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 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.

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 reports a reduced loss attributable to owners for the year under review of US$5.9 million when compared to that of a loss of US$16.0 million last year.

Revenue from continuing operations have increased to US$4.7 million for the year under review when compared to US$2.6 million last year. Shikumen, a wholly owned subsidiary acquired in September 2010, was the major contributor to the increase in the revenue of the Group for the year. The operating expenses from continuing operations (ie other administrative expenses and other operating expenses), including those of Shikumen since acquisition, have been managed and controlled at a level of US$8.4 million for the year under review as compared to that of US$7.5 million last year.

During the year 2010, the Group successfully went through a major restructuring exercise to reduce the loss arising from its merchant banking business and refocus its resources on its asset management businesses. The Company also successfully refinanced the US$75 million Zero Coupon Convertible Bonds (the "Old Convertible Bonds") with the issuance of HK$160 million 5-year Zero Coupon Convertible Bonds (Tranche 1 New Convertible Bonds) thus removing a major uncertainty on the Group's financial position.

The highlight of the year was the acquisition of Shikumen Capital Management (HK) Limited ("Shikumen"), an asset management company based in Hong Kong with total assets under management encompassing both hedge funds and private equity funds of over US$120 million as of the date of this announcement, and the disposal of the loss-making merchant banking assets and the corporate finance and financial advisory services (together with the liabilities associated with such businesses) by the Group. The acquisition of Shikumen enables the Group to focus its resources on its asset management services (which includes funds and wealth management) and to add synergy to the Group in terms of funds portfolio and expertise and strengthen the asset management business of the Group. It is a milestone for the Group in repositioning itself as an asset management service group covering different asset classes.

The immediate positive impact arising from the acquisition of Shikumen was seen in a significant improvement in the Group's revenues from continuing operations, which increased over 81% from US$2.6 million for the year ended 31 December 2009 to US$4.7 million for the year ended 31 December 2010. The increase in revenue is mainly attributable to only about four months of fee revenues arising from Shikumen which started to be consolidated by the Group in September 2010.

During the year 2010, the Group also transferred its original fund management and wealth management businesses from its AIM-listed subsidiary Crosby Asset Management Inc. ("CAM Inc.") to the Company directly, and subsequently sold its entire interest in CAM Inc., thus further reducing the costs of the overheads of a London listing and completing the Group's restructuring exercise to integrate its asset management businesses under the Company.

Following the completion of the acquisition of Shikumen, 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 is expecting to have a final closing at the end of calendar year 2011.

We also continued to provide wealth management services through Crosby Wealth Management (Hong Kong) Limited, which experienced modest and sustained growth from the recovery of the China/Hong Kong investment markets.

As a result of the above developments, the total assets under management across various asset classes managed by the Group has exceeded US$300 million as of the date of this announcement.

In light of the expanded operations of the Group, we purchased a new office premise in AXA Centre in Wan Chai, Hong Kong in November 2010. This acquisition provided an opportunity for the Group to obtain a more long-term premise at a relatively favorable pricing which will protect the Group from being subject to future upward rental pressure, a trend which continues to be exacerbated by the low interest rate, inflationary environment in Hong Kong. The Group will fund the acquisition of this property by its internal resources, bank financings and proceeds expected to be received from the placement of the HK$90 million 5-year Zero Coupon Convertible Bonds (Tranche 2 New Convertible Bonds).

With the injection of the new Shikumen business, the disposal of the loss-making merchant banking assets and the successful completion of the refinancing of the Old Convertible Bonds, we believe the most difficult period of the Group is behind us. 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 2010, together with the comparative audited figures of the corresponding period in 2009, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 US$’000	(Restated) 2009 US$’000
Continuing operations			
Revenue	*5*	**4,733**	2,606
Cost of sales		**(28)**	(38)
Gross profit		**4,705**	2,568
Gain/(Loss) on financial assets at fair value through profit or loss		**133**	(1,428)
(Loss)/Gain on financial liabilities at fair value through profit or loss		**(1,603)**	2
Other income	*6*	**6,599**	3,482
Administrative expenses			
Amortisation of intangible assets		**(246)**	–
Other administrative expenses		**(7,594)**	(6,770)
		(7,840)	(6,770)
Distribution expenses		**–**	(3)
Impairment of available-for-sale investments		**(8)**	(1,536)
Impairment of associates		**–**	(389)
Impairment of a jointly controlled entity		**–**	(128)
Impairment of loan receivable		**(2,310)**	(6,440)
Other operating expenses		**(835)**	(727)
Loss from operations		**(1,159)**	(11,369)
Finance costs		**(1,849)**	(1,432)
Share of losses of associates		**–**	(42)
Share of profits of jointly controlled entities		**–**	128
Loss before taxation	*7*	**(3,008)**	(12,715)
Taxation	*8*	**(386)**	–
Loss for the year from continuing operations		**(3,394)**	(12,715)
Discontinued operations			
Loss for the year from discontinued operations	*9*	**(3,802)**	(5,418)
Loss for the year		**(7,196)**	(18,133)

	Note	2010 US$'000	(Restated) 2009 US$'000
Attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(4,105)**	(12,067)
Loss for the year from discontinued operations		**(1,753)**	(3,969)
		(5,858)	(16,036)
Non-controlling interests			
Profit/(Loss) for the year from continuing operations		**711**	(648)
Loss for the year from discontinued operations		**(2,049)**	(1,449)
		(1,338)	(2,097)
Loss for the year		**(7,196)**	(18,133)
Loss per share attributable to owners of the Company during the year	*10*	**US cents**	US cents
Basic			
Continuing operations		**(1.10)**	(3.65)
Discontinued operations		**(0.47)**	(1.20)
		(1.57)	(4.85)
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 2010

	2010	2009
	US$'000	*US$'000*
Loss for the year	**(7,196)**	(18,133)
Other comprehensive income:		
Available-for-sale investments		
Surplus/(Deficit) on revaluation	**170**	(682)
Recycle to income statement:		
Provision for impairment	**8**	1,651
Gain upon disposal	**(285)**	(38)
Loss upon disposal	**–**	362
Exchange differences on translating foreign operations	**176**	46
Exchange differences recycled to income statement upon disposal of subsidiaries	**(743)**	–
Share of other comprehensive income of associates	**–**	(52)
Share of other comprehensive income of jointly controlled entities	**–**	11
Other comprehensive income for the year, before and net of tax	**(674)**	1,298
Total comprehensive income for the year, before and net of tax	**(7,870)**	(16,835)
Attributable to:		
Owners of the Company	**(6,544)**	(14,889)
Non-controlling interests	**(1,326)**	(1,946)
Total comprehensive income for the year, before and net of tax	**(7,870)**	(16,835)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**264**	639
Deposit paid for acquisition of property		**1,423**	–
Interests in jointly controlled entities		**136**	16
Available-for-sale investments	*12*	**553**	607
Note receivable		**–**	508
Intangible assets	*13*	**1,388**	21
Goodwill	*14*	**3,311**	–
		7,075	1,791
Current assets			
Trade and other receivables	*15*	**1,946**	1,488
Tax recoverable		**–**	74
Financial assets at fair value through profit or loss	*16*	**274**	8,560
Loan receivable	*17*	**–**	1,348
Cash and cash equivalents		**4,362**	7,846
		6,582	19,316
Current liabilities			
Other payables	*18(a)*	**2,328**	3,395
Deferred income		**8**	27
Provision for taxation		**161**	–
Current portion of obligations under finance leases		**–**	367
Provision for liabilities	*18(b)*	**–**	6,209
		2,497	9,998
Net current assets		**4,085**	9,318
Total assets less current liabilities		**11,160**	11,109
Non-current liabilities			
Loan payable		**56**	54
Obligations under finance leases		**–**	144
Financial liabilities at fair value through profit or loss	*19*	**6,901**	–
Note payable	*20*	**3,366**	–
Convertible bonds	*21*	**15,793**	21,408
		26,116	21,606
Net liabilities		**(14,956)**	(10,497)
EQUITY			
Share capital	*22*	**4,906**	3,306
Reserves		**(21,271)**	(14,698)
Capital deficiency attributable to owners of the Company		**(16,365)**	(11,392)
Non-controlling interests		**1,409**	895
Capital deficiency		**(14,956)**	(10,497)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Equity attributable to owners of the Company									Non-controlling interests	Total equity/ (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 2009	3,306	106,444	4,872	77	11,923	(823)	(19)	(123,837)	1,943	2,898	4,841
Employee share-based compensation	–	–	–	–	1,554	–	–	–	1,554	(14)	1,540
Lapse of share options	–	–	–	–	(1,504)	–	–	1,504	–	–	–
Additional investment in a subsidiary	–	–	–	–	–	–	–	–	–	(43)	(43)
Transactions with owners	–	–	–	–	50	–	–	1,504	1,554	(57)	1,497
Loss for the year	–	–	–	–	–	–	–	(16,036)	(16,036)	(2,097)	(18,133)
Other comprehensive income:											
Available-for-sale investments											
(Deficit)/Surplus on revaluation	–	–	–	–	–	(834)	–	–	(834)	152	(682)
Recycle to income statement:											
Provision for impairment	–	–	–	–	–	1,651	–	–	1,651	–	1,651
Gain upon disposal	–	–	–	–	–	(38)	–	–	(38)	–	(38)
Loss upon disposal	–	–	–	–	–	362	–	–	362	–	362
Exchange differences on translating foreign operations	–	–	–	–	–	–	42	–	42	4	46
Share of other comprehensive income of associates	–	–	–	–	–	–	(45)	–	(45)	(7)	(52)
Share of other comprehensive income of jointly controlled entities	–	–	–	–	–	–	9	–	9	2	11
Total comprehensive income for the year	–	–	–	–	–	1,141	6	(16,036)	(14,889)	(1,946)	(16,835)
At 31 December 2009	**3,306**	**106,444**	**4,872**	**77**	**11,973**	**318**	**(13)**	**(138,369)**	**(11,392)**	**895**	**(10,497)**

	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	1,300	1,024	–	–	–	–	–	–	2,324	–	2,324
Exercise of warrants	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 minority 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)
Release on 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)**

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 18th Floor, Fairmont House, 8 Cotton Tree Drive, Central, 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 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$16,365,000 as at 31 December 2010 (2009: US$11,392,000) and the Group incurred a loss attributable to owners of the Company of approximately US$5,858,000 (2009: US$16,036,000). 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 to finance its operations for twelve months from the end of the reporting period, after taking into consideration the followings:

(i) the Group had successfully refinanced the convertible bonds issued in 2006 (the "Old Convertible Bonds") through a Deed of Settlement entered with the holders of the Old Convertible Bonds during the year ended 31 December 2010 to repurchase the outstanding amount of the Old Convertible Bonds for a consideration of US$20,000,000 in cash financed by the issue of new convertible bonds of principal amount of HK$160,000,000 (the "Tranche 1 New Convertible Bonds") and an aggregate of 60,000,000 warrants issued by the Company, thus removing a major uncertainty on the Group's financial position which arose in previous year;

(ii) the Group had entered into a placing agreement with the placing agent during the year ended 31 December 2010 pursuant to which the placing agent has agreed to place new convertible bonds of principal amount of HK$90,000,000 (the "Tranche 2 New Convertible Bonds") further to the issuance of the Tranche 1 New Convertible Bonds, which will be used to finance the purchase of a new office together with the bank loan financing subsequent to the financial year end date;

(iii) the acquisition of Shikumen Capital Management (HK) Limited ("Shikumen") in September 2010 had contributed a net profit of US$956,000 to the Group for the period since acquisition up to 31 December 2010 and with the disposal of the loss-making merchant banking assets and the corporate finance and financial advisory services by the Group during the year ended 31 December 2010, Shikumen is expected to continue to contribute a positive impact to both the revenue and net results of the Group in the years ahead; and

(iv) the Group continues to implement measures to tighten cost controls over various administrative expenses, especially with saving in office rent following the purchase of a new office and to attain positive cash flow operations.

The Directors of the Company believe that the aforementioned restructuring of the Group businesses, refinancing of the convertible bonds, placing of the Tranche 2 New Convertible Bonds, bank loan financing, ongoing contribution from the Shikumen business and implementation of cost control measures will improve the Group's performance in terms of profitability and 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 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.

2. Adoption of new or amended International Financial Reporting Standards

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 2010:

(a) Adoption of new / revised IFRSs – effective 1 January 2010

IFRSs (Amendments)	Improvements to IFRSs
Amendments to IAS 39	Eligible Hedged Items
Amendments to IFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

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 (Revised) – Business Combinations and IAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 3 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in IFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The Group has accounted for the acquisition of Shikumen Capital Management (HK) Limited according to the revised standard.

The revised IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised IAS 27 has had no impact on the current year.

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

The following new / revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Improvements to IFRSs 2010 [2&3]
Amendments to IAS 32	Classification of Rights Issues[1]
Amendments to IFRIC	Prepayments of a Minimum Funding Requirement[3]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new / revised IFRSs and the directors so far concluded that the application of these new / revised IFRSs will have no material impact on the Group's financial statements.

3. Principal accounting policies

The principal accounting policies adopted in the audited consolidated financial statements are detailed in the Group's annual report 2009 except the following:

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.

Business combination from 1 January 2010

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 interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. 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 interest 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 non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

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 during the year and has been shown 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 during the year and has been shown as discontinued operations.

(iii) Direct Investment – holding of available-for-sale investments (excluding investments in funds managed by the Group), loans to investee and related companies and financial assets at fair value through profit or loss (excluding those arising from the Group's merchant banking activities).

The revenues generated, losses 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**	
		(Restated)		(Restated)		(Restated)		(Restated)
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers								
Continuing operations	**–**	–	**4,733**	2,606	**–**	–	**4,733**	2,606
Discontinued operations*	**–**	150	**85**	899	**–**	–	**85**	1,049
	–	150	**4,818**	3,505	**–**	–	**4,818**	3,655
Inter-segment revenues								
Continuing operations	**–**	–	**137**	893	**–**	–	**137**	893
Discontinued operations*	**180**	444	**267**	246	**–**	–	**447**	690
	180	444	**404**	1,139	**–**	–	**584**	1,583
Total revenue	**180**	594	**5,222**	4,644	**–**	–	**5,402**	5,238
Segment (loss)/profit from operations								
Continuing operations	**–**	–	**1,879**	(5,351)	**(951)**	(4,644)	**928**	(9,995)
Discontinued operations*	**(5,199)**	(1,206)	**(324)**	(420)	**–**	–	**(5,523)**	(1,626)
Total segment (loss)/profit from operations	**(5,199)**	(1,206)	**1,555**	(5,771)	**(951)**	(4,644)	**(4,595)**	(11,621)
Segment total assets	**–**	11,010	**6,684**	8,563	**388**	1,348	**7,072**	20,921

* Merchant banking business and the asset management business in the United Kingdom, which were considered as one of the major lines of businesses and major geographical area of operations respectively, have been shown as discontinued operations upon disposal as the management believes that information about the segments would be useful to users of the financial statements.

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

	Continuing operations		**Discontinued operations**		**Total**	
		(Restated)		(Restated)		(Restated)
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Segment loss from operations	**928**	(9,995)	**(5,523)**	(1,626)	**(4,595)**	(11,621)
Reconciling items:						
Other income not allocated	**1,754**	83	**4**	20	**1,758**	103
(Loss)/ Gain on financial liabilities at fair value through profit or loss	**(1,603)**	2	**–**	–	**(1,603)**	2
Amortisation of intangible assets	**(246)**	–	**–**	–	**(246)**	–
Restructuring credit/(expenses)	**–**	–	**23**	(2,622)	**23**	(2,622)
Other expenses not allocated	**(2,287)**	(1,459)	**(812)**	(1,151)	**(3,099)**	(2,610)
Elimination of inter-segment revenue	**295**	–	**–**	12	**295**	12
Loss from operations	**(1,159)**	(11,369)	**(6,308)**	(5,367)	**(7,467)**	(16,736)
Finance costs	**(1,849)**	(1,432)	**(52)**	(110)	**(1,901)**	(1,542)
Share of losses of associates	**–**	(42)	**–**	–	**–**	(42)
Share of profits of jointly controlled entities	**–**	128	**–**	–	**–**	128
Loss before taxation	**(3,008)**	(12,715)	**(6,360)**	(5,477)	**(9,368)**	(18,192)

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

	2010	2009
	US$'000	*US$'000*
Segment total assets	**7,072**	20,921
Reconciling items:		
Other assets not allocated	**6,585**	186
Total assets	**13,657**	21,107

	Merchant banking		Asset management		Direct investment		Other		Total	
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**–**	–	**(21)**	(18)	**(1,041)**	(2,844)	**–**	–	**(1,062)**	(2,862)
Gain on disposal of available-for-sale investments	**–**	–	**–**	–	**(285)**	–	**–**	–	**(285)**	–
Depreciation	**–**	–	**175**	168	**–**	–	**50**	–	**225**	168
Impairment of available-for-sale investments	**–**	–	**8**	1,536	**–**	–	**–**	–	**8**	1,536
Impairment of associates	**–**	–	**–**	389	**–**	–	**–**	–	**–**	389
Impairment of a jointly controlled entity	**–**	–	**–**	128	**–**	–	**–**	–	**–**	128
Impairment of note receivable	**–**	–	**531**	–	**–**	–	**–**	–	**531**	–
Impairment of loan receivable	**–**	–	**–**	–	**2,310**	6,440	**–**	–	**2,310**	6,440
Impairment of other receivables	**–**	–	**3**	52	**74**	–	**–**	–	**77**	52
Share-based compensation expense	**–**	–	**98**	416	**–**	–	**169**	840	**267**	1,256
Discontinued operations										
Interest income	**(9)**	(23)	**(1)**	(13)	**–**	–	**–**	–	**(10)**	(36)
Gain on disposal of available-for-sale investments	**–**	(38)	**–**	–	**–**	–	**–**	–	**–**	(38)
Depreciation	**67**	92	**–**	55	**–**	–	**23**	–	**90**	147
Impairment of available-for-sale investments	**–**	115	**–**	–	**–**	–	–	–	**–**	115
Impairment of other receivables	**–**	–	**–**	19	**–**	–	**–**	–	**–**	19
Share-based compensation expense	**–**	4	**–**	4	**–**	–	**101**	276	**101**	284

5. Revenue – continuing operations

	2010	2009
	US$'000	*US$'000*
Fund management fee income	**2,535**	516
Wealth management services fee	**2,198**	2,090
	4,733	2,606

6. Other income – continuing operations

	2010 *US$'000*	2009 *US$'000*
Bank interest income	**4**	7
Dividend income	**186**	2
Effective interest income on loan receivable *(Note 17)*	**1,041**	2,844
Fee on redemption and arrangement of loans	**–**	374
Foreign exchange gain, net	**–**	209
Gain on deemed disposal of a subsidiary	**32**	–
Gain on disposal of available-for-sale investments	**285**	–
Gain on repurchase and cancellation of convertible bonds *(Note 21)*	**1,754**	–
Management fee income	**23**	–
Other interest income	**17**	11
Release of provision for claims *(Note 18(b))*	**3,046**	–
Others	**211**	35
	6,599	3,482

7. Loss before taxation – continuing operations

	2010 *US$'000*	2009 *US$'000*
Loss before taxation is arrived at after charging:		
Auditors' remuneration:		
– audit services	**47**	55
– other services	**78**	17
Amortisation of intangible assets *(Note 13)*	**246**	–
Depreciation	**225**	168
Employee benefit expense (including directors' remuneration)	**4,711**	5,065
Foreign exchange losses, net	**60**	–
Impairment of associates	**–**	389
Impairment of a jointly controlled entity	**–**	128
Impairment of available-for-sale investments *(Note 12)*	**8**	1,536
Impairment of note receivable	**531**	–
Impairment of other receivables *(Note 15)*	**77**	52
Impairment of loan receivable *(Note 17)*	**2,310**	6,440
Loss on disposal of available-for-sale investments	**–**	362
Loss on disposal of property, plant and equipment	**2**	–
Operating leases charges in respect of land and buildings	**441**	414
Write off of property, plant and equipment	**–**	16
after crediting:		
Effective interest income on loan receivable *(Note 17)*	**1,041**	2,844
Excess over the cost of acquisition of a subsidiary	**–**	11
Foreign exchange gain, net	**–**	209

8. Taxation – continuing operations

	2010	2009
	US$'000	*US$'000*
Current tax charge/(credit)		
Hong Kong:		
– Under provision in prior years	**263**	–
– Current year charge	**158**	–
	421	–
Overseas:		
– Over provision in prior years	**(35)**	–
Net charge	**386**	–

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 year ended 31 December 2010. 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 of the Group has been made as the recoverability of the potential tax assets is uncertain.

9. Discontinued operations

		2010	2009
	Notes	***US$'000***	*US$'000*
Revenue		**85**	1,049
Cost of sales		**(123)**	(413)
Gross profit		**(38)**	636
Gain on financial assets at fair value through profit or loss		**3**	4,500
Other income		**146**	466
Administrative expenses			
Restructuring credit/(expenses)	*(i)*	**23**	(2,622)
Other administrative expenses		**(5,472)**	(5,976)
		(5,449)	(8,598)
Impairment of available-for-sale investments		**–**	(115)
Other operating expenses		**(970)**	(2,256)
Loss from operations		**(6,308)**	(5,367)
Finance costs		**(52)**	(110)
Loss before taxation		**(6,360)**	(5,477)
Taxation		**–**	59
Loss for the year		**(6,360)**	(5,418)
Gain on disposal of subsidiaries	*(ii)*	**2,558**	–
		(3,802)	(5,418)

Notes:

(i) The amounts include the additional provision for onerous contract of US$106,000 (2009: US$2,685,000) representing the discounted net present value of the future property operating lease rental payments under the operating lease on the basis that no sublet of the property is achieved for the remaining term of the lease. As at 31 December 2010, the provision for the onerous contract was US$Nil (2009: US$2,963,000) following the disposal of subsidiaries as set out in Note 18(b) to the financial statements.

(ii) 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.

(iii) For the purpose of presenting discontinued operations, the comparative consolidated income statement and consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

10. 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 year.

	2010	2009
(US$'000)		
Consolidated loss attributable to owners of the Company		
Continuing operations	**(4,105)**	(12,067)
Discontinued operations	**(1,753)**	(3,969)
	(5,858)	(16,036)
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *	**373,748,669**	330,597,984

	2010 *US cents*	2009 *US cents*
Basic loss per share		
Continuing operations	**(1.10)**	(3.65)
Discontinued operations	**(0.47)**	(1.20)
	(1.57)	(4.85)

* The calculation of weighted average number of ordinary shares in issue for 2009 includes the non-voting convertible deferred shares as it ranks pari passu with ordinary shares in respect of all distributions. No non-voting convertible deferred share exists for 2010.

(b) Diluted

No diluted loss per share is shown for 2010 and 2009 as the outstanding share options were anti-dilutive.

11. Property, plant and equipment

	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 2009						
Cost	648	227	593	54	168	1,690
Accumulated depreciation	(385)	(148)	(541)	(9)	(149)	(1,232)
Carrying amount	263	79	52	45	19	458
Year ended 31 December 2009						
Opening Carrying amount	263	79	52	45	19	458
Additions	21	13	464	–	16	514
Disposals	(2)	(10)	(5)	–	–	(17)
Exchange differences	–	(1)	–	–	–	(1)
Depreciation						
Continuing operations	(86)	(15)	(64)	–	(3)	(168)
Discontinued operations	(47)	(12)	(66)	(14)	(8)	(147)
Closing Carrying amount	149	54	381	31	24	639
At 31 December 2009						
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**

12. Available-for-sale investments

	Notes	2010 US$'000	2009 US$'000
Unlisted investments, at cost or fair value			
Equity securities		**2,017**	1,827
Less: Impairment losses		**(1,469)**	(1,536)
	(i)	**548**	291
Listed investments, at fair value			
Equity securities, listed outside Hong Kong		**5**	316
	(ii)	**5**	316
Total		**553**	607

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

	2010 US$'000	2009 US$'000
At 1 January	**607**	1,854
Disposals	**(224)**	(565)
Change in fair value recognised directly in other comprehensive income	**170**	(682)
At 31 December	**553**	607

(i) Provision for impairment of US$8,000 (2009: US$1,536,000) has been made during the year ended 31 December 2010 which has been removed from the investment revaluation reserve in equity and recognised in the income statement.

(ii) Provision for impairment of US$Nil (2009: US$115,000) has been made to the listed investments during the year ended 31 December 2010 which has been removed from the investment revaluation reserve in equity and recognised in the income statement.

13. Intangible assets

	Non-compete contract *US$'000*	Trademark *US$'000*	Total *US$'000*
Carrying amount at 1 January 2009 and 31 December 2009	–	21	21
Addition	–	4	4
Acquisition of a subsidiary	1,630	–	1,630
Disposal of subsidiaries	–	(21)	(21)
Amortisation	(246)	–	(246)
Carrying amount at 31 December 2010	**1,384**	**4**	**1,388**

The fair value of non-compete contract is calculated by discounting the future cash flows at the prevailing market rate of 18.56%. The aforementioned discount rate of 18.56% has been determined by reference to the following significant assumptions:

(i) the risk free rate of 4.6%, with reference to Long term 20 years U.S. Treasury Coupon Bond; and

(ii) the market risk premium of 6.7% with reference to Long horizon expected equity risk premium.

14. Goodwill

	2010 ***US$'000***	2009 *US$'000*
Carrying amount at 1 January	**–**	–
Acquisition of a subsidiary	**3,311**	–
Carrying amount at 31 December	**3,311**	–

15. Trade and other receivables

	Notes	2010 US$'000	2009 US$'000
Trade receivables	*(i)*	**1,346**	117
Other receivables – gross		**249**	1,121
Less: Impairment losses	*(ii)*	**(193)**	(774)
Other receivables – net		**56**	347
Deposits and prepayments		**544**	1,024
Total		**1,946**	1,488

Notes:

(i) At 31 December 2010, the ageing analysis of trade receivables based on invoice date is as follows:

	2010 US$'000	2009 US$'000
0 – 30 days	**1,282**	89
31 – 60 days	**38**	23
61 – 90 days	**26**	–
Over 90 days	**–**	5
	1,346	117

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

At 31 December 2010, trade receivables related to three customers (2009: one customer) for which there was no recent history of default.

As at 31 December 2010 and 31 December 2009, no impairment has been made on trade receivables.

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

	2010 US$'000	2009 US$'000
At 1 January	**774**	1,481
Impairment losses		
– Continuing operations	**77**	52
– Discontinued operations	**–**	19
Reversal due to debt recovery		
– Discontinued operations	**(2)**	(2)
Disposal of subsidiaries	**(7)**	–
Write off	**(649)**	(776)
At 31 December	**193**	774

16. Financial assets at fair value through profit or loss

	2010	2009
	US$'000	*US$'000*
Held for trading		
Listed securities:		
– Equity securities – Australia	**227**	2,788
– Equity securities – Canada	**–**	967
– Equity securities – Japan	**10**	94
– Equity securities – United Kingdom	**37**	1,217
– Equity securities – United States	**–**	566
Fair value of listed securities	**274**	5,632
Unlisted securities:		
– Equity securities – Australia	**–**	472
– Equity securities – British Virgin Islands	**–**	2,420
– Equity securities – Canada	**–**	36
Fair value of unlisted securities	**–**	2,928
Total	**274**	8,560

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

	2010	2009
	US$'000	*US$'000*
At 1 January	**8,560**	9,771
Additions	**4,265**	7,354
Disposals	**(12,671)**	(11,636)
Disposal of subsidiaries	**(16)**	–
Dividend received	**–**	(1)
Gain/(Loss) on financial assets at fair value through profit or loss		
– Continuing operations	**133**	(1,428)
– Discontinued operations	**3**	4,500
At 31 December	**274**	8,560

17. Loan receivable

On 23 June 2008, Asia Special Situation GJP1 Limited ("ASSGJP1"), a wholly owned subsidiary of IB Daiwa Corporation ("IB Daiwa"), entered into a loan agreement with ADM Galleus Fund Limited ("ADM"), an investment fund managed by Asia Debt Management Hong Kong Limited, on 19 June 2008 pursuant to which ADM made a loan of US$44,000,000 to ASSGJP1 for discharging its inter-company obligations owing to IB Daiwa (the "ADM Loan"). IB Daiwa in turn, used the proceeds from the ADM Loan received from ASSGJP1 to repay and discharge all its liabilities owed to Coniston International Capital Limited ("Coniston"), a wholly owned subsidiary of the Company, under the Indemnity Agreement dated 22 June 2007 (amounting to US$15,000,000) and the Exchangeable Loan Agreement dated 4 March 2008 (amounting to US$9,815,000) as well as liabilities owed to other financiers. Simultaneously, with the settlement of IB Daiwa's liabilities to Coniston, Coniston participated in the ADM Loan in a sum of US$9,815,000 pursuant to a participation agreement that Coniston entered into with ADM.

On 7 November 2008, certain terms of the ADM Loan were amended in order to rectify the security coverage ratio, which had fallen below the required level under a covenant of the ADM Loan. Following the amendments and at 31 December 2008, the principal terms of the ADM Loan relevant to Coniston's participation were as follows:

- Secured by 104,615,384 shares of Leed Petroleum PLC ("Leed", Stock Code: LDP LN); 21,333,333 shares of Adavale Resources Limited (Stock Code: ADD AU); all the shares of Lodore US Holdings Inc. and its subsidiaries owned by IB Daiwa and US$7,500,000 of cash (which was used to repay part of the ADM Loan on 13 February 2009);

- Guaranteed by IB Daiwa to the extent of US$3,550,000, which may be reduced by an amount as determined by ADM and paid by IB Daiwa to participate in any new equity issuance by IB Daiwa;

- Bears interest per annum at a premium of 5% to 12-month LIBOR;

- Includes fees attributable to Coniston and payable on maturity of US$796,000;

- Includes a profit share constituent the economic effect of which is that the Group benefits from 65% of the profit from the sale of the Leed shares, net of applicable brokerage fees and taxes, on per share basis, in excess of profit sharing threshold price, which was set at 32 pence per share but can be reset downward on a monthly basis (once the ADM Loan has been fully repaid the profit sharing obligations of the borrower cease); and

- Repayable from an orderly sale of IB Daiwa's shares in Leed, or from the cash collateral or by way of exchanging the loan into shares of Leed at the profit sharing price, with a final maturity date 20 June 2009.

During the year ended 31 December 2010, ADM received total cash payment of approximately US$5,800,000 (2009: US$7,500,000) from IB Daiwa as partial repayment of the ADM Loan and settlement for various amendments to the terms of the ADM Loan, of which the Group received US$1,298,000 (2009: US$1,679,000) from its share of the participation. 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 held by it) to ADM. In return, ADM has agreed to release IB Daiwa from any of its outstanding obligations under the ADM loan.

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

	2010	2009
	US$'000	*US$'000*
Loan receivable, net of impairment, at 1 January	**1,348**	7,844
Add: Effective interest income *(Note 6)*	**1,041**	2,844
Amortised carrying amount	**2,389**	10,688
Less: Allowance for impairment *(Note 7)*	**(2,310)**	(6,440)
Repayment	**(79)**	(2,900)
Loan receivable, net of impairment, at 31 December	**–**	1,348

The interest income on the loan receivable for the years ended 31 December 2009 and 31 December 2010 is calculated at the interest rate of LIBOR plus 5% which remained the same following the extension of the loan agreement and full amortisation of the effective interest on the loan agreement.

The allowance for impairment has been calculated by reference to the fair value of the collateral held against the ADM Loan at 31 December 2010 and 31 December 2009. The fair value of the collateral is expected to decline with nil residual value and accordingly, the loan receivable, net of impairment, at 31 December 2010 was US$Nil (2009: US$1,348,000) which are equivalent to the fair value of the collateral held.

18. Other payables and provision for liabilities

(a) *Other payables*

	2010	2009
	US$'000	*US$'000*
Other payables	**42**	694
Accrued charges	**2,286**	2,701
	2,328	3,395

Included in the Group's accured charges is the insurance deductible of US$225,000 as detailed in Note 24 to the financial statements.

(b) *Provision for liabilities*

	2010	2009
	US$'000	*US$'000*
At 1 January	**6,209**	4,219
Addition	**106**	2,685
Amount used during the year	**(374)**	(695)
Disposal of subsidiaries	**(2,895)**	–
Release of provision for claims	**(3,046)**	–
At 31 December	**–**	6,209

	2010	2009
	US$'000	*US$'000*
Representing:		
Provision for claims *(Note 24)*	**–**	3,246
Provision for onerous contract in respect of operating lease *(Note 9(i))*	**–**	2,963
At 31 December	**–**	6,209

19. Financial liabilities at fair value through profit or loss

	2010	2009
	US$'000	*US$'000*
Derivatives embedded in the convertible bonds issued:		
Balance at 1 January	**–**	2
Initial recognition *(Note 21)*	**4,969**	–
Loss/(Gain) on financial liabilities at fair value through profit or loss	**1,406**	(2)
Balance at 31 December	**6,375**	–
Warrants issued:		
Balance at 1 January	**–**	–
Initial recognition	**807**	–
Exercise of warrants	**(478)**	–
Loss on financial liabilities at fair value through profit or loss	**197**	–
Balance at 31 December	**526**	–
Total	**6,901**	–

The fair values at 31 December 2010 are calculated using the Binomial Model for the derivatives embedded in the convertible bonds and the warrants issued respectively. The inputs into the model are as follows:

	2010	
	Derivatives embedded in the convertible bonds issued	Warrants issued
Expected volatility	86.59%	86.52%
Expected life	4.76 years	4.76 years
Risk-free rate	1.67%	1.67%
Expected dividend yield	0%	0%

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

20. Note payable

The note payable represents the balance of the consideration payable on the acquisition of Shikumen Capital Management (HK) Limited, a wholly owned subsidiary of the Company, during the year ended 31 December 2010 after the allotment of new shares of the Company. The promissory note, disclosed as note payable, is unsecured , interest bearing at 3.5% per annum payable in arrears on each anniversary of the date of issuance and repayable after a fixed term of 2 years from the date of issuance or earlier based on certain conditions.

21. Convertible bonds

The Convertible Bonds recognised in the statement of financial position at the date of issuance is calculated as follows:

	US$'000
Face value of Convertible Bonds issued	**20,513**
Transaction costs	**(310)**
Financial liabilities at fair value through profit or loss *(Note 19)*	**(4,969)**
Liability component on initial recognition upon issuance of Tranche 1 New Convertible Bonds on date of issuance ie 4 October 2010	**15,234**

	Old Convertible Bonds	**Tranche 1 New Convertible Bonds**	**Total**
	US$'000	*US$'000*	*US$'000*
Net carrying amounts at 1 January 2009	19,980	–	19,980
Effective interest expense	1,428	–	1,428
Net carrying amount s at 31 December 2009 and 1 January 2010	21,408	–	21,408
Effective interest expense	1,153	559	1,712
Redemption	(22,561)	–	(22,561)
Issue of new bonds	–	15,234	15,234
Net carrying amounts at 31 December 2010	**–**	**15,793**	**15,793**

The Company repurchased the Old Convertible Bonds at a consideration comprising cash of HK$156,000,000 (approximately US$20,000,000) financed by the issue of Tranche 1 New Convertible Bonds and an aggregate of 60,000,000 warrants issued. The fair value of warrants issued amounting to HK$6,294,000 (approximately US$807,000) were valued by an independent professional valuer. The gain on the repurchase of the Old Convertible Bonds of US$1,754,000 (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 Old Convertible Bonds of US$22,561,000 has been recognised in the profit and loss.

The interest expense of the Tranche 1 New Convertible Bonds and the Old Convertible Bonds is calculated using the effective interest method by applying an effective interest rate of 9.43% (2009: Nil) and 7.15% (2009: 7.15%) to the liability component respectively.

The residual amount of the proceeds of the Tranche 1 New Convertible Bonds over the fair value of the embedded derivatives, estimated at the date of issuance using Binomial Model, is assigned as the liability component.

22. Share capital

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of non-voting convertible deferred shares	Value *US$'000*
Authorised (par value of US$0.01 each)				
At 1 January 2009, 31 December 2009 and 1 January 2010	2,000,000,000	100,000	– (Note (a))	20,001
Increase in authorized ordinary share capital (Note (c))	2,000,000,000	–	–	20,000
At 31 December 2010	**4,000,000,000**	**100,000**	**–**	**40,001**
Issued and fully paid (par value of US$0.01)				
At 1 January 2009, 31 December 2009 and 1 January 2010	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	**490,597,984**	**–**	**–**	**4,906**

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 Capital Management (HK) Limited.

(f) On 5 November 2010, 30,000,000 warrants were exercised at a total amount of HK$4,500,000 and converted into 30,000,000 new ordinary shares of US$0.01 each of the Company.

23. Commitments

(a) Operating leases

As at 31 December 2010, the total future minimum lease payments of the Group under non-cancellable operating are payable as follows:

	2010 Land and buildings *US$'000*	2009 Land and buildings *US$'000*	**2010 Motor vehicles** *US$'000*	2009 Motor vehicles *US$'000*	**2010 Total** *US$'000*	2009 Total *US$'000*
Within one year	**501**	833	**29**	29	**530**	862
In the second to fifth years	**156**	1,929	**54**	20	**210**	1,949
After fifth year	**–**	986	**–**	–	**–**	986
	657	3,748	**83**	49	**740**	3,797

The Group leases a number of properties under operating leases in Hong Kong and overseas. The leases run for an initial period from 1 to 3 years (2009: from 2 to 10 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 2010 and 31 December 2009, the Group and the Company had the following capital commitments:

	2010 *US$'000*	2009 *US$'000*
Commitments for the acquisition of property, plant and equipment:		
– contracted for but not provided	**8,064**	–

24. Contingencies

Crosby Wealth Management (Hong Kong) Limited ("CWM (HK)"), a 55.86% subsidiary, has settled legal proceedings brought by a client in Hong Kong concerning a trade execution error during the year ended 31 December 2010. The excess provision made in prior year has been released as set out in Note 18(b) to the financial statements.

During the year ended 31 December 2010, CWM (HK) received a writ of simmons (the "Writ") issued in High Court in Hong Kong by another client in Hong Kong, claiming for alleged losses arising from its investments in 2007. CWM (HK) has sought legal counsel and has been rigorously refuting these claims in correspondence, and it has filed a robust defence to the claims as stated in the Writ. Furthermore, the Group's asset management and wealth management operations are covered under the professional liability insurance carried by the Group in the event that claims are made against the Group for any actual or alleged wrongful professional act, subject to the insurer reviewing information of each claim and confirming the amount covered. The Group's insurer has been informed of the claim stated in the Writ. No provision for claims in respect of these matters, save for the insurance deductible included in other payable as disclosed in Note 18(a) to the financial statements.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2010 and 31 December 2009.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

CORPORATE GOVERNANCE REPORT

(a) Corporate Governance Practices

During the financial year ended 31 December 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.

   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 two Executive Directors of the Company collectively.

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.

   Mr. Ilyas Tariq Khan, the former Chairman of the Company, had not attended the Company's annual general meeting on 7 May 2010 due to an important family 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

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 2010, the Group had cash and bank balances of US$4.4 million (2009: US$7.8 million) and net current assets of US$4.1 million (2009: US$9.3 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. Details of going concern basis are included in Note 1 to the financial statements.

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 2010, the Group had 33 full-time employees (2009: 50). Employee remuneration (including Directors' remuneration) totaled US$9.3 million (2009: US$9.0 million), US$4.7 million (2009: US$5.1 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 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 %
Johnny Chan Kok Chung *(Note)*	15,155,320	477,738	–	15,633,058	3.19
Ulric Leung Yuk Lun	17,000,000	–	–	17,000,000	3.47
Joseph Tong Tze Kay	500,000	–	–	500,000	0.10
Daniel Yen Tzu Chen	200,000	–	–	200,000	0.04

Note: 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 %
Johnny Chan Kok Chung	26 April 2006	HK$7.70	6,000,000	
	11 February 2008	HK$1.80	3,000,000	
	7 October 2010	HK$0.158	2,800,000	
			11,800,000	2.41
Ulric Leung Yuk Lun *(Note)*	7 October 2010	HK$0.158	1,500,000	0.31
Ahmad S. Al-Khaled	24 March 2006	HK$7.70	500,000	
	29 January 2007	HK$3.65	250,000	
	11 February 2008	HK$1.80	500,000	
	29 December 2008	HK$0.18	500,000	
			1,750,000	0.36
Daniel Yen Tzu Chen	24 March 2006	HK$7.70	500,000	
	29 January 2007	HK$3.65	250,000	
	11 February 2008	HK$1.80	500,000	
	29 December 2008	HK$0.18	500,000	
			1,750,000	0.36
Joseph Tong Tze Kay	24 March 2006	HK$7.70	500,000	
	29 January 2007	HK$3.65	250,000	
	11 February 2008	HK$1.80	500,000	
	29 December 2008	HK$0.18	500,000	
			1,750,000	0.36

Note : Mr. Ulric Leung Yuk Lun also owns Tranche 1 New Bonds for a principal sum of HK$5,000,000 convertible into 27,777,777 shares at the initial conversion price of HK$0.18 per share, representing 5.66% of the total ordianry share capital of the Company in issue.

(iii) Short positions

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

Save as disclosed above, as at 31 December 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 31 December 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 %
Crosby Management Holdings Limited *(Note 1)*	130,000,000	–	26.50
Nelson Tang Yu Ming *(Note 1 and 2)*	130,000,000	4,600,000	27.44
Jeffrey Lau Chun Hung *(Note 1 and 3)*	130,000,000	3,000,000	27.11

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 *(Note 4)*	34,176,940	–	6.97
Emperor Securities Limited *(Note 5)*	–	500,000,000	101.92
Emperor Capital Group Limited *(Note 5)*	–	500,000,000	101.92
Million Way Holdings Limited *(Note5)*	–	500,000,000	101.92
STC International Limited *(Note 5)*	–	500,000,000	101.92
Dr. Yeung Sau Shing, Albert *(Note5)*	–	500,000,000	101.92
Luk Siu Man, Semon *(Note 5)*	–	500,000,000	101.92
Greyhound International Limited *(Note 6)*	–	237,222,222	48.35
Wu Ting Fai, James *(Note 6)*	–	237,222,222	48.35
Main Wealth Enterprises Limited *(Note 7)*	15,000,000	216,666,666	47.22
Lau Kit Mei *(Note 7)*	15,000,000	216,666,666	47.22
Sodikin *(Note 8)*	15,000,000	216,666,666	47.22
Sun Hung Kai Strategic Capital Limited (“SHKStrategic”) *(Note 9)*	–	83,333,333	16.99

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 %
Shipshape Investments Limited ("Shipshape") *(Note 9)*	–	83,333,333	16.99
Sun Hung Kai & Co. Limited ("SHK & Co.") *(Note 10)*	–	83,333,333	16.99
AP Emerald Limited ("AP Emerald") *(Note 10)*	–	83,333,333	16.99
AP Jade Limited ("AP Jade") *(Note 10)*	–	83,333,333	16.99
Allied Properties (H.K.) Limited ("APL") *(Note 10)*	–	83,333,333	16.99
Allied Group Limited ("AGL") *(Note 10)*	–	83,333,333	16.99
Lee Seng Huang *(Note 11)*	–	83,333,333	16.99
Lee Seng Hui *(Note 11)*	–	83,333,333	16.99
Lee Su Hwei *(Note11)*	–	83,333,333	16.99
Ng Chun Fai Frank *(Note 12)*	–	40,388,888	8.23

Notes:

1. Crosby Management Holdings Limited held 130,000,000 ordinary shares of the Company. Crosby Management Holdings Limited was beneficially owned as 52% by Nelson Tang Yu Ming and 34.7% by Jeffrey Lau Chun Hung. Both of them are entitled to exercise more than 30% of the voting power at the general meetings of Crosby Management Holdings Limited and, accordingly, they are deemed to be interested in 130,000,000 ordinary shares owned by Crosby Management Holdings Limited.

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

3. Jeffrey Lau Chun Hung was granted 3,000,000 options to subscribe for Shares at an exercise price of HK$0.158 on 7 October 2010.

4. 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.

5. Emperor Securities Limited is deemed to be interested in these shares by virtue of a placing agreement dated 24 June 2010 entered into between the Company and the Placing Agent in relation to the placing of the New Bonds. Emperor Securities Limited is an indirect wholly-owned subsidiary of Emperor Capital Group Limited, the shares of which are listed on the Stock Exchange. 47.90% of the shares of Emperor Capital Group Limited are held by Win Move Group Limited. The entire issued share capital of Win Move Group Limited is held by Million Way Holdings Limited, which in turn is held by STC International Limited on trust for The Albert Yeung Discretionary Trust ("AY Trust"). Dr. Yeung Sau Shing, Albert, as founder of the AY Trust, and Ms. Luk Siu Man, Semon, as the spouse of Dr. Yeung Sau Shing, Albert, are deemed to be interested in the 500,000,000 underlying shares for the purposes of the SFO.

6. Greyhound International Limited owns 237,222,222 underlying shares, out of which 222,222,222 will be allotted and issued upon the full conversion of Tranche 1 New Bonds for a principal sum of HK$40 million at the initial conversion price of HK$0.18 per share; and 15,000,000 shares will be allotted and issued upon its exercise of the subscription rights attached to certain warrants of the Company at the initial exercise price of HK$0.15 per share. Wu Ting Fai, James is deemed to be interested in these shares through his 100% interests in Greyhound International Limited.

7. Main Wealth Enterprises Limited owns 231,666,666 underlying shares, out of which 216,666,666 will be allotted and issued upon the full conversion of Tranche 1 New Bonds for a principal sum of HK$39 million at the initial conversion price of HK$0.18 per share; and 15,000,000 shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company at an exercise price of HK$0.15 per share. Lau Kit Mei is deemed to be interested in these shares through her 100% interests in Main Wealth Enterprises Limited.

8. Sodikin owns 231,666,666 underlying shares, out of which 216,666,666 will be allotted and issued upon the full conversion of Tranche 1 New Bonds for a principal sum of HK$39 million at the initial conversion price of HK$0.18 per share; and 15,000,000 shares were allotted and issued as a result of its exercise of the subscription rights attached to certain warrants of the Company at an exercise price of HK$0.15 per share.

9. SHK Strategic is a wholly-owned subsidiary of Shipshape which in turn is wholly owned by SHK & Co.. Therefore SHK & Co. and Shipshape are deemed to have an interest in the shares in which SHK Venture is interested. SHK Strategic owns Tranche 1 New Bonds for a principal sum of HK$15 million convertible into 83,333,333 shares at the initial conversion price of HK$0.18 per share.

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

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

12. Ng Chun Fai Frank owns 40,388,888 underlying shares, out of which 38,888,888 will be allotted and issued upon the full conversion of Tranche 1 New Bonds for a principal sum of HK$7 million at the initial conversion price of HK$0.18 per share; and 1,500,000 will be allotted and issued upon exercise of the subscription rights attached to the options of the Company granted on 7 October 2010 with an exercise price of HK$0.158.

(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 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 31 December 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:

Date of options grant	Options granted	Options exercise price per share	Options lapsed since grant	Options outstanding	Options exercisable as at 31 December 2010
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	1,200,000
7 October 2010	18,700,000	HK$0.158	–	18,700,000	–
	124,580,870		(79,100,870) *(Note)*	43,480,000	20,880,000

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

No options granted under the Share Option Scheme had been exercised during the year ended 31 December 2010.

During the year ended 31 December 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 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 17 March 2011. The audited financial statements for the year ended 31 December 2010 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 2010 (2009: Nil). Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the year ended 31 December 2010 (2009: Nil).

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

Hong Kong, 17 March 2011

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

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

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.