CROSBY

CROSBY CAPITAL LIMITED

(高誠資本有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8088)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

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

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 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.

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 Wan Chai, Hong Kong in March 2011, which helped shield the Group from being subject to upward rental pressure which continued 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.

RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2011, together with the comparative audited figures of the corresponding period in 2010, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Continuing operations			
Revenue	5	**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	16	**(175)**	133
Gain/(Loss) on financial liabilities at fair value through profit or loss	20	**654**	(1,603)
Other income	6	**171**	6,599
Administrative expenses			
Amortisation of intangible assets	13	**(815)**	(246)
Other administrative expenses		**(8,907)**	(7,594)
		(9,722)	(7,840)
Impairment of available-for-sale investments	12	**(4)**	(8)
Impairment of loan receivable		**–**	(2,310)
Other operating expenses		**(732)**	(835)
Loss from operations		**(4,747)**	(1,159)
Finance costs		**(2,535)**	(1,849)
Loss before taxation	7	**(7,282)**	(3,008)
Taxation	8	**(4)**	(386)
Loss for the year from continuing operations		**(7,286)**	(3,394)
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(3,802)
Loss for the year		**(7,286)**	(7,196)

	Note	**2011** **US$'000**	2010 *US$'000*
Attributable to:			
Owners of the Company			
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	*10*	***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

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	*12*	**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)
		(7,236)	(7,870)

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	11	**10,688**	264
Deposit paid for acquisition of property		**–**	1,423
Interests in jointly controlled entities		**220**	136
Available-for-sale investments	12	**718**	553
Intangible assets	13	**577**	1,388
Goodwill	14	**3,311**	3,311
		15,514	7,075
Current assets			
Trade and other receivables	15	**2,153**	1,946
Tax recoverable		**195**	–
Financial assets at fair value through profit or loss	16	**60**	274
Cash and cash equivalents		**7,774**	4,362
		10,182	6,582
Current liabilities			
Other payables	17	**2,536**	2,328
Deferred income		**52**	8
Provision for taxation		**–**	161
Borrowings	18	**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	20	**9,262**	6,901
Note payable	21	**–**	3,366
Convertible bonds	22	**26,573**	15,793
Borrowings	18	**4,392**	–
		40,286	26,116
Net liabilities		**(17,429)**	(14,956)
EQUITY			
Share capital	23	**9,812**	4,906
Reserves		**(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)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Equity attributable to owners of the Company									Non-controlling interests	Capital deficiency
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Employee share-based compensation reserve	Investment revaluation reserve	Foreign exchange reserve	Accumulated losses	Total		
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2010	3,306	106,444	4,872	77	11,973	318	(13)	(138,369)	(11,392)	895	(10,497)
Employee share-based compensation	–	–	–	–	615	–	–	–	615	(247)	368
Lapse of share options	–	–	–	–	(4,768)	–	–	4,582	(186)	186	–
Issue of shares for acquisition of a subsidiary, net of issue costs	1,300	1,024	–	–	–	–	–	–	2,324	–	2,324
Issue of shares upon exercise of warrants, net of issue costs	300	753	–	–	–	–	–	–	1,053	–	1,053
Effect on exercising share options of a subsidiary	–	–	–	–	(32)	–	–	–	(32)	45	13
Additional investment in a subsidiary	–	–	–	–	–	–	–	(50)	(50)	50	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(375)	(375)
Release on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	28	28
Transactions with owners	1,600	1,777	–	–	(4,185)	–	–	4,532	3,724	(313)	3,411
Loss for the year	–	–	–	–	–	–	–	(5,858)	(5,858)	(1,338)	(7,196)
Other comprehensive income:											
Available-for-sale investments											
Surplus on revaluation	–	–	–	–	–	161	–	–	161	9	170
Recycle to income statement:											
Provision for impairment	–	–	–	–	–	8	–	–	8	–	8
Gain upon disposal	–	–	–	–	–	(285)	–	–	(285)	–	(285)
Exchange differences on translating foreign operations	–	–	–	–	–	–	173	–	173	3	176
Exchange differences recycled to income statement upon disposal of subsidiaries	–	–	–	–	–	–	(743)	–	(743)	–	(743)
Total comprehensive income for the year	–	–	–	–	–	(116)	(570)	(5,858)	(6,544)	(1,326)	(7,870)
Reserves appropriation upon disposal of subsidiaries	–	–	(4,601)	–	(885)	(11)	583	2,761	(2,153)	2,153	–
At 31 December 2010	4,906	108,221	271	77	6,903	191	–	(136,934)	(16,365)	1,409	(14,956)

	Equity attributable to owners of the Company									Non-controlling interests	Capital deficiency
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Employee share-based compensation reserve	Investment revaluation reserve	Foreign exchange reserve	Accumulated losses	Total		
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 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)**

NOTES TO THE FINANCIAL STATEMENTS

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 audited consolidated financial statements 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 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.

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.

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 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.

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

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.

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.

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. PRINCIPAL ACCOUNTING POLICIES

Except for the following revised accounting policies, the principal accounting policies adopted in the audited consolidated financial statements are detailed in the Group's annual report 2011:

(a) 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.

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.

(b) Related parties

(I) 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.

(II) 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 (I) above.

(vii) A person identified in (I)(i) above 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.

4. SEGMENT INFORMATION

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

The Group has identified the following reportable operating segments:

(i) Merchant Banking – provision of corporate finance and other advisory services and the changes in fair value of financial assets and liabilities through profit or loss arising from the Group's merchant banking activities. This business was disposed of in late 2010 and the comparative figures were 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).

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

	Merchant banking		**Asset management**		**Direct investment**		**Total**	
	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

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

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

	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	**–**	–	**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	**–**	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.

5. REVENUE – CONTINUING OPERATIONS

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

6. OTHER INCOME – CONTINUING OPERATIONS

	2011	2010
	US$'000	*US$'000*
Bad debts recovery	**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 22)*	**–**	1,754
Management fee income	**46**	23
Other interest income	**–**	17
Release of provision for claims	**–**	3,046
Others	**19**	211
	171	6,599

7. LOSS BEFORE TAXATION – CONTINUING OPERATIONS

	2011	2010
	US$'000	*US$'000*
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	**75**	47
– other services	**12**	78
Amortisation of intangible assets *(Note 13)*	**815**	246
Depreciation	**494**	225
Employee benefit expense (including directors' remuneration)	**6,217**	4,711
Foreign exchange losses, net	**5**	60
Impairment of available-for-sale investments *(Note 12)*	**4**	8
Impairment of note receivable	**–**	531
Impairment of other receivables *(Note 15)*	**–**	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 disposal of a subsidiary	**5**	–

8. TAXATION – CONTINUING OPERATIONS

	2011	2010
	US$'000	*US$'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

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2011. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the year.

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.

9. DISCONTINUED OPERATIONS

		2011	2010
	Notes	***US$'000***	*US$'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	*(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	2010
	US$'000	*US$'000*
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	**–**	62
– other services	**–**	7
Depreciation	**–**	90
Employee benefit expense (including directors' remuneration)	**–**	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.

10. 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	2010
	US cents	*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 23(g)(ii) and Note 23(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.

11. PROPERTY, PLANT AND EQUIPMENT

	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	–	3	–	–	–	–	3
Disposals	–	(13)	–	–	(21)	–	(34)
Disposal of subsidiaries	–	(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.

12. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	**2011**	2010
		US$'000	*US$'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

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

	2011	2010
	US$'000	*US$'000*
At 1 January	**553**	607
Additions	**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.

13. INTANGIBLE ASSETS

	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	1,630	–	1,630
Disposal of subsidiaries	–	(21)	(21)
Amortisation *(Note 7)*	(246)	–	(246)
Carrying amount at 31 December 2010 and 1 January 2011	1,384	4	1,388
Addition	–	4	4
Amortisation *(Note 7)*	(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.

14. GOODWILL

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

15. TRADE AND OTHER RECEIVABLES

	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.

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	2010
	US$'000	*US$'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	2010
	US$'000	*US$'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	2010
	US$'000	*US$'000*
At 1 January	**193**	774
Impairment losses		
– Continuing operations *(Note 7)*	**–**	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	2010
	US$'000	*US$'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

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	US$'000	*US$'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

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

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

17. OTHER PAYABLES

	2011	2010
	US$'000	*US$'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 26 to the financial statements

18. BORROWINGS

	2011	2010
	US$'000	*US$'000*
Current liabilities		
Bank loan – secured	**251**	–
Non-current liabilities		
Bank loan – secured	**3,442**	–
Redeemable convertible preference shares *(Note 19)*	**950**	–
	4,392	–
Total	**4,643**	–

	2011	2010
	US$'000	*US$'000*
Borrowings are repayable as follows:		
Within one year	**251**	–
In the second year	**235**	–
In the third to fifth years	**1,679**	–
After the fifth years	**2,478**	–
Total	**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 buildings 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 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).

19. 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$0.10 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.

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	1,005
Transaction costs	–
	1,005
Fair value of derivatives embedded in the RCPS *(Note 20)*	(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	**3**	–
Net carrying amount at 31 December *(Note 18)*	**950**	–

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

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	US$'000	*US$'000*
Derivatives embedded in the convertible bonds issued:		
Balance at 1 January	**6,375**	–
Initial recognition *(Note 22)*	**2,957**	4,969
(Gain)/Loss on financial liabilities at fair value through profit or loss	**(348)**	1,406
Balance at 31 December	**8,984**	6,375
Warrants issued:		
Balance at 1 January	**526**	–
Initial recognition *(Note 22)*	**–**	807
Exercise of warrants	**–**	(478)
(Gain)/Loss on financial liabilities at fair value through profit or loss	**(281)**	197
Balance at 31 December	**245**	526
Derivatives embedded in the redeemable convertible preference shares issued:		
Balance at 1 January	**–**	–
Initial recognition *(Note 19)*	**58**	–
Gain on financial liabilities at fair value through profit or loss	**(25)**	–
Balance at 31 December	**33**	–
Total	**9,262**	6,901

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

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.

21. NOTE PAYABLE

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. 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 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.

22. CONVERTIBLE BONDS

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 5-year Zero Coupon Convertible Bonds with an aggregate principal amount of up to HK$250,000,000, comprising Tranche 1 of principal amount up to HK$160,000,000 (the "Tranche 1 Convertible Bonds") and Tranche 2 of principal amount of up to HK$90,000,000 (the "Tranche 2 Convertible Bonds"), subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required for Tranche 1 Convertible Bonds, the Company issued the Tranche 1 Convertible Bonds, HK$156,000,000 of which was used to finance the repurchase of the convertible bonds previously issued in March 2006 as detailed in the Company's 2010 Annual Report. On 30 March 2011, with the fulfillment of all conditions required for Tranche 2 Convertible Bonds, the Company further issued the Tranche 2 Convertible Bonds, the proceeds of which was used to finance the purchase of the new office premises together with the bank loan (Note 18 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 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 the Share Consolidation of 10:1 as disclosed in Note 23(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 (after the Share Consolidation of 10:1 as disclosed in Note 23(g)(ii) to financial statements) 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 to HK$0.17259 per share with effect from 4 April 2011 and to HK$0.93 per share with effect from 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 *US$'000*	Tranche 1 Convertible Bonds *US$'000*
Face value of Convertible Bonds issued	11,538	20,513
Transaction costs	(86)	(310)
	11,452	20,203
Financial liabilities at fair value through profit or loss *(Note 20)*	(2,957)	(4,969)
Liability component on initial recognition upon issuance of Convertible Bonds, i.e. 30 March 2011/4 October 2010	8,495	15,234

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	**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 6 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.

23. 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))*	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**

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.

(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") 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 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 20 to the financial statements, is assigned as the liability component as set out in Note 19 to the financial statements.

24. MATERIAL RELATED PARTY TRANSACTIONS

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

	2011 ***US$'000***	2010 *US$'000*
Proceeds on disposal of subsidiaries and assets to ECK Partners Holdings Limited, a company indirectly held by a former director of the Company ("ECK Partners")	**–**	1,154
Management services fee received from ECK Partners	**–**	13
Effective interest charged by Crosby Management Holdings Limited ("CMHL"), a shareholder of the Company, in respect of note payable	**97**	–
Interest paid to a director in respect of note payable on the first anniversary date of issuance	**45**	–
Fee rebate paid/payable to key management staff	**335**	–
Partial prepayment of note payable to CMHL, including effective interest thereon	**2,340**	–
Note payable to CMHL	**–**	3,366

25. COMMITMENTS

(a) Operating leases

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 leases a number of properties under operating leases in Hong Kong and overseas. 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.

(b) Capital commitments

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

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

26. 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 17 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 6 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 utilised, as set out in Note 18 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

CORPORATE GOVERNANCE REPORT

(a) Corporate Governance Practices

During the financial 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.

(b) Directors' Securities Transactions

1. 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.

2. 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had cash and bank balances of US$7.8 million (2010: US$4.4 million) and net current assets of US$7.3 million (2010: US$4.1 million).

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. 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.

FOREIGN CURRENCY EXCHANGE EXPOSURE

The Group's main exposure to foreign currencies includes its investments in foreign subsidiaries and financial assets and liabilities at fair value through profit and 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.

EMPLOYEE INFORMATION

As at 31 December 2011, the Group had 30 full-time employees (2010: 33). Employee remuneration (including Directors' remuneration) totaled US$6.2 million (2010: US$9.3 million), US$6.2 million (2010: US$4.7 million) of which arose from continuing operations. 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.

DISCLOSURE OF INTERESTS

(a) Directors

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.

(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.

(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	Exercise period	Balance as at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 December 2011
		HK$						
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 6 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 6 October 2020	404,878	–	–	–	404,878
Ulric Leung Yuk Lun	7 October 2010	1.171	7 October 2011 to 6 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 issue of rights shares and took effect from 14 September 2011.

(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 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 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.

(b) 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

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.

(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.

(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:

			Number of Share Options				
Date of grant	**Exercise price** *HK$*	**Exercise period**	**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**
27 March 2002	5.216	27 March 2003 to 26 March 2012	4,048	–	–	–	4,048
24 March 2006	57.054	24 March 2007 to 23 March 2016	269,916	–	–	–	269,916
26 April 2006	57.054	26 April 2007 to 25 April 2016	1,619,512	–	–	–	1,619,512
29 January 2007	27.045	29 January 2008 to 28 January 2017	134,956	–	–	–	134,956
11 February 2008	13.337	11 February 2009 to 10 February 2018	1,045,941	–	–	–	1,045,941
29 December 2008	1.334	29 December 2009 to 28 December 2018	269,916	–	–	–	269,916
7 October 2010	1.171	7 October 2011 to 6 October 2020	2,523,739	–	–	–	2,523,739
			5,868,028	–	–	–	5,868,028

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 and took effect from 15 August 2011 and 14 September 2011 respectively.

No options granted under the Share Option Scheme had been exercised during the year ended 31 December 2011.

(d) Competing Interests

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

AUDIT COMMITTEE

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

The audit committee meets at least quarterly with the most recent meeting held on 15 March 2012. The audited financial statements for the year ended 31 December 2011 have 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 year ended 31 December 2011 and 31 December 2010. 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 and 31 December 2010.

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

Hong Kong, 15 March 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:	*Ahmad S. Al-Khaled*
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.