

# CROSBY

## CROSBY CAPITAL LIMITED

(高誠資本有限公司)\*  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8088)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

#### 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.**

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*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 merchant banking and asset management group listed on the Hong Kong Stock Exchange’s GEM board (HK GEM 8088), with offices in Hong Kong, the United Kingdom and representation in other parts of Asia.

The Group is engaged in the businesses of merchant banking, asset management and direct investment. Its subsidiary, Crosby Asset Management Inc. (“CAM”), which carries out the Group’s asset management business, is quoted on the AIM of the London Stock Exchange (CSB LN).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group has continued to constrain costs during the period and preserve cash as evidenced by the reduced loss to shareholders incurred during the period. The Group reports a reduced loss attributable to owners for the period ended 30 June 2010 of US\$4.8 million when compared to a loss of US\$12.4 million for the same period last year. Revenue decreased to US\$1.0 million for the period ended 30 June 2010 when compared to US\$2.1 million for the same period last year. Total operating expenses (being other administrative expenses plus other operating expenses) for the period ended 30 June 2010 were US\$7.3 million compared with US\$10.5 million for the same period last year.

As announced on 25 June 2010, the Company entered into the Shikumen Acquisition Agreement on 24 June 2010 pursuant to which Shikumen Capital Management Limited agreed to sell to the Company 2,500,000 shares of Shikumen Capital Management (HK) Limited of HK\$1.00 each, being its entire issued share capital, for a consideration of HK\$46.9 million (the “Shikumen Acquisition”). The consideration will be satisfied as follows: (i) HK\$16.9 million will be settled by the allotment and issue of 130,000,000 new shares of the Company and (ii) the balance by issue of a promissory note for HK\$30 million by the Company. The Shikumen Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and approval from the shareholders of the Company was granted at the extraordinary general meeting held on 10 August 2010 (see announcement issued on 10 August 2010). The Company also entered into the Disposal Agreement on 24 June 2010 pursuant to which the Company agreed to sell to ECK Partners Holdings Limited the Sale Assets as detailed in the announcement dated 25 June 2010 for a consideration of US\$27,111. Following this disposal, the Group will dispose of the merchant banking business which has been consuming most of the cash resources of the Group and the legacy corporate finance and financial advisory services businesses of the Group which burdened the Group with continuing liabilities. The Group plans to focus its resources on its asset management business (which includes fund and wealth management businesses). The Directors expect that the Shikumen Acquisition will be able to add synergy to the Group in terms of funds portfolio and expertise, and therefore strengthen the asset management business of the Group. The Shikumen Acquisition is a milestone for the Group in repositioning itself as an asset management service group.

On 24 June 2010, the Company also entered into the Placing Agreement with Emperor Securities Limited, the placing agent to place the new bonds to independent places on a best effort basis and the proceeds will be used for repurchase or repayment of any outstanding amount of its existing US\$75 million zero coupon convertible bond due 2011, general working capital of the Group and investment funding for any future expansion of the business of the Group as detailed in the announcement dated 25 June 2010.

## **FINANCIAL POSITION AND RESOURCES**

### **Liquidity**

At 30 June 2010, the Group had cash and bank balances of US\$6.6 million decreased from US\$7.8 million at 31 December 2009 and net current assets of US\$6.5 million decreased from US\$9.3 million at 31 December 2009.

### **Significant investments**

At 30 June 2010, the Group also had available-for-sale financial assets at fair value of US\$0.2 million, financial assets at fair value through profit or loss of US\$3.9 million and loan receivable of US\$0.8 million as compared with those of US\$0.6 million, US\$8.6 million and US\$1.3 million respectively at 31 December 2009. Details of these investments and loan receivable are set out in Notes 14, 16 and 17 to the unaudited interim financial information respectively.

### **Gearing**

On 8 March 2006, the Company announced that it had sold the US\$75 million zero coupon convertible bond to Goldman Sachs International, raising net proceeds of US\$72.8 million for the Group after expenses. The convertible bond has a five-year term and provides bondholders with a premium on redemption at 116.1% of its principal, or the ability, at their choice to either convert into newly issued shares of the Company at HK\$0.7665 per share (pre-consolidation) or exchange for existing shares of CAM owned by the Company at £0.9975 per share. As of 31 December 2006, US\$55 million of the convertible bond had been converted into shares of the Company. This resulted in the issuance of 556,666,011 (pre-consolidation) new shares of the Company, equivalent to 16.55% of the Group's enlarged issued share capital at the date of conversion. No further shares can be issued under the terms of the convertible bond. The maximum amount by which the Group's stake in CAM could now be reduced if all remaining bondholders elect to exchange for CAM shares is 4.70%, or 11,453,287 shares, leaving the Group with a majority stake of at least 81.75% at the date of this announcement. The balance of the convertible bond is due for redemption in March 2011 in so far that it is not exchanged into CAM shares. As at 30 June 2010, the outstanding amount (including amortised interest) was US\$22.2 million.

The outstanding amount of this existing convertible bond will be repurchased or repaid upon the completion of the placing of new bonds as mentioned in the management discussion and analysis section above.

## **Commitments**

At 30 June 2010, the Group also had no significant commitments, other than under operating leases for the rental of its office premises, and no significant contingent liabilities, including pension obligations, other than those set out in Note 23 to the unaudited interim financial information.

## **Equity Structure**

An analysis of the movements in equity during the period is provided in the consolidated statement of changes in equity on page 10 of the unaudited interim financial information.

During the six months ended 30 June 2010, 29,250,000 non-voting convertible deferred shares were converted into ordinary shares on a 1 for 1 basis. At 30 June 2010, the issued ordinary share capital of the Company was 330,597,984 shares. The Company did not purchase any of its own shares during the period under review.

At 30 June 2010, the Company had 24,780,000 options outstanding under the Company's Share Option Scheme of which 20,280,000 options were exercisable. The Company can grant a further 28,654,452 options pursuant to the existing shareholder mandate limit.

Non-controlling interests in the consolidated statement of financial position increased to US\$1.8 million at 30 June 2010 from US\$0.9 million at 31 December 2009. The balance at 30 June 2010 represents the minority shareholders of CAM being 13.55% of its issued share capital which includes the 44.14% minority shareholders interest in the Group's wealth management operating subsidiary within CAM.

Notwithstanding, the consolidated statement of financial position of the Group at 30 June 2010 shows negative equity of US\$14.5 million, the Group has no significant liabilities that are past due. The Company's statement of financial position remains in positive equity.

## **EMPLOYEE INFORMATION**

As at 30 June 2010, the Group had 46 full-time employees (31 December 2009: 50). Details of the directors' remuneration and employees' emoluments during the period are provided in Note 8 to the unaudited interim financial information.

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

## **FOREIGN CURRENCY EXPOSURE**

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

Several subsidiaries of the Group 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.

## **CORPORATE GOVERNANCE REPORT**

### **(a) Corporate Governance Practices**

Throughout the period of the six months ended 30 June 2010, the Company has complied with the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except for the following deviations:

#### **1. Code Provision A.2.1**

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

The positions of the Chairman of the Board and CEO of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company. Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

#### **2. Code Provision E.1.2**

Code Provision E.1.2 provides that the Chairman of the Board should attend the annual general meeting to answer questions at the annual general meeting. The Chairman of the Company, Mr Ilyas Tariq Khan, did not attend the Company's Annual General Meeting on 7 May 2010 due to an important personal matter requiring him to be overseas. However, Mr. Khan had, by prior arrangement, deputized Mr. Johnny Chan Kok Chung to chair the Annual General Meeting and answer any questions from shareholders.

**(b) Directors' Securities Transactions**

- (i) The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules.
- (ii) Having made specific enquiries of all Directors of the Company, the Company is satisfied that the Directors of the Company have complied with the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules, and with the Company's code of conduct regarding Directors' securities transactions.

## RESULTS

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Group for the six months and three months ended 30 June 2010 (the “Review Periods”), together with the comparative unaudited figures of the corresponding periods in 2009, as follows:

### CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30 June 2010

	Notes	(Unaudited) Six months ended 30 June		(Unaudited) Three months ended 30 June	
		2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>Revenue</b>	5	<b>1,028</b>	2,104	<b>470</b>	1,202
Cost of sales		<b>(139)</b>	(322)	<b>(7)</b>	(232)
<b>Gross profit</b>		<b>889</b>	1,782	<b>463</b>	970
(Loss)/Gain on financial assets at fair value through profit or loss	16	<b>(9)</b>	(850)	<b>200</b>	(1,009)
Gain on financial liabilities at fair value through profit or loss		–	2	–	2
Other income	6	<b>4,181</b>	3,125	<b>3,720</b>	2,849
Administrative expenses					
Restructuring credit/(expenses)	7	<b>115</b>	(580)	<b>(103)</b>	(580)
Impairment of intangible assets		–	(10)	–	(10)
Other administrative expenses		<b>(6,309)</b>	(8,784)	<b>(3,444)</b>	(4,197)
		<b>(6,194)</b>	(9,374)	<b>(3,547)</b>	(4,787)
Impairment of available-for-sale investments	14	<b>(59)</b>	(1,458)	<b>(58)</b>	(1,458)
Impairment of loan receivable	17	<b>(1,021)</b>	(4,973)	<b>(483)</b>	(4,973)
Other operating expenses		<b>(1,019)</b>	(1,689)	<b>(559)</b>	(416)
<b>Loss from operations</b>		<b>(3,232)</b>	(13,435)	<b>(264)</b>	(8,822)
Finance costs	9	<b>(790)</b>	(762)	<b>(405)</b>	(391)
Share of profits of associates		–	1	–	18
Share of profits of jointly controlled entities		<b>51</b>	73	<b>26</b>	48
<b>Loss before taxation</b>	10	<b>(3,971)</b>	(14,123)	<b>(643)</b>	(9,147)
Taxation	11	<b>3</b>	24	–	–
<b>Loss for the period</b>		<b>(3,968)</b>	(14,099)	<b>(643)</b>	(9,147)
<b>Attributable to:</b>					
Owners of the Company		<b>(4,784)</b>	(12,406)	<b>(1,630)</b>	(8,172)
Non-controlling interests		<b>816</b>	(1,693)	<b>987</b>	(975)
<b>Loss for the period</b>		<b>(3,968)</b>	(14,099)	<b>(643)</b>	(9,147)
Dividend		–	–	–	–
<b>Loss per share attributable to owners of the Company</b>	12	<b>US cents</b>	<b>US cents</b>	<b>US cents</b>	<b>US cents</b>
– Basic		<b>(1.45)</b>	(3.75)	<b>(0.49)</b>	(2.47)
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2010

	(Unaudited)		(Unaudited)	
	Six months ended		Three months ended	
	30 June		30 June	
	2010	2009	2010	2009
Note	US\$'000	US\$'000	US\$'000	US\$'000
<b>Loss for the period</b>	<b>(3,968)</b>	<b>(14,099)</b>	<b>(643)</b>	<b>(9,147)</b>
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations	65	(16)	1	51
Available-for-sale investments				
Deficit on revaluation	(71)	(696)	(53)	(402)
Recycle to income statement:				
Provision for impairment	59	1,458	58	1,458
(Gain)/Loss upon disposal	(285)	436	(285)	–
Share of other comprehensive income of associates	–	(27)	–	(11)
Share of other comprehensive income of jointly controlled entities	–	16	–	12
Other comprehensive income for the period, before and net of tax	<u>(232)</u>	<u>1,171</u>	<u>(279)</u>	<u>1,108</u>
<b>Total comprehensive income for the period, before and net of tax</b>	<b><u>(4,200)</u></b>	<b><u>(12,928)</u></b>	<b><u>(922)</u></b>	<b><u>(8,039)</u></b>
<b>Attributable to:</b>				
Owners of the Company	<u>(5,025)</u>	<u>(11,380)</u>	<u>(1,909)</u>	<u>(7,203)</u>
Non-controlling interests	<u>825</u>	<u>(1,548)</u>	<u>987</u>	<u>(836)</u>
	<b><u>(4,200)</u></b>	<b><u>(12,928)</u></b>	<b><u>(922)</u></b>	<b><u>(8,039)</u></b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	<i>Notes</i>	<b>Unaudited 30 June 2010 US\$'000</b>	<b>Audited 31 December 2009 US\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	476	639
Interests in jointly controlled entities		68	16
Available-for-sale investments	14	233	607
Note receivable		520	508
Intangible assets		21	21
		<u>1,318</u>	<u>1,791</u>
<b>Current assets</b>			
Loan to an investee company	22	106	–
Trade and other receivables	15	1,090	1,488
Tax recoverable		109	74
Financial assets at fair value through profit or loss	16	3,891	8,560
Loan receivable	17	754	1,348
Cash and cash equivalents		6,573	7,846
		<u>12,523</u>	<u>19,316</u>
<b>Current liabilities</b>			
Amount due to an investee company	22	36	–
Other payables	18(a)	2,814	3,395
Deferred income		23	27
Provision for taxation		32	–
Current portion of obligations under finance leases		319	367
Provision for liabilities	18(b)	2,825	6,209
		<u>6,049</u>	<u>9,998</u>
<b>Net current assets</b>		<u>6,474</u>	<u>9,318</u>
<b>Total assets less current liabilities</b>		<u>7,792</u>	<u>11,109</u>
<b>Non-current liabilities</b>			
Loan payable		55	54
Obligations under finance leases		37	144
Convertible bond	19	22,158	21,408
		<u>22,250</u>	<u>21,606</u>
<b>Net liabilities</b>		<u>(14,458)</u>	<u>(10,497)</u>
<b>EQUITY</b>			
Share capital	20	3,306	3,306
Reserves	21	(19,540)	(14,698)
<b>Capital deficiency attributable to owners of the Company</b>		<u>(16,234)</u>	<u>(11,392)</u>
<b>Non-controlling interests</b>		<u>1,776</u>	<u>895</u>
<b>Capital deficiency</b>		<u>(14,458)</u>	<u>(10,497)</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Equity attributable to owners of the Company									Non-controlling interests	Capital deficiency
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Employee share-based compensation reserve	Investment revaluation reserve	Foreign exchange reserve	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2010 (Audited)	3,306	106,444	4,872	77	11,973	318	(13)	(138,369)	(11,392)	895	(10,497)
Employee share-based compensation	-	-	-	-	401	-	-	-	401	(175)	226
Lapse of share options	-	-	-	-	(4,063)	-	-	3,877	(186)	186	-
Effect on exercising share options of a subsidiary	-	-	-	-	(32)	-	-	-	(32)	45	13
Transactions with owners	-	-	-	-	(3,694)	-	-	3,877	183	56	239
(Loss)/Profit for the period	-	-	-	-	-	-	-	(4,784)	(4,784)	816	(3,968)
Other comprehensive income:											
Exchange differences on translating foreign operations	-	-	-	-	-	-	56	-	56	9	65
Available-for-sale investments											
Deficit on revaluation	-	-	-	-	-	(71)	-	-	(71)	-	(71)
Recycle to income statement:											
Provision for impairment	-	-	-	-	-	59	-	-	59	-	59
Gain upon disposal	-	-	-	-	-	(285)	-	-	(285)	-	(285)
Total comprehensive income for the period	-	-	-	-	-	(297)	56	(4,784)	(5,025)	825	(4,200)
<b>At 30 June 2010 (Unaudited)</b>	<b>3,306</b>	<b>106,444</b>	<b>4,872</b>	<b>77</b>	<b>8,279</b>	<b>21</b>	<b>43</b>	<b>(139,276)</b>	<b>(16,234)</b>	<b>1,776</b>	<b>(14,458)</b>
At 1 January 2009 (Audited)	3,306	106,444	4,872	77	11,923	(823)	(19)	(123,837)	1,943	2,898	4,841
Employee share-based compensation	-	-	-	-	1,129	-	-	-	1,129	66	1,195
Lapse of share options	-	-	-	-	(190)	-	-	190	-	-	-
Additional investment in a subsidiary	-	-	-	-	-	-	-	-	-	(43)	(43)
Transactions with owners	-	-	-	-	939	-	-	190	1,129	23	1,152
Loss for the period	-	-	-	-	-	-	-	(12,406)	(12,406)	(1,693)	(14,099)
Other comprehensive income:											
Exchange differences on translating foreign operations	-	-	-	-	-	-	(11)	-	(11)	(5)	(16)
Available-for-sale investments											
(Deficit)/Surplus on revaluation	-	-	-	-	-	(848)	-	-	(848)	152	(696)
Recycle to income statement:											
Provision for impairment	-	-	-	-	-	1,458	-	-	1,458	-	1,458
Loss upon disposal	-	-	-	-	-	436	-	-	436	-	436
Share of other comprehensive income of associates	-	-	-	-	-	-	(23)	-	(23)	(4)	(27)
Share of other comprehensive income of jointly controlled entities	-	-	-	-	-	-	14	-	14	2	16
Total comprehensive income for the period	-	-	-	-	-	1,046	(20)	(12,406)	(11,380)	(1,548)	(12,928)
<b>At 30 June 2009 (Unaudited)</b>	<b>3,306</b>	<b>106,444</b>	<b>4,872</b>	<b>77</b>	<b>12,862</b>	<b>223</b>	<b>(39)</b>	<b>(136,053)</b>	<b>(8,308)</b>	<b>1,373</b>	<b>(6,935)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2010*

	<b>Unaudited</b>	
	<b>six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash outflow from operating activities	<b>(1,500)</b>	(9,719)
Net cash inflow from investing activities	<b>358</b>	1,663
Net cash outflow from financing activities	<b>(110)</b>	(152)
Net decrease in cash and cash equivalents	<b>(1,252)</b>	(8,208)
Cash and cash equivalents at beginning of the period	<b>7,846</b>	16,991
Effect of exchange rate fluctuations, net	<b>(21)</b>	18
<b>Cash and cash equivalents at end of the period</b>	<b><u>6,573</u></b>	<b><u>8,801</u></b>

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION**

### **1. BASIS OF PREPARATION**

The Company acts as the holding company of the Group. The Group is principally engaged in the businesses of merchant banking, asset management and direct investment. The Company is incorporated in the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1 –1111, Cayman Islands and, its principal place of business is 18th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

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

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

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

The Directors have prepared cash flow forecasts through to 31 August 2011. The forecasts take into account the reduced cost structure of the Group following the proposed acquisition of Shikumen business and disposal of the merchant banking, corporate finance and financial advisory services businesses to ECK Partners Holdings Limited as announced on 25 June 2010, and a conservative estimate of the proceeds of the sale of certain assets of the Group and the income to be generated from the Asset Management business. For these reasons, they continue to adopt the going concern basis in preparing the unaudited interim financial information.

The interim financial information for the six months ended 30 June 2010 is unaudited but has been reviewed by the audit committee of the Company.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The unaudited interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". These unaudited condensed interim financial information should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2009 (the "2009 Annual Report"), which have been prepared in accordance with International Financial Reporting Standards.

The principal accounting policies adopted to prepare the unaudited interim financial information are consistent with those adopted to prepare the Company's 2009 Annual Report, except for the adoption of IAS 27.

Following the adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008) which is effective for the accounting periods beginning on or after 1 July 2009, the effects of all transactions with non-controlling interests are to be recorded in equity if there is change in control that do not result in a loss of control. When there is loss in control, a gain or loss is recognised in profit or loss. Any remaining interest in the entity is to be re-measured to fair value. In addition, total comprehensive income is to be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. These changes are applied prospectively from 1 January 2010. The adoption of IAS 27 had no impact on the unaudited interim financial information.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### (i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are discussed below:

##### *Fair values of financial instruments*

Financial instruments such as available-for-sale investments, financial assets and liabilities at fair value through profit or loss and convertible bond are initially measured at fair value. Certain financial instruments are remeasured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgement by management, which may result in different fair values and results. The assumptions with regard to the fair value of available-for-sale investments, financial assets at fair value through profit or loss and convertible bond, detailed in Notes 14, 16 and 19 to the unaudited interim financial information respectively, have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period.

##### *Valuations of share options granted*

The fair value of share options granted was calculated using the Binomial Option Pricing Model which requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of directors of the Company, the existing model will not always necessarily provide a reliable single measure of the fair value of the share options.

##### *Impairment of assets*

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

##### *Impairment of loan receivable*

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

#### *Impairment of trade and other receivables*

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

#### *Provision for onerous contract*

Management estimates provision for the onerous property contracts to reflect the unavoidable costs of meeting the obligations under the contract. The Group uses a number of assumptions in assessing the present value of the estimated future cash flows expected to meet the obligations under the contract and from the possible sub-letting or assignment of contract. Estimates and judgements are applied in determining these future cash flows and the discount rate. Details of the key assumptions in respect of the provision for the onerous contract are disclosed in Note 7 to the unaudited interim financial information.

#### *Provision for claims*

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

#### *Current taxation and deferred taxation*

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which the final tax outcome is determined.

Deferred tax assets relating to certain tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact, where applicable and appropriate, the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

#### **(ii) Critical judgements in applying the Group's accounting policies**

Management in applying the accounting policies, considers that the most significant judgement they have had to make, on an ongoing basis, is the designation of financial assets at fair value through profit or loss which affect the amount recognised in the unaudited interim financial information.

#### **4. SEGMENT INFORMATION**

In identifying the Group's operating segments, the management generally follows the Group's service lines which represent the main services provided by the Group. Each of these operating segments is managed separately as each of them requires different resources.

The chief operating decision maker, which is the Chief Executive Officer, assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring credit/expenses and impairment of intangible assets which is the result of an isolated, non-recurring event not directly related to the ongoing operations.

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.
- (ii) Asset management – provision of fund management, asset management and wealth management services.
- (iii) Direct investment – holding of available-for-sale investments (excluding investments in funds managed by the Group), loans to investee and related companies and financial assets at fair value through profit or loss (excluding those arising from the Group’s merchant banking activities).

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

	Merchant banking		Asset management		Direct investment		Total	
	Unaudited six months ended 30 June 2010 US\$'000	Unaudited six months ended 30 June 2009 US\$'000	Unaudited six months ended 30 June 2010 US\$'000	Unaudited six months ended 30 June 2009 US\$'000	Unaudited six months ended 30 June 2010 US\$'000	Unaudited six months ended 30 June 2009 US\$'000	Unaudited six months ended 30 June 2010 US\$'000	Unaudited six months ended 30 June 2009 US\$'000
Revenue from external customers	-	-	1,028	2,104	-	-	1,028	2,104
Inter-segment revenues	103	132	385	470	-	-	488	602
<b>Total revenue</b>	<b>103</b>	<b>132</b>	<b>1,413</b>	<b>2,574</b>	<b>-</b>	<b>-</b>	<b>1,516</b>	<b>2,706</b>
Segment (loss)/profit from operations	(4,094)	(2,486)	1,968	(5,180)	(516)	(3,378)	(2,642)	(11,044)
	Unaudited 30 June 2010 US\$'000	Audited 31 December 2009 US\$'000	Unaudited 30 June 2010 US\$'000	Audited 31 December 2009 US\$'000	Unaudited 30 June 2010 US\$'000	Audited 31 December 2009 US\$'000	Unaudited 30 June 2010 US\$'000	Audited 31 December 2009 US\$'000
Segment total assets	5,336	11,010	7,395	8,563	860	1,348	13,591	20,921

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

	<b>Unaudited six months ended 30 June 2010 US\$'000</b>	Unaudited six months ended 30 June 2009 US\$'000
<b>Segment loss from operations</b>	<b>(2,642)</b>	(11,044)
Reconciling items:		
Other income not allocated	32	126
Restructuring credit/(expenses)	115	(580)
Impairment of intangible assets	–	(10)
Other expenses not allocated	(737)	(1,939)
Elimination of inter-segment revenue	–	12
	<hr/>	<hr/>
<b>Loss from operations</b>	<b>(3,232)</b>	(13,435)
Finance costs	(790)	(762)
Share of profits of associates	–	1
Share of profits of jointly controlled entities	51	73
	<hr/>	<hr/>
<b>Loss before taxation</b>	<b>(3,971)</b>	(14,123)

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

	<b>Unaudited six months ended 30 June 2010 US\$'000</b>	Audited year ended 31 December 2009 US\$'000
<b>Segment total assets</b>	<b>13,591</b>	20,921
Reconciling item:		
Other assets not allocated	250	186
	<hr/>	<hr/>
<b>Total assets</b>	<b>13,841</b>	21,107



	Merchant banking		Asset management		Direct investment		Total	
	Unaudited six months ended 30 June 2010 US\$'000	Unaudited six months ended 30 June 2009 US\$'000	Unaudited six months ended 30 June 2010 US\$'000	Unaudited six months ended 30 June 2009 US\$'000	Unaudited six months ended 30 June 2010 US\$'000	Unaudited six months ended 30 June 2009 US\$'000	Unaudited six months ended 30 June 2010 US\$'000	Unaudited six months ended 30 June 2009 US\$'000

#### Other information

Interest income	-	(12)	(8)	(17)	(514)	(2,352)	(522)	(2,381)
Interest expenses	1	1	39	62	750	699	790	762
Depreciation	65	27	101	118	-	-	166	145
Impairment of available-for-sale investments	-	-	59	1,458	-	-	59	1,458
Impairment of loan receivable	-	-	-	-	1,021	4,973	1,021	4,973
Impairment of trade and other receivables	-	-	3	-	-	-	3	-
	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>

#### 5. REVENUE

	Unaudited six months ended 30 June 2010 US\$'000		Unaudited three months ended 30 June 2010 US\$'000	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Fund management fee income	217	946	64	449
Wealth management services fee	811	1,158	406	753
	<u>1,028</u>	<u>2,104</u>	<u>470</u>	<u>1,202</u>

#### 6. OTHER INCOME

	Unaudited six months ended 30 June 2010 US\$'000		Unaudited three months ended 30 June 2010 US\$'000	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Bank interest income	2	5	1	2
Fees on redemption and arrangement of loans	-	374	-	176
Foreign exchange gain, net	-	282	-	282
Gain on deemed disposal of a subsidiary	32	-	32	-
Gain on disposal of available-for-sale investments	285	-	285	-
Other interest income	520	2,376	266	2,363
Release of provision for claims (Notes 18(b) and 23)	3,046	-	3,046	-
Others	296	88	90	26
	<u>4,181</u>	<u>3,125</u>	<u>3,720</u>	<u>2,849</u>

## 7. RESTRUCTURING CREDIT/(EXPENSES)

	Unaudited		Unaudited	
	six months ended 30 June		three months ended 30 June	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Provision for onerous contract in respect of operating lease	(15)	(580)	(103)	(580)
Others	130	–	–	–
	<u>115</u>	<u>(580)</u>	<u>(103)</u>	<u>(580)</u>

During the period, the Group has increased, by US\$15,000 (30 June 2009: US\$580,000; 31 December 2009: US\$2,685,000) to US\$2,825,000, US\$1,093,000 and US\$2,963,000 as at 30 June 2010, 30 June 2009 and 31 December 2009 respectively as set out in Note 18(b) to the unaudited interim financial information, the provision for the discounted net present value of the future property operating lease rental payments under the operating leases, on the basis that no sublet of the property is achieved for the remaining term of the lease.

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

	Unaudited		Unaudited	
	six months ended 30 June		three months ended 30 June	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Fees	80	80	40	40
Salaries, allowances and benefits in kind	4,394	4,780	2,496	2,151
Commission paid and payable	210	345	113	219
Bonus paid and payable	25	37	8	18
Share-based compensation expense	226	1,195	90	533
Retirement fund contributions	24	32	12	15
Social security costs	83	111	43	57
	<u>5,042</u>	<u>6,580</u>	<u>2,802</u>	<u>3,033</u>

## 9. FINANCE COSTS

	Unaudited		Unaudited	
	six months ended 30 June		three months ended 30 June	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Effective interest expense on convertible bond ( <i>Note 19</i> ) – wholly repayable within five years	750	699	386	360
Other interest expenses – wholly repayable within five years	40	63	19	31
	<u>790</u>	<u>762</u>	<u>405</u>	<u>391</u>

## 10. LOSS BEFORE TAXATION

	Unaudited		Unaudited	
	six months ended 30 June		three months ended 30 June	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Loss before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
– audit services	67	83	34	38
– other services	18	36	13	27
Depreciation				
– owned assets	159	138	79	70
– assets held under finance leases	7	7	4	4
Effective interest income on loan receivable ( <i>Note 17</i> )	(505)	(2,352)	(257)	(2,352)
Employee benefit expense (including directors' remuneration) ( <i>Note 8</i> )	5,042	6,580	2,802	3,033
Foreign exchange losses/(gains), net	134	(282)	64	(282)
Impairment of available-for-sale investments ( <i>Note 14</i> )	59	1,458	58	1,458
Impairment of intangible assets	–	10	–	10
Impairment of loan receivable ( <i>Note 17</i> )	1,021	4,973	483	4,973
Impairment of trade and other receivables	3	–	–	–
(Gain)/Loss on disposal of available-for-sale investments	(285)	436	(285)	–
Operating lease charges in respect of rented premises	248	529	124	225
	<u>248</u>	<u>529</u>	<u>124</u>	<u>225</u>

## 11. TAXATION

	Unaudited		Unaudited	
	six months ended 30 June		three months ended 30 June	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
Current tax				
– Hong Kong	(32)	18	–	–
– Overseas	35	6	–	–
	<u>3</u>	<u>24</u>	<u>–</u>	<u>–</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong for the three months and six months ended 30 June 2010. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the period.

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

## 12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### (a) Basic

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

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2010	2009	2010	2009
<i>(US\$'000)</i>				
Consolidated loss attributable to owners of the Company	<u>(4,784)</u>	<u>(12,406)</u>	<u>(1,630)</u>	<u>(8,172)</u>
<i>(Number)</i>				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>330,597,984</u>	<u>330,597,984</u>	<u>330,597,984</u>	<u>330,597,984</u>
Basic loss per share (US cents per share)	<u>(1.45)</u>	<u>(3.75)</u>	<u>(0.49)</u>	<u>(2.47)</u>

### (b) Diluted

No diluted loss per share are shown for the three months and six months ended 30 June 2010 and 30 June 2009 as the outstanding share options are anti-dilutive.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 June 2010 <i>US\$'000</i>	Audited 31 December 2009 <i>US\$'000</i>
Net carrying amount at 1 January	639	458
Additions	3	514
Disposals	–	(17)
Depreciation for the period/year ( <i>Note 10</i> )	(166)	(315)
Exchange differences	–	(1)
<b>Net carrying amount at 30 June/31 December</b>	<u><b>476</b></u>	<u><b>639</b></u>

Included in the net carrying amount of US\$476,000 (31 December 2009: US\$639,000) is an amount of US\$25,000 (31 December 2009: US\$31,000) representing the net carrying value of assets held under finance leases.

#### 14. AVAILABLE-FOR-SALE INVESTMENTS

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>US\$'000</i>	Audited 31 December 2009 <i>US\$'000</i>
<i>Unlisted investments, at cost or fair value</i>		
Equity securities	<b>1,827</b>	1,827
Less: Impairment losses	<b>(1,601)</b>	(1,536)
	<b>226</b>	291
<i>Listed investments, at fair value</i>		
Equity securities, listed outside Hong Kong	<b>7</b>	316
	<b>7</b>	316
<b>Total</b>	<b>233</b>	<b>607</b>

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

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>US\$'000</i>	Audited 31 December 2009 <i>US\$'000</i>
At 1 January	<b>607</b>	1,854
Disposals	<b>(303)</b>	(565)
Change in fair value recognised directly in other comprehensive income	<b>(71)</b>	(682)
<b>At 30 June/31 December</b>	<b>233</b>	<b>607</b>

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

Provision for impairment of US\$59,000 (30 June 2009: US\$1,458,000) has been made during the six months ended 30 June 2010 which has been removed from investment revaluation reserve in equity and recognised in the consolidated income statement.

## 15. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	<b>Unaudited 30 June 2010 US\$'000</b>	Audited 31 December 2009 US\$'000
Trade receivables	(i)	<b>87</b>	117
Other receivables – gross		<b>312</b>	1,121
<i>Less:</i> Impairment losses	(ii)	<u><b>(182)</b></u>	<u>(774)</u>
Other receivables – net		<b>130</b>	347
Deposits and prepayments		<u><b>873</b></u>	<u>1,024</u>
<b>Total</b>		<u><b>1,090</b></u>	<u>1,488</u>

*Notes:*

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

	<b>Unaudited 30 June 2010 US\$'000</b>	Audited 31 December 2009 US\$'000
0 – 30 days	<b>78</b>	89
31 – 60 days	<b>5</b>	23
61 – 90 days	<b>–</b>	–
Over 90 days	<u><b>4</b></u>	<u>5</u>
<b>Total</b>	<u><b>87</b></u>	<u>117</u>

The Group allows a credit period ranging from 15 to 45 days (31 December 2009: 15 to 45 days) to its asset management clients. The credit period for asset management contracts can be extended in special circumstances.

At 30 June 2010 and 31 December 2009, the trade receivables related to one customer for which there was no recent history of default.

At 30 June 2010 and 31 December 2009, no impairment provision has been made in respect of trade receivables.

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

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>US\$'000</i>	Audited 31 December 2009 <i>US\$'000</i>
At 1 January	774	1,481
Impairment losses	3	71
Reversal due to debt recovery	(1)	(2)
Written off	(594)	(776)
	<hr/>	<hr/>
<b>At 30 June/31 December</b>	<b>182</b>	<b>774</b>
	<hr/>	<hr/>

The Group has provided impairment on material other receivables as at 30 June 2010 and 31 December 2009, which have been past due.

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

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>US\$'000</i>	Audited 31 December 2009 <i>US\$'000</i>
<b>Held for trading</b>		
<i>Listed securities:</i>		
– Equity securities – Australia	912	2,788
– Equity securities – Canada	48	967
– Equity securities – Japan	32	94
– Equity securities – United Kingdom	434	1,217
– Equity securities – United States	–	566
	<hr/>	<hr/>
Fair value of listed securities	<b>1,426</b>	5,632
	<hr/>	<hr/>
<i>Unlisted securities:</i>		
– Equity securities – Australia	9	472
– Equity securities – British Virgin Islands	2,420	2,420
– Equity securities – Canada	36	36
	<hr/>	<hr/>
Fair value of unlisted securities	<b>2,465</b>	2,928
	<hr/>	<hr/>
<b>Total</b>	<b>3,891</b>	<b>8,560</b>
	<hr/>	<hr/>

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

	<b>Unaudited 30 June 2010 US\$'000</b>	Audited 31 December 2009 US\$'000
At 1 January	<b>8,560</b>	9,771
Additions	<b>4,265</b>	7,354
Disposals	<b>(8,925)</b>	(11,636)
Dividend received	–	(1)
(Loss)/Gain on financial assets at fair value through profit or loss	<b>(9)</b>	3,072
<b>At 30 June/31 December</b>	<b><u>3,891</u></b>	<b><u>8,560</u></b>

Particulars and valuation basis of principal financial assets held at fair value through profit or loss are as follows:

Name	No. of shares/Percentage of interest held by the Company indirectly				Fair value		Valuation basis
	Unaudited 30 June 2010		Audited 31 December 2009		Unaudited 30 June 2010	Audited 31 December 2009	
	Holding	%	Holding	%	US\$'000	US\$'000	
IB Daiwa Corporation – Ordinary shares	<b>1,410,000</b>	<b>0.23</b>	2,877,000	0.47	<b>32</b>	94	Quoted market price at 30 June 2010 of ¥2.00 (31 December 2009: ¥3.00) per share, listed on JASDAQ Japan
White Energy Company Limited – Ordinary shares	<b>340,000</b>	<b>0.14</b>	1,069,824	0.46	<b>903</b>	2,245	Quoted market price at 30 June 2010 of AUD3.10 (31 December 2009: AUD2.35) per share, listed on Australian Stock Exchange
– Options	–	–	1,250,000	0.50*	–	463	Valuation at 31 December 2009 provided by the independent valuer using the Binomial Model
African Consolidation Resources Plc – Ordinary shares	–	–	2,600,000	0.73	–	580	Quoted market price at 31 December 2009 of £0.12 per share, listed on AIM of London Stock Exchange
Touchstone Investment Holdings Limited – Ordinary shares	<b>16,351</b>	<b>15.54</b>	16,351	15.81	<b>2,420</b>	2,420	Valuation at 30 June 2010 and 31 December 2009 by reference to the value and stage of development of similar listed gold exploration companies relative to the amount of ordinary shares outstanding

\* *The percentage of shareholding is based on the enlarged share capital of White Energy Company Limited.*



## 17. LOAN RECEIVABLE

The loan receivable relates to the participation by Coniston International Capital Limited (“Coniston”), a 100% subsidiary of the Company, in the amount of US\$9,815,000 in a loan to Asia Special Situations GJP1 Limited (“ASSGJP1”), a wholly owned subsidiary of IB Daiwa Corporation (“IB Daiwa”), from ADM Galleus Fund Limited (“ADM”), an investment fund managed by Asia Debt Management Hong Kong Limited (the “ADM Loan”) as detailed in the 2009 Annual Report.

On 1 February 2010, IB Daiwa entered into an agreement with ADM to vest the sole, absolute, legal and beneficial title of ASSGJP1 (together with all the underlying shares of Leed Petroleum PLC held by it) to ADM. IB Daiwa has agreed to pay US\$350,000 to ASSGJP1 to partially repay the ADM Loan. In return, ADM has agreed to release IB Daiwa from its obligations to pay ADM up to a maximum of US\$500,000 of any future receipts from the Lodore group.

The ADM Loan receivable, after allowance for impairment, as at 30 June 2010 and 31 December 2009 is as follows:

	<i>US\$'000</i>	
Loan principal advanced on 23 June 2008		9,815
Fee receivable upon maturity and capitalised upfront		796
<i>Less:</i> Embedded derivative recognised on initial recognition		<u>(2,981)</u>
Gross loan receivable at 23 June 2008		<u>7,630</u>
	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<i>US\$'000</i>	<i>US\$'000</i>
Gross loan receivable at 1 January	<b>1,348</b>	7,844
<i>Add:</i> Effective interest income for the period/year ( <i>Note 10</i> )	<u>505</u>	<u>2,844</u>
Amortised carrying amount of loan receivable at end of the period/year	<b>1,853</b>	10,688
<i>Less:</i> Allowance for impairment ( <i>Note 10</i> )	<b>(1,021)</b>	(6,440)
Repayment	<u>(78)</u>	<u>(2,900)</u>
<b>Net impaired loan receivable at 30 June/31 December</b>	<u><b>754</b></u>	<u>1,348</u>

The interest income on the loan receivable for the period/year is calculated at the interest rate of LIBOR plus 5% which remained the same following the extension of the loan agreement and full amortization of the effective interest on the loan agreement.

The embedded derivatives have been valued by an independent professional valuer using a Binomial Model at US\$2,981,000 on initial recognition and was fully impaired as at 31 December 2009.

The allowance for impairment has been calculated by reference to the fair value of the collateral held against the ADM Loan at 30 June 2010 and 31 December 2009 respectively. Accordingly, the net impaired loan receivable balances at 30 June 2010 and 31 December 2009 are equivalent to the fair value of the collateral held. Further provision for impairment of US\$1,021,000 has been made during the six months ended 30 June 2010.

## 18. OTHER PAYABLES AND PROVISION FOR LIABILITIES

### (a) Other payables

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>US\$'000</i>	Audited 31 December 2009 <i>US\$'000</i>
Other payables	540	694
Accrued charges	<u>2,274</u>	<u>2,701</u>
<b>Total</b>	<b><u>2,814</u></b>	<b><u>3,395</u></b>

### (b) Provision for liabilities

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>US\$'000</i>	Audited 31 December 2009 <i>US\$'000</i>
At 1 January	6,209	4,219
Addition	15	2,685
Amount used during the period/year	(353)	(695)
Release of provision for claims ( <i>Notes 6 and 23</i> )	<u>(3,046)</u>	<u>–</u>
<b>At 30 June/31 December</b>	<b><u>2,825</u></b>	<b><u>6,209</u></b>
	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>US\$'000</i>	Audited 31 December 2009 <i>US\$'000</i>
Representing:		
Provision for claims ( <i>Note 23</i> )	–	3,246
Provision for onerous contract in respect of operating lease ( <i>Note 7</i> )	<u>2,825</u>	<u>2,963</u>
<b>Total</b>	<b><u>2,825</u></b>	<b><u>6,209</u></b>

## 19. CONVERTIBLE BOND

It represents the US\$75,000,000 Zero Coupon 5 year Convertible Bond (the “Convertible Bond”) issued by the Company in March 2006 as detailed in the 2009 Annual Report.

The Convertible Bond recognised in the consolidated statement of financial position at 30 June 2010 and 31 December 2009 is calculated as follows:

	US\$'000	
Face value of Convertible Bond issued*		75,000
Discount		(2,250)
Financial liabilities at fair value through profit or loss		(6,320)
Equity component		(4,793)
		<hr/>
Liability component on initial recognition upon issuance of Convertible Bond on 8 March 2006		<u>61,637</u>
	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>US\$'000</b>	<b>US\$'000</b>
Liability component at 1 January	<b>21,408</b>	19,980
Effective interest expense for the period/year (Note 9)	<b>750</b>	1,428
	<hr/>	<hr/>
<b>Liability component at 30 June/31 December</b>	<b><u>22,158</u></b>	<b><u>21,408</u></b>

\* During the year ended 31 December 2006, US\$55,000,000 of the Convertible Bond was converted into 556,666,011 new shares of the Company, representing 16.55% of the Company's enlarged issued share capital of 3,362,743,256 shares (including 292,500,000 non-voting convertible deferred shares) at that time. The balance of the Convertible Bond of US\$20,000,000 is therefore only exchangeable into a maximum of 11,453,287 existing shares of CAM owned by the Company, but no exchange had occurred up to 30 June 2010. On the basis that the balance of the Convertible Bond of US\$20,000,000 is fully exchanged into existing shares of CAM, the holding of the Company in CAM would be reduced from 86.45% to 81.75% as at 30 June 2010.

The interest expense of Convertible Bond for the period ended 30 June 2010 is calculated by applying an effective interest rate of 7.15% to the liability component.

The liability component at 30 June 2010 has been calculated by discounting the future cash flows at the prevailing market rate of 6.5%, increased to 7.15% to adjust for the amortisation of the discount of US\$2,250,000. The aforementioned discount rate of 6.5% was determined by reference to the yield on non-callable bonds issued in US dollars by a corporate with a credit rating of BB, with maturity of 5 years.

## 20. SHARE CAPITAL

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of non-voting convertible deferred shares	Value US\$'000
<b>Authorised</b>				
(par value of US\$0.01 each)				
<b>At 30 June 2010 and 31 December 2009</b>	<b>2,000,000,000</b>	<b>100,000</b>	–	<b>20,001</b>
<b>Issued and fully paid</b>				
(par value of US\$0.01 each)				
At 1 January 2010 and 31 December 2009	301,347,984	–	29,250,000	3,306
Conversion of non-voting convertible deferred shares	29,250,000	–	(29,250,000)	–
<b>At 30 June 2010</b>	<b>330,597,984</b>	–	–	<b>3,306</b>

## 21. RESERVES

	Unaudited 30 June 2010 US\$'000	Audited 31 December 2009 US\$'000
Share premium	106,444	106,444
Capital reserve	4,872	4,872
Capital redemption reserve	77	77
Employee share-based compensation reserve	8,279	11,973
Investment revaluation reserve	21	318
Foreign exchange reserve	43	(13)
Accumulated losses	(139,276)	(138,369)
<b>Total</b>	<b>(19,540)</b>	<b>(14,698)</b>

## 22. MATERIAL RELATED PARTY TRANSACTIONS

During the period/year, other than those disclosed elsewhere in this announcement, the Group had the following material related party transactions with certain investee companies:

	Unaudited 30 June 2010 US\$'000	Audited 31 December 2009 US\$'000
Loan to an investee company	106	–
Amount due to an investee company	(36)	–

## **23. CONTINGENCIES**

Crosby Wealth Management (Hong Kong) Limited, a 55.86% subsidiary of the Group, has settled the legal proceeding brought by client in Hong Kong concerning a trade execution error in May 2010. The excess provision has been released during the period as set out in Note 18(b) to the unaudited interim financial information.

As at 30 June 2010, the Group had no material contingent liabilities.

## **24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks, which are the same as those detailed in the Company's 2009 Annual Report, which are managed through its Executive and Operations Committees in close cooperation with the Board of Directors.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## DISCLOSURE OF INTERESTS

### (a) Directors

As at 30 June 2010, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

#### (i) *Interests in the ordinary shares of the Company*

Name of Directors	Personal interest	Family interest	Corporate interest	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Ilyas Tariq Khan (Notes 1 & 2)	8,249,407	–	41,828,278	50,077,685	15.15
Johnny Chan Kok Chung (Note 3)	15,155,320	477,738	–	15,633,058	4.73
Joseph Tong Tze Kay	500,000	–	–	500,000	0.15
Peter McIntyre Koenig	350,000	–	–	350,000	0.11
Daniel Yen Tzu Chen	200,000	–	–	200,000	0.06

*Note 1:* TW Indus Limited held 19,339,914 ordinary shares. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

*Note 2:* ECK & Partners Limited held 22,488,364 ordinary shares. ECK & Partners Limited was beneficially owned as 88.86% by Ilyas Tariq Khan. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, he is deemed to be interested in 22,488,364 ordinary shares owned by ECK & Partners Limited.

*Note 3:* Yuda Udomritthiruj held 477,738 ordinary shares. Yuda Udomritthiruj, an employee of a subsidiary of the Company, is the wife of Johnny Chan Kok Chung and, accordingly, he is deemed to have interests in her shares.

(ii) *Interests in the underlying shares of the Company*

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

Name of Directors	Date of grant	Subscription price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Ilyas Tariq Khan	26 April 2006	HK\$7.70	6,000,000	
	11 February 2008	HK\$1.80	2,500,000	
			8,500,000	2.57
Johnny Chan Kok Chung	26 April 2006	HK\$7.70	6,000,000	
	11 February 2008	HK\$1.80	3,000,000	
			9,000,000	2.72
Ahmad S. Al-Khaled	24 March 2006	HK\$7.70	500,000	
	29 January 2007	HK\$3.65	250,000	
	11 February 2008	HK\$1.80	500,000	
	29 December 2008	HK\$0.18	500,000	
			1,750,000	0.53
Daniel Yen Tzu Chen	24 March 2006	HK\$7.70	500,000	
	29 January 2007	HK\$3.65	250,000	
	11 February 2008	HK\$1.80	500,000	
	29 December 2008	HK\$0.18	500,000	
			1,750,000	0.53
Peter McIntyre Koenig	24 March 2006	HK\$7.70	500,000	
	29 January 2007	HK\$3.65	250,000	
	11 February 2008	HK\$1.80	500,000	
	29 December 2008	HK\$0.18	500,000	
			1,750,000	0.53
Joseph Tong Tze Kay	24 March 2006	HK\$7.70	500,000	
	29 January 2007	HK\$3.65	250,000	
	11 February 2008	HK\$1.80	500,000	
	29 December 2008	HK\$0.18	500,000	
			1,750,000	0.53

(iii) *Short positions*

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

(iv) *Interests in the shares of the Associated Corporation*

Name of Directors	Associated Corporation	Personal interest	Corporate interest	Aggregate long position in shares of the Associated Corporation	Percentage which the aggregate long position in shares of the Associated Corporation represents to the issued share capital of the Associated Corporation %
Ilyas Tariq Khan (Notes 1 & 2)	Crosby Asset Management Inc.	100,000	–	100,000	0.04
	Crosby (Hong Kong) Limited	1	110,001	110,002	0.04
Johnny Chan Kok Chung	Crosby Asset Management Inc.	40,000	–	40,000	0.02
	Crosby (Hong Kong) Limited	30,000	–	30,000	0.01

*Note 1:* TW Indus Limited held 40,001 shares in Crosby (Hong Kong) Limited. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

*Note 2:* ECK & Partners Limited held 70,000 shares in Crosby (Hong Kong) Limited. ECK & Partners Limited was beneficially owned as 88.86% by Ilyas Tariq Khan. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, he is deemed to be interested in 70,000 shares owned by ECK & Partners Limited.



(v) *Interests in the underlying shares of the Associated Corporation*

The interests in the underlying shares of Crosby Asset Management Inc. (“CAM”) arise from unlisted share options (physically settled equity derivatives) granted to the Directors of the Company under the CAM’s Share Option Scheme, details of which are provided below:

<b>Name of Directors</b>	<b>Date of grant</b>	<b>Subscription price</b>	<b>Aggregate long position in underlying shares of the Associate Corporation</b>	<b>Percentage which the aggregate long position in underlying shares of the Associate Corporation represents to the issued share capital of the Associate Corporation %</b>
Ilyas Tariq Khan	11 January 2008	22.25 pence	1,200,000	0.49
Johnny Chan Kok Chung	11 January 2008	22.25 pence	2,400,000	0.98

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

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

As at 30 June 2010, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

Name	Number or approximate attributable number of ordinary shares	Aggregate long position in underlying shares of the Company	Approximate percentage or approximate attributable percentage holding of ordinary shares currently in issue and/or percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
TBV Holdings Limited ( <i>Note 1</i> )	30,205,500	–	9.14
ECK & Partners Limited ( <i>Note 2</i> )	22,488,364	–	6.80
TW Indus Limited ( <i>Note 3</i> )	19,339,914	–	5.85

*Note 1:* TBV Holdings Limited is a company wholly-owned by the Kuwait Fund for Arab Economic Development, a development finance agency owned by the government of Kuwait.

*Note 2:* Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, the interest of ECK & Partners Limited in 22,488,364 ordinary shares is duplicated in the 50,077,685 ordinary shares in which Ilyas Tariq Khan is interested as a Director.

*Note 3:* TW Indus Limited held a direct interest in 19,339,914 ordinary shares. Ilyas Tariq Khan was beneficially interested in 100% of the share capital of TW Indus Limited and, therefore, Ilyas Tariq Khan was also interested in these 19,339,914 ordinary shares which are duplicated within the 50,077,685 ordinary shares in which Ilyas Tariq Khan was interested as a Director.

(ii) *Short positions*

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

Save as disclosed above, as at 30 June 2010, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and Underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30 June 2010, 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:

<b>Date of options grant</b>	<b>Options granted</b>	<b>Options exercise price per share</b>	<b>Options lapsed since grant</b>	<b>Options outstanding</b>	<b>Options exercisable as at 30 June 2010</b>
27 March 2002	24,824,470	HK\$0.704	(24,794,470)	30,000	30,000
18 March 2003	5,400,000	HK\$0.350	(5,400,000)	–	–
14 May 2003	1,500,000	HK\$0.350	(1,000,000)	–	–
18 June 2003	2,606,400	HK\$0.350	(2,606,400)	–	–
11 July 2003	31,200,000	HK\$0.350	(31,200,000)	–	–
1 December 2003	2,100,000	HK\$0.350	(2,100,000)	–	–
20 August 2004	1,500,000	HK\$0.350	–	–	–
24 March 2006	4,000,000	HK\$7.700	(2,000,000)	2,000,000	2,000,000
26 April 2006	18,000,000	HK\$7.700	(6,000,000)	12,000,000	12,000,000
29 January 2007	1,000,000	HK\$3.650	–	1,000,000	1,000,000
11 February 2008	11,750,000	HK\$1.800	(4,000,000)	7,750,000	4,650,000
29 December 2008	2,000,000	HK\$0.180	–	2,000,000	600,000
	<u>105,880,870</u>		<u>(79,100,870) (Note)</u>	<u>24,780,000</u>	<u>20,280,000</u>

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

No options granted under the Share Option Scheme had been exercised during the six months ended 30 June 2010.

During the six months ended 30 June 2010, 9,000,000 options were lapsed on 31 January 2010.

#### **(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 Peter McIntyre Koenig. 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 10 August 2010. The unaudited interim financial information of the Company for the six months ended 30 June 2010 has been reviewed by the audit committee.

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

The Company has not redeemed any of its shares during the six months ended 30 June 2010 (2009: Nil). Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

By Order of the Board  
**CROSBY CAPITAL LIMITED**  
**Ilyas Tariq Khan**  
*Chairman and Chief Executive Officer*

Hong Kong, 12 August 2010

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

*Executive Director: Ilyas Tariq Khan*

*Non-Executive Directors: Johnny Chan Kok Chung and Ahmad S. Al-Khaled*

*Independent Non-Executive Directors: Daniel Yen Tzu Chen, Peter McIntyre Koenig and Joseph Tong Tze Kay*

*This announcement will remain on the GEM website at [www.hkgem.com](http://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.crosby.com](http://www.crosby.com).*