sale investments | | | | | | | | | | | |
| Surplus on revaluation | – | – | – | – | – | 40 | – | – | 40 | – | 40 |
| Recycle to income statement: | | | | | | | | | | | |
| Gain upon disposal | – | – | – | – | – | (15) | – | – | (15) | – | (15) |
| Total comprehensive income for the period | – | – | – | – | – | 25 | – | (239) | (214) | (448) | (662) |
| At 30 June 2011 (Unaudited) | 4,906 | 108,221 | 271 | 77 | 6,985 | 216 | – | (137,173) | (16,497) | 965 | (15,532) |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2012*

| | **Unaudited six months ended 30 June** | |
|---|---|---|
| | **2012** | 2011 |
| | ***US$'000*** | *US$'000* |
| Net cash outflow from operating activities | **(1,517)** | (1,413) |
| Net cash outflow from investing activities | **(3,184)** | (9,487) |
| Net cash inflow from financing activities | **174** | 12,919 |
| Net (decrease)/increase in cash and cash equivalents | **(4,527)** | 2,019 |
| Cash and cash equivalents at beginning of the period | **7,774** | 4,362 |
| Effect of exchange rate fluctuations, net | **(1)** | 6 |
| **Cash and cash equivalents at end of the period** | **3,246** | 6,387 |

# NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

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.

The unaudited condensed interim financial information has 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 unaudited condensed interim financial information also complies 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 unaudited condensed interim financial information has 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.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited condensed interim financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed interim financial information, are consistent with those set out in the Company's annual audited consolidated financial statements for the year ended 31 December 2011 ("2011 Annual Report").

In preparing the unaudited condensed interim financial information, 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$12,291,000 as at 30 June 2012 (31 December 2011: US$17,850,000), and the Group incurred a profit attributable to owners of the Company of approximately US$550,000 (30 June 2011: a loss of US$239,000). The Directors have prepared the unaudited condensed interim financial information 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, after taking into consideration (i) the potential equity financing through conversion of redeemable convertible preference shares or/and exercise of warrants or/and issue of new equity securities; (ii) the Group continues to implement measure to tighten cost controls over various administrative expenses 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 unaudited condensed interim financial information on a going concern basis.

This condensed interim financial information for the six months ended 30 June 2012 is unaudited but has been reviewed by the audit committee of the Company.

## 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". These unaudited condensed interim financial information should be read in conjunction with the Company's 2011 Annual Report, which have been prepared in accordance with IFRSs.

The principal accounting policies adopted to prepare the unaudited condensed interim financial information are consistent with those adopted to prepare to the Company's 2011 Annual Report.

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

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting 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 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 13, 17, 21, 22 and 23 to the unaudited condensed interim financial information respectively, have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting 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.

*Impairment of assets*

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

*Impairment allowances on note receivables*

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

*Impairment of trade and other receivables*

Management determines impairment of trade and other receivables on a regular basis. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. Further information on the impairment of trade and other receivables is included in Note 16 to the unaudited condensed interim financial information.

*Provision for claims*

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

*Current taxation and deferred taxation*

The Group is subject to income taxes in 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 unaudited condensed interim financial information have been prepared on going concern basis, further details of which are provided in Note 1 to the financial statements.

## 4. SEGMENT INFORMATION

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

The Group has identified the following reportable operating segments:

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

(ii) 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.

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

The chief operating decision makers, which are collectively the three Executive Directors of the Company, assesses the performance of the operating segments based on a measure of operating profit. The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs, except that:

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

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

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

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

| | Asset management | | Direct investment | | Total | |
|---|---|---|---|---|---|---|
| | **Unaudited six months ended 30 June 2012** | Unaudited six months ended 30 June 2011 | **Unaudited six months ended 30 June 2012** | Unaudited six months ended 30 June 2011 | **Unaudited six months ended 30 June 2012** | Unaudited six months ended 30 June 2011 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Revenue from external customers | **1,296** | 3,262 | **–** | – | **1,296** | 3,262 |
| Inter-segment revenues | **–** | – | **–** | – | **–** | – |
| **Total revenue** | **1,296** | 3,262 | **–** | – | **1,296** | 3,262 |
| **Segment (loss)/profit from operations** | **(1,687)** | (785) | **97** | 20 | **(1,590)** | (765) |
| | **Unaudited 30 June 2012** | Audited 31 December 2011 | **Unaudited 30 June 2012** | Audited 31 December 2011 | **Unaudited 30 June 2012** | Audited 31 December 2011 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Segment total assets | **4,677** | 5,586 | **3,319** | 113 | **7,996** | 5,699 |

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

| | **Unaudited six months ended 30 June 2012** | Unaudited six months ended 30 June 2011 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Segment loss from operations** | **(1,590)** | (765) |
| Reconciling items: | | |
| Other income not allocated | **22** | 35 |
| Gain on financial liabilities at fair value through profit or loss | **4,407** | 2,988 |
| Amortisation of intangible assets | **(404)** | (404) |
| Other expenses not allocated | **(1,498)** | (1,444) |
| Elimination of inter-segment revenue | **588** | 506 |
| **Profit from operations** | **1,525** | 916 |
| Finance costs | **(1,266)** | (1,436) |
| Share of profit of a jointly controlled entity | **109** | 103 |
| **Profit/(Loss) before taxation** | **368** | (417) |

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

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| **Segment total assets** | **7,996** | 5,699 |
| Reconciling item: | | |
| Other assets not allocated | **14,664** | 19,997 |
| **Total assets** | **22,660** | 25,696 |

| | **Asset management** | | **Direct investment** | | **Other** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **Unaudited six months ended 30 June 2012** *US$'000* | Unaudited six months ended 30 June 2011 *US$'000* | **Unaudited six months ended 30 June 2012** *US$'000* | Unaudited six months ended 30 June 2011 *US$'000* | **Unaudited six months ended 30 June 2012** *US$'000* | Unaudited six months ended 30 June 2011 *US$'000* | **Unaudited six months ended 30 June 2012** *US$'000* | Unaudited six months ended 30 June 2011 *US$'000* |
| **Other information** | | | | | | | | |
| Interest income | **–** | (2) | **(103)** | – | **(1)** | – | **(104)** | (2) |
| Gain on disposal of available-for-sale investments | **–** | – | **–** | (15) | **–** | – | **–** | (15) |
| Interest expenses | **1** | 1 | **–** | – | **1,265** | 1,435 | **1,266** | 1,436 |
| Depreciation of property, plant and equipment | **48** | 55 | **–** | – | **249** | 118 | **297** | 173 |
| Share-based compensation expense | **38** | 38 | **–** | – | **61** | 48 | **99** | 86 |

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

## 5. REVENUE

| | **Unaudited six months ended 30 June** | | **Unaudited three months ended 30 June** | |
|---|---|---|---|---|
| | **2012** *US$'000* | 2011 *US$'000* | **2012** *US$'000* | 2011 *US$'000* |
| Fund management fee income | **1,005** | 2,364 | **486** | 1,921 |
| Wealth management services fee | **291** | 898 | **102** | 457 |
| | **1,296** | 3,262 | **588** | 2,378 |

## 6. OTHER INCOME

| | Unaudited six months ended 30 June | | Unaudited three months ended 30 June | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Bad debts recovery on loan and other receivables | **–** | 75 | **–** | – |
| Bank interest income | **1** | 2 | **–** | 1 |
| Dividend income | **51** | – | **48** | – |
| Foreign exchange gain, net | **–** | 7 | **–** | 2 |
| Gain on disposal of available-for-sale investments | **–** | 15 | **–** | 15 |
| Gain on disposal of property, plant and equipment | **3** | – | **3** | – |
| Management fee income | **13** | – | **6** | – |
| Other interest income | **103** | – | **93** | – |
| Others | **6** | 35 | **5** | 22 |
| | **177** | 134 | **155** | 40 |

## 7. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

| | Unaudited six months ended 30 June | | Unaudited three months ended 30 June | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Fees | **73** | 70 | **38** | 35 |
| Salaries, allowances and benefits in kind | **1,882** | 2,375 | **941** | 1,198 |
| Commission paid and payable | **143** | 240 | **51** | 119 |
| Bonus paid and payable | **170** | 121 | **85** | 117 |
| Share-based compensation expense | **99** | 86 | **74** | 35 |
| Retirement fund contributions | **24** | 26 | **13** | 13 |
| | **2,391** | 2,918 | **1,202** | 1,517 |

## 8. FINANCE COSTS

| | Unaudited six months ended 30 June | | Unaudited three months ended 30 June | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Effective interest expense on convertible bonds – wholly repayable within five years *(Note 23)* | **1,232** | 1,255 | **592** | 831 |
| Effective interest expense on redeemable convertible preference shares *(Note 21)* | **5** | – | **2** | – |
| Interest on bank loan – not wholly repayable within five years | **28** | 9 | **14** | 9 |
| Other interest expense – wholly repayable within five years | **1** | 172 | **1** | 62 |
| | **1,266** | 1,436 | **609** | 902 |

## 9. PROFIT/(LOSS) BEFORE TAXATION

| | Unaudited six months ended 30 June | | Unaudited three months ended 30 June | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Profit/(Loss) before taxation is arrived at after charging: | | | | |
| Auditors' remuneration | | | | |
| – audit services | **37** | 59 | **18** | 31 |
| – other services | **9** | 8 | **6** | 5 |
| Amortisation of intangible assets | **404** | 404 | **203** | 203 |
| Depreciation of property, plant and equipment | **297** | 173 | **138** | 123 |
| Employee benefit expense (including directors' remuneration) *(Note 7)* | **2,391** | 2,918 | **1,202** | 1,517 |
| Foreign exchange losses, net | **3** | – | **2** | – |
| Loss on disposal of property, plant and equipment | **–** | 32 | **–** | 32 |
| Operating lease charges in respect of rented premises | **135** | 289 | **46** | 122 |
| After crediting: | | | | |
| Foreign exchange gains, net | **–** | 7 | **–** | 2 |
| Gain on disposal of available-for-sale investments | **–** | 15 | **–** | 15 |
| Gain on disposal of property, plant and equipment | **3** | – | **3** | – |

## 10. TAXATION

| | Unaudited six months ended 30 June | | Unaudited three months ended 30 June | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Current tax charge | | | | |
| Hong Kong: | | | | |
| – Under provision in prior years | **–** | 199 | **–** | – |
| – Current period charge | **–** | 71 | **–** | 71 |
| | **–** | 270 | **–** | 71 |

No Hong Kong profits tax has been provided in the unaudited condensed interim financial information as the Group did not make any assessable profit for the three months and six months ended 30 June 2012.

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

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

## 11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

| | Unaudited six months ended 30 June | | Unaudited three months ended 30 June | |
|---|---|---|---|---|
| | **2012** | 2011 (Restated) | **2012** | 2011 (Restated) |
| *(US$'000)* | | | | |
| Earnings for calculating basic earnings/(loss) per share (consolidated profit/(loss) attributable to owners of the Company | **550** | (239) | **3,287** | 1,561 |
| Effect of dilutive potential ordinary shares, net of tax: | | | | |
| Effective interest expense on convertible bonds | **1,128** | 1,256 | **577** | 830 |
| Loss on change in fair value: | | | | |
| Derivative embedded in convertible bonds | **(4,079)** | (2,644) | **(4,502)** | (2,603) |
| Warrants | **–** | (99) | **–** | (53) |
| Loss for calculating diluted earnings per share | **(2,401)** | (1,726) | **(638)** | (265) |
| *(Number)* | | (Restated) | | (Restated) |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share | **114,057,613** | 49,059,798 | **129,995,629** | 49,059,798 |
| Effect of dilutive potential ordinary shares: | | | | |
| Convertible bonds | **231,182,796** | 144,851,961 | **231,182,796** | 144,851,961 |
| Options | **–** | 23,227 | **–** | 12,081 |
| Warrants | **–** | 1,160,908 | **–** | 928,740 |
| Weighted average number of ordinary shares for the purpose of calculating diluted loss per share | **345,240,409** | 195,095,894 | **361,178,425** | 194,852,580 |
| *(US cents)* | | (Restated) | | (Restated) |
| Basic earnings/(loss) per share | **0.48** | (0.49) | **2.53** | 3.18 |
| Diluted loss per share | **(0.70)** | (0.88) | **(0.18)** | (0.14) |

The comparative figures for the basic earnings/(loss) and diluted loss per share for the six months ended and three months ended 30 June 2011 are restated to take into effect the Company's share consolidation and rights issue completed during the year ended 31 December 2011 retrospectively as if they had taken place since the beginning of the comparative periods.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| Net carrying amount at 1 January | **10,688** | 264 |
| Additions | **132** | 11,155 |
| Disposals | **(7)** | (237) |
| Depreciation for the period/year *(Note 9)* | **(297)** | (494) |
| **Net carrying amount at 30 June/31 December** | **10,516** | 10,688 |

## 13. AVAILABLE-FOR-SALE INVESTMENTS

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| *Unlisted investments, at fair value* | | |
| Equity securities | **595** | 605 |
| Less: Impairment losses | **(15)** | (15) |
| | **580** | 590 |
| *Unlisted investments, at cost* | | |
| Equity securities | **1,586** | 1,586 |
| Less: Impairment losses | **(1,458)** | (1,458) |
| | **128** | 128 |
| **Total** | **708** | 718 |

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

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| At 1 January | **718** | 553 |
| Additions | **–** | 128 |
| Disposals | **–** | (20) |
| Change in fair value recognised directly in other comprehensive income | **(10)** | 57 |
| **At 30 June/31 December** | **708** | 718 |

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.

## 14. NOTE RECEIVABLE – NON-CURRENT

On 26 March 2012, the Company signed a subscription agreement to invest HK$20,000,000 (approximately US$2,564,000) in a note (the "Note") issued by Silver Pointer Limited ("Silver Pointer"), a wholly-owned subsidiary of Shikumen Special Situations Fund ("SSSF"), an investment fund managed by Shikumen Capital Management (HK) Limited, a wholly-owned subsidiary of the Company. Silver Pointer is established by SSSF to pursue private equity investment opportunities as permitted under its investment mandate.

The Note is unsecured, interest-bearing at 12% per annum and repayable after a fixed term of 3 years or earlier based on certain conditions.

## 15. GOODWILL

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| **Carrying amount at 1 January, 30 June and 31 December** | **3,311** | 3,311 |

## 16. TRADE AND OTHER RECEIVABLES

| | *Notes* | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|---|
| Trade receivables | *(i)* | **613** | 1,316 |
| Other receivables – gross | | **226** | 246 |
| *Less:* Impairment losses | *(ii)* | **(107)** | (107) |
| Other receivables – net | | **119** | 139 |
| Deposits and prepayments | | **400** | 698 |
| **Total** | | **1,132** | 2,153 |

*Notes:*

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

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| 0–30 days | **455** | 519 |
| 31–60 days | **67** | 702 |
| 61–90 days | **4** | 30 |
| Over 90 days | **87** | 65 |
| **Total** | **613** | 1,316 |

The Group allows a credit period ranging from 15 to 45 days (31 December 2011: 15 to 45 days) to its asset management clients. The credit period for asset management contracts can be extended in special circumstances.

At 30 June 2012 and 31 December 2011, the trade receivables related to three customers for which there was no recent history of default.

At 30 June 2012 and 31 December 2011, 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:

| | **Unaudited 30 June 2012** ***US$'000*** | Audited 31 December 2011 *US$'000* |
|---|---|---|
| Less than 30 days past due | **522** | 1,221 |
| 31–60 days past due | **4** | 30 |
| 61–90 days past due | **87** | 65 |
| | **613** | 1,316 |

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

| | **Unaudited 30 June 2012** ***US$'000*** | Audited 31 December 2011 *US$'000* |
|---|---|---|
| At 1 January | **107** | 193 |
| Reversal due to debt recovery | **–** | (76) |
| Written off | **–** | (10) |
| **At 30 June/31 December** | **107** | 107 |

The Group has provided impairment on material other receivables as at 30 June 2012 and 31 December 2011, which have been past due.

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

| | **Unaudited 30 June 2012** ***US$'000*** | Audited 31 December 2011 *US$'000* |
|---|---|---|
| Less than 30 days past due | **102** | 123 |
| 31–60 days past due | **–** | – |
| 61–90 days past due | **–** | – |
| Over 90 days past due | **17** | 16 |
| | **119** | 139 |

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| **Held for trading** | | |
| *Listed securities, at fair value:* | | |
| – Equity securities – Australia | **30** | 31 |
| – Equity securities – Japan | **24** | 29 |
| **Total** | **54** | 60 |

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

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| At 1 January | **60** | 274 |
| Disposals | **–** | (39) |
| Loss on financial assets at fair value through profit or loss | **(6)** | (175) |
| **At 30 June/31 December** | **54** | 60 |

## 18. NOTE RECEIVABLE – CURRENT

The promissory note, disclosed as note receivable, is unsecured, interest-bearing at 12% per annum and repayable on or before 30 December 2012.

## 19. OTHER PAYABLES

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| Other payables | **665** | 371 |
| Accrued charges | **1,424** | 2,165 |
| **Total** | **2,089** | 2,536 |

Included in the Group's accrued charges is the insurance deductible and related costs of US$120,000 (31 December 2011: US$405,000) as detailed in Note 28 to the unaudited condensed interim financial information.

## 20. BORROWINGS

| | Unaudited 30 June 2012 *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| **Current liabilities** | | |
| Bank loan – secured | **253** | 251 |
| **Non-current liabilities** | | |
| Bank loan – secured | **3,324** | 3,442 |
| Redeemable convertible preference shares *(Note 21)* | **955** | 950 |
| | **4,279** | 4,392 |
| **Total** | **4,532** | 4,643 |

| | Unaudited 30 June 2012 *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| **Borrowings are repayable as follows:** | | |
| Within one year | **253** | 251 |
| In the second year | **238** | 235 |
| In the third to fifth years | **1,690** | 1,679 |
| After the fifth year | **2,351** | 2,478 |
| **Total** | **4,532** | 4,643 |

*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$9,595,000 as at 30 June 2012 (31 December 2011: US$9,732,000); 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 (31 December 2011: unlimited amount) and HK$30,000,000 which is equivalent to approximately US$3,846,000 (31 December 2011: HKD30,000,000, approximately US$3,846,000) respectively for the period ended 30 June 2012.

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

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the bank loan and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 30 June 2012, none of the covenants relating to drawn down facilities had been breached (31 December 2011: Nil).

## 21. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 14 September 2011 ("issue date"), the Company issued 10,019,790 redeemable convertible preference shares ("RCPS") of par value of US$0.01 each (after adjustment for the effect of the capital reduction as disclosed in Note 24(a)(ii) to the unaudited condensed interim financial information) 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, 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 per 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.

In accordance with the terms and conditions thereof, the prevailing conversion price is HK$1.19 per share as reset on 14 March 2012.

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 | 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 22)* | (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:

| | **Unaudited 30 June 2012** ***US$'000*** | Audited 31 December 2011 *US$'000* |
|---|---|---|
| Net carrying amount at 1 January | **950** | – |
| Issue of RCPS | **–** | 947 |
| Effective interest expense for the period/year *(Note 8)* | **5** | 3 |
| **Net carrying amount at 31 December** *(Note 20)* | **955** | 950 |

Interest expense on the RCPS is calculated using the effective interest method by applying the effective interest rate of 1.14% (31 December 2011: 1.14%) per annum.

## 22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **Unaudited 30 June 2012** ***US$'000*** | Audited 31 December 2011 *US$'000* |
|---|---|---|
| *Derivatives embedded in the convertible bonds issued:* | | |
| Balance at 1 January | **8,984** | 6,375 |
| Initial recognition *(Note 23)* | **–** | 2,957 |
| Conversion of bonds | **(570)** | – |
| Gain on financial liabilities at fair value through profit or loss | **(4,768)** | (348) |
| Balance at 30 June/31 December | **3,646** | 8,984 |
| *Warrants issued:* | | |
| Balance at 1 January | **245** | 526 |
| Exercise of warrants | **(169)** | – |
| Loss/(Gain) on financial liabilities at fair value through profit or loss | **134** | (281) |
| Balance at 30 June/31 December | **210** | 245 |
| *Derivatives embedded in the redeemable convertible preference shares issued:* | | |
| Balance at 1 January | **33** | – |
| Initial recognition *(Note 21)* | **–** | 58 |
| Loss/(Gain) on financial liabilities at fair value through profit or loss | **227** | (25) |
| Balance at 30 June/31 December | **260** | 33 |
| **Total** | **4,116** | 9,262 |

The fair values at 30 June 2012 and 31 December 2011 are calculated using the Binomial Option Pricing Model for the derivatives embedded in the convertible bonds and 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 | |
|---|---|---|---|---|---|---|
| | **30 June 2012** | 31 December 2011 | **30 June 2012** | 31 December 2011 | **30 June 2012** | 31 December 2011 |
| Expected volatility | **78.59%** | 90.83% | **78.59%** | 90.83% | **87.88%** | 89.93% |
| Expected life | **3.26 years** | 3.76 years | **3.26 years** | 3.76 years | **4.21 years** | 4.71 years |
| Risk-free rate | **0.26%** | 0.71% | **0.26%** | 0.71% | **0.31%** | 0.90% |
| Spot price | **HK$1.40** | HK$0.83 | **HK$1.40** | HK$0.83 | **HK$1.40** | HK$0.83 |
| Expected dividend yield | **0%** | 0% | **0%** | 0% | **0%** | 0% |

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

## 23. CONVERTIBLE BONDS

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 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 office premises together with the bank loan (Note 20 to the unaudited condensed interim financial information).

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 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 and provided that the conversion price shall not in any event be higher than the lower of HK$1.80 per share 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.

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 | Tranche 1 Convertible Bonds |
|---|---|---|
| | *US$'000* | *US$'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 22)* | (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:

| | **Unaudited 30 June 2012** | Audited 31 December 2011 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Net carrying amounts at 1 January | **26,573** | 15,793 |
| Effective interest expense for the period/year *(Note 8)* | **1,232** | 2,285 |
| Issue of new bonds | **–** | 8,495 |
| Conversion during the period* | **(3,890)** | – |
| **Net carrying amounts at 30 June/31 December** | **23,915** | 26,573 |

* Up to 30 June 2012, a total principal amount of HK$35,000,000 of Tranche 1 Convertible Bonds had been converted into 37,634,408 ordinary shares of the Company at the conversion price of HK$0.93 per share, representing 27.32% of the total issued ordinary share capital of the Company, resulting in a remaining principal amount of HK$125,000,000 and HK$90,000,000 of Tranche 1 and Tranche 2 Convertible Bonds respectively.

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 interest expense of the Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds for the six months ended 30 June 2012 is calculated using the effective interest method by applying an effective interest rate of 9.43% (31 December 2011: 9.43%) and 10.95% (31 December 2011: 10.95%) to the liability component respectively.

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.

## 24. SHARE CAPITAL

| | Number of ordinary shares | Number of redeemable convertible preference shares | Value *US$'000* |
|---|---|---|---|
| **Authorised** | | | |
| At 1 January 2012 and 31 December 2011 (par value of US$0.1 each) | 1,900,000,000 | 100,000,000 | 200,000 |
| Capital reduction *(Note (a)(i))* | 17,100,000,000 | 900,000,000 | – |
| **At 30 June 2012 (par value of US$0.01 each)** | **19,000,000,000** | **1,000,000,000** | **200,000** |
| **Issued and fully paid** | | | |
| At 1 January 2012 and 31 December 2011 (par value of US$0.1 each) | 98,119,596 | 10,019,790 | 9,812 |
| Conversion of convertible bonds *(Note (b))* | 37,634,408 | – | 3,764 |
| Capital reduction *(Note (a)(ii))* | – | – | (12,218) |
| Exercise of warrants *(Note (c))* | 2,025,202 | – | 20 |
| **At 30 June 2012 (par value of US$0.01 each)** | **137,779,206** | **10,019,790** | **1,378** |

*Notes:*

(a) Pursuant to a special resolution passed at the Extraordinary General Meeting of the Company held on 12 August 2011 and the order confirming the capital reduction granted by the Court from Cayman Islands on 19 April 2012:

(i) Each authorised but unissued ordinary share and redeemable convertible preference share ("RCPS") of par value of US$0.10 be subdivided into 10 new adjusted shares of US$0.01 each (such that the authorised share capital of the Company shall become US$200,000,000 divided into 20,000,000,000 adjusted shares of US$0.01 each) comprising (i) 19,000,000,000 ordinary shares of US$0.01 each and (ii) 1,000,000,000 RCPS of US$0.01 each with effect from 31 May 2012; and

(ii) The par value of each issued ordinary share and RCPS reduced from US$0.10 to US$0.01 by cancelling US$0.09 of the paid-up capital on each issued ordinary share and RCPS such that the nominal value of each issued ordinary share and RCPS be reduced from US$0.10 to US$0.01 each with effect from 31 May 2012.

(b) On 16 April 2012, principal amount of HK$35,000,000 of convertible bonds had been converted into 37,634,408 ordinary shares at the conversion price of HK$0.93 per share.

(c) On 11 June 2012, 2,025,202 ordinary shares were allotted and issued upon exercise of warrants for a total amount of HK$2,250,000 (equivalent to approximately US$289,000) at the exercise price of HK$1.111 per share.

## 25. RESERVES

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| Share premium | **438** | 107,943 |
| Capital reserve | **271** | 271 |
| Capital redemption reserve | **77** | 77 |
| Employee share-based compensation reserve | **7,133** | 7,034 |
| Investment revaluation reserve | **227** | 237 |
| Foreign exchange reserve | **6** | 4 |
| Accumulated losses | **(21,821)** | (143,228) |
| **Total** | **(13,669)** | (27,662) |

## 26. MATERIAL RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the unaudited condensed interim financial information, the Group had the following material related party transactions:

(a) During the period, the material related party transactions and balances were:

| | **Unaudited Six months ended 30 June 2012** *US$'000* | Unaudited Six months ended 30 June 2011 *US$'000* |
|---|---|---|
| Effective interest charged by Crosby Management Holdings Limited, a substantial shareholder of the Company, in respect of note payable | **–** | 97 |
| Effective interest payable to a Director in respect of note payable | **–** | 73 |
| Fee rebate paid and payable to key management staff of the Group | **179** | 153 |

(b) As at 30 June 2012 and 31 December 2011, the balances with related parties were:

| | **Unaudited 30 June 2012** *US$'000* | Audited 31 December 2011 *US$'000* |
|---|---|---|
| Fee rebate payable to key management staff of the Group | **361** | 182 |

## 27. COMMITMENTS

### (a) Operating leases

As at 30 June 2012, the total future minimum lease payments of the Group under non-cancellable operating are payable as follows:

| | **Unaudited 30 June 2012 Land and building *US$'000*** | Audited 31 December 2011 Land and building *US$'000* | **Unaudited 30 June 2012 Motor vehicle *US$'000*** | Audited 31 December 2011 Motor vehicle *US$'000* | **Unaudited 30 June 2012 Office equipment *US$'000*** | Audited 31 December 2011 Office equipment *US$'000* | **Unaudited 30 June 2012 Total *US$'000*** | Audited 31 December 2011 Total *US$'000* |
|---|---|---|---|---|---|---|---|---|
| Within one year | **11** | 16 | **29** | 29 | **45** | – | **85** | 45 |
| In the second to fifth years | **3** | – | **10** | 25 | **68** | – | **81** | 25 |
| | **14** | 16 | **39** | 54 | **113** | – | **166** | 70 |

### (b) Capital commitments

As at 30 June 2012 and 31 December 2011, the Group had the following capital commitments:

| | **Unaudited 30 June 2012 *US$'000*** | Audited 31 December 2011 *US$'000* |
|---|---|---|
| Commitments for the acquisition of property, plant and equipment: | | |
| – contracted for but not provided | **43** | – |

## 28. 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. The claim was settled directly by the insurer in January 2012. No provision for claims in respect of this matter as at 30 June 2012 and 31 December 2011, save as the insurance deductible and related costs included in other payables as set out in Note 19 to the unaudited condensed interim financial information.

The Company and Shikumen Capital Management (HK) Limited, its wholly owned subsidiary, have provided corporate guarantees of unlimited amount and HK$30,000,000 (approximately US$3,846,000) respectively to secure the bank loan granted to another wholly owned subsidiary of the Company, HK$27,901,000 (approximately US$3,577,000) (31 December 2011: HK$28,802,000, approximately US$3,693,000) of which the maximum amount required to pay if the guarantees were called on, as set out in Note 20 to the unaudited condensed interim financial information. The Company had not recognised any provision in the unaudited condensed interim financial information as at 30 June 2012 (31 December 2011: Nil) 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 had no material contingent liabilities as at 30 June 2012 and 31 December 2011.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, which are the same as those detailed in the Company's 2011 Annual Report, which are managed through the three Executive Directors of the Company collectively in close cooperation with the Board of Directors.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

## DISCLOSURE OF INTERESTS

### (a) Directors

As at 30 June 2012, 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 | 2.48 |
| Johnny Chan Kok Chung *(Note)* | 1,892,532 | 47,773 | – | 1,940,305 | 1.41 |
| Robert John Richard Owen | – | – | 1,065,576 | 1,065,576 | 0.77 |
| Joseph Tong Tze Kay | 50,000 | – | – | 50,000 | 0.04 |
| Daniel Yen Tzu Chen | 20,000 | – | – | 20,000 | 0.01 |

*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.

### *(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<br>% |
|---|---|---|---|---|---|
| Ulric Leung Yuk Lun | 850,000 | – | – | 850,000<br>*(Note 1)* | 8.48 |
| Johnny Chan Kok Chung | 188,500 | – | – | 188,500<br>*(Note 2)* | 1.88 |

*Notes:*

1. Mr. Ulric Leung Yuk Lun owns 850,000 RCPS of the Company which can be convertible into 11,142,857 ordinary shares at the conversion price of HK$1.19 per share reset on 14 March 2012 upon full conversion, representing 8.09% of the total ordinary share capital of the Company in issue.

2. Mr. Johnny Chan Kok Chung owns 188,500 RCPS of the Company which can be convertible into 2,471,092 ordinary shares at the conversion price of HK$1.19 per share reset on 14 March 2012 upon full conversion, representing 1.79% of the total ordinary share capital of the Company in issue.

### *(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** *(dd/mm/yyyy)* | **Exercise price** *HK$* | **Exercise period** *(dd/mm/yyyy)* | **Balance as at 1 January 2012** | **Granted during the period** *(Note)* | **Exercised during the period** | **Cancelled/ lapsed during the period** | **Balance as at 30 June 2012** |
|---|---|---|---|---|---|---|---|---|
| Johnny Chan Kok Chung | 26/04/2006 | 57.054 | 26/04/2007 to 25/04/2016 | 809,756 | – | – | – | 809,756 |
| | 11/02/2008 | 13.337 | 11/02/2009 to 10/02/2018 | 404,888 | – | – | – | 404,888 |
| | 07/10/2010 | 1.171 | 07/10/2011 to 06/10/2020 | 377,886 | – | – | – | 377,886 |
| | 16/03/2012 | 1.206 | 16/03/2013 to 15/03/2022 | – | 580,000 | – | – | 580,000 |
| | | | | 1,592,530 | 580,000 | – | – | 2,172,530 |
| Robert John Richard Owen | 11/02/2008 | 13.337 | 11/02/2009 to 10/02/2018 | 33,739 | – | – | – | 33,739 |
| | 14/05/2012 | 1.136 | 14/05/2013 to 13/05/2022 | – | 980,000 | – | – | 980,000 |
| | | | | 33,739 | 980,000 | – | – | 1,013,739 |
| Jeffrey Lau Chun Hung | 07/10/2010 | 1.171 | 07/10/2011 to 06/10/2020 | 404,878 | – | – | – | 404,878 |
| | 16/03/2012 | 1.206 | 16/03/2013 to 15/03/2022 | – | 580,000 | – | – | 580,000 |
| | | | | 404,878 | 580,000 | – | – | 984,878 |
| Ulric Leung Yuk Lun | 07/10/2010 | 1.171 | 07/10/2011 to 06/10/2020 | 202,439 | – | – | – | 202,439 |
| | 16/03/2012 | 1.206 | 16/03/2013 to 15/03/2022 | – | 580,000 | – | – | 580,000 |
| | | | | 202,439 | 580,000 | – | – | 782,439 |
| Daniel Yen Tzu Chen | 24/03/2006 | 57.054 | 24/03/2007 to 23/03/2016 | 67,479 | – | – | – | 67,479 |
| | 29/01/2007 | 27.045 | 29/01/2008 to 28/01/2017 | 33,739 | – | – | – | 33,739 |
| | 11/02/2008 | 13.337 | 11/02/2009 to 10/02/2018 | 67,479 | – | – | – | 67,479 |
| | 29/12/2008 | 1.334 | 29/12/2009 to 28/12/2018 | 67,479 | – | – | – | 67,479 |
| | 16/03/2012 | 1.206 | 16/03/2013 to 15/03/2022 | – | 170,000 | – | – | 170,000 |
| | | | | 236,176 | 170,000 | – | – | 406,176 |
| Joseph Tong Tze Kay | 24/03/2006 | 57.054 | 24/03/2007 to 23/03/2016 | 67,479 | – | – | – | 67,479 |
| | 29/01/2007 | 27.045 | 29/01/2008 to 28/01/2017 | 33,739 | – | – | – | 33,739 |
| | 11/02/2008 | 13.337 | 11/02/2009 to 10/02/2018 | 67,479 | – | – | – | 67,479 |
| | 29/12/2008 | 1.334 | 29/12/2009 to 28/12/2018 | 67,479 | – | – | – | 67,479 |
| | 16/03/2012 | 1.206 | 16/03/2013 to 15/03/2022 | – | 170,000 | – | – | 170,000 |
| | | | | 236,176 | 170,000 | – | – | 406,176 |
| David John Robinson Herratt | 16/03/2012 | 1.206 | 16/03/2013 to 15/03/2022 | – | 170,000 | – | – | 170,000 |

*Note:* The closing price of the shares of the Company quoted on the Stock Exchange on 15 March 2012 and 11 May 2012, being the business date immediately before the date on which share options were granted, was HK$1.20 and HK$1.14 respectively.

*(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 | 3.90 |

*Note:* Mr. Ulric Leung Yuk Lun owns convertible bonds for a principal sum of HK$5,000,000 which can be converted into 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 30 June 2012, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

**(b) Substantial Shareholders and Other Persons**

As at 30 June 2012, 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** | | | |
| Nelson Tang Yu Ming *(Notes 1 and 2)* | 40,236,000 | 86,810,897 | 92.21 |
| Crosby Management Holdings Limited *(Note 1)* | 40,236,000 | 85,210,084 | 91.05 |
| Hidy Investment Limited *(Note 3)* | 3,000,000 | 118,434,082 | 88.14 |
| Sodikin *(Note 3)* | 3,000,000 | 118,434,082 | 88.14 |
| Main Wealth Enterprises Limited *(Note 4)* | 22,405,376 | 23,655,914 | 33.43 |
| Lau Kit Mei *(Note 4)* | 22,405,376 | 23,655,914 | 33.43 |
| Greyhound International Limited *(Note 5)* | – | 45,035,954 | 32.69 |
| James Wu Ting Fai *(Note 5)* | – | 45,035,954 | 32.69 |
| **Other Persons** | | | |
| Simon Wu Siu Fai *(Note 6)* | 8,460,800 | 1,257,176 | 7.05 |
| Wilson Lau Yu Fung | 9,129,032 | – | 6.63 |
| Frank Ng Chun Fai *(Note 7)* | – | 8,149,320 | 5.91 |

*Notes:*

1. Crosby Management Holdings Limited ("Crosby Management") held 40,236,000 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 40,236,000 ordinary shares owned by Crosby Management. Crosby Management also owns 6,500,000 RCPS which can be converted into 85,210,084 ordinary shares at conversion price of HK$1.19 per share reset on 14 March 2012 upon full conversion.

2. Nelson Tang Yu Ming was granted 620,813 options at an exercise price of HK$1.171 per share and 980,000 options at an exercise price of HK$1.206 per share to subscribe for shares of the Company on 7 October 2010 and 16 March 2012 respectively.

3. Hidy Investment Limited ("Hidy Investment") held 3,000,000 ordinary shares and 750,000 RCPS of the Company. Hidy Investment also owns 118,434,082 underlying shares, out of which 108,602,150 ordinary shares will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$101,000,000 at conversion price of HK$0.93 per share; and 9,831,932 ordinary shares will be allotted and issued upon full conversion of 750,000 RCPS at conversion price of HK$1.19 per share reset on 14 March 2012. Sodikin is deemed to be interested in these shares through his 100% interests in Hidy Investment.

4. Main Wealth Enterprises Limited ("Main Wealth") owns 22,405,376 ordinary shares of the Company and 23,655,914 underlying shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$22,000,000 at conversion price of HK$0.93 per share. Lau Kit Mei is deemed to be interested in these shares through her 100% interests in Main Wealth.

5. Greyhound International Limited owns 45,035,954 underlying shares, out of which 43,010,752 ordinary shares will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$40,000,000 at conversion price of HK$0.93 per share; 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. James Wu Ting Fai is deemed to be interested in these shares through his 100% interests in Greyhound International Limited.

6. Simon Wu Siu Fai owns 8,460,800 ordinary shares and 95,900 RCPS of the Company, of which 1,257,176 ordinary shares will be allotted and issued upon full conversion of the outstanding RCPS at conversion price of HK$1.19 per share reset on 14 March 2012.

7. Frank Ng Chun Fai owns 8,149,320 underlying shares, out of which 7,526,881 ordinary shares will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$7,000,000 at conversion price of HK$0.93 per share. Frank Ng Chun Fai was also granted 202,439 options at an exercise price of HK$1.171 per share and 420,000 options at an exercise price of HK$1.206 per share to subscribe for ordinary shares of the Company on 7 October 2010 and 16 March 2012 respectively.

*(ii) Short positions*

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

Save as disclosed above, as at 30 June 2012, 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 30 June 2012, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

**(c) Share Options**

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

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

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

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

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

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

| Date of grant *(dd/mm/yyyy)* | Exercise price *HK$* | Exercise period *(dd/mm/yyyy)* | Number of Share Options: Balance as at 1 January 2012 | Granted during the period | Exercised during the period | Cancelled/ lapsed during the period | Balance as at 30 June 2012 |
|---|---|---|---|---|---|---|---|
| 27/03/2002 | 5.216 | 27/03/2003 to 26/03/2012 | 4,048 | – | – | (4,048) | – |
| 24/03/2006 | 57.054 | 24/03/2007 to 23/03/2016 | 269,916 | – | – | – | 269,916 |
| 26/04/2006 | 57.054 | 26/04/2007 to 25/04/2016 | 1,619,512 | – | – | – | 1,619,512 |
| 29/01/2007 | 27.045 | 29/01/2008 to 28/01/2017 | 134,956 | – | – | – | 134,956 |
| 11/02/2008 | 13.337 | 11/02/2009 to 10/02/2018 | 1,045,941 | – | – | – | 1,045,941 |
| 29/12/2008 | 1.334 | 29/12/2009 to 28/12/2018 | 269,916 | – | – | – | 269,916 |
| 07/10/2010 | 1.171 | 07/10/2011 to 06/10/2020 | 2,523,739 | – | – | – | 2,523,739 |
| 16/03/2012 | 1.206 | 16/03/2013 to 15/03/2022 | – | 4,905,000 | – | – | 4,905,000 |
| 14/05/2012 | 1.136 | 14/05/2013 to 13/05/2022 | – | 980,000 | – | – | 980,000 |
| | | | 5,868,028 | 5,885,000 | – | (4,048) | 11,748,980 |

5,885,000 options were granted during the six months ended 30 June 2012. The fair value of the options granted during the six months ended 30 June 2012, measured at the date of grant, totalled HK$3,624,000 (equivalent to approximately US$465,000).

The following significant assumptions were used to derive the fair value of the share options granted for the six month ended 30 June 2012, using the Binomial Option Pricing Model:

(i) an expected volatility: between 90.87% to 91.04% 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.

4,048 options were lapsed upon expiry of the life of the options during the six months ended 30 June 2012.

No options granted under the Share Option Scheme had been exercised during the six months ended 30 June 2012.

**(d) Competing Interests**

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

## AUDIT COMMITTEE

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

The audit committee meets at least quarterly with the most recent meeting held on 9 August 2012. The unaudited condensed interim financial information of the Company for the six months ended 30 June 2012 has been reviewed by the audit committee.

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

The Company has not redeemed any of its shares during the six months ended 30 June 2012 and 30 June 2011. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the six months ended 30 June 2012 and 30 June 2011.

By Order of the Board
**CROSBY CAPITAL LIMITED**
**Ulric Leung Yuk Lun**
*Executive Director*

Hong Kong, 9 August 2012

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

| | |
|---|---|
| *Executive Directors:* | *Johnny Chan Kok Chung, Jeffrey Lau Chun Hung and Ulric Leung Yuk Lun* |
| *Non-Executive Director:* | *Robert John Richard Owen* |
| *Independent Non-Executive Directors:* | *David John Robinson Herratt, Joseph Tong Tze Kay and Daniel Yen Tzu Chen* |

*This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of Crosby Capital Limited at www.crosbycapitallimited.com.*