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 2012

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 purpose only*

ABOUT CROSBY CAPITAL LIMITED

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has continued to focus its resources to further strengthen and grow the Group's asset management businesses, both organically and through acquisitions when appropriate opportunities arise, and to control costs. The Group intends to increase its assets under management in different asset classes either by organically expanding its existing asset management businesses, launching new investment funds under its management or by collaboration with other fund managers, or via the commencement or acquisition of new financial services businesses complementary to the Group's businesses, including but not limited to asset management businesses.

Our asset management activities comprise both hedge fund and private equity fund management businesses under Shikumen and Crosby. BlackPine Private Equity Partners Fund, a private equity fund managed by Shikumen, which has commenced investment activities and contributed fee income to the Group since its launch in early 2011 and accomplished a subsequent closing with further committed funding from overseas institutional investors in July 2012. The Group has also continued to manage and advise a number of other hedge funds and private equity funds with an Asian or Greater China focus. On the other hand, as an internal rationalization of our businesses, Crosby Wealth Management decided to discontinue its operation at the end of September 2012 and requested the Securities and Futures Commission to revoke its license. Following the revocation of license by the Securities and Futures Commission on 27 February 2013, the directors of Crosby Wealth Management have decided to seek the approval of the shareholders to proceed with the voluntary liquidation detailed in the announcement dated 11 March 2013. The Directors consider that the liquidation of Crosby Wealth Management does not have any material adverse impact on the operation of the Group, as Crosby Wealth Management has been loss-making prior to being proposed for voluntary liquidation.

To complement its existing asset management businesses, the Group established Crosby Securities in late 2012 to provide brokerage and investment advisory services. A number of highly experienced professionals with institutional sales and research backgrounds have joined Crosby Securities. Its license was granted by the Securities and Futures Commission on 6 March 2013.

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 appropriate opportunities arise.

The Group reported a loss attributable to owners for the year under review of US$4.9 million as compared to a loss attributable to owners of US$6.3 million last year, US$4.4 million and US$5.1 million of which are the losses from continuing operations for the year under review and last year respectively.

Revenue from continuing operations decreased to US$2.5 million for the year under review compared to that of US$4.3 million last year. Total operating expenses (being other administrative expenses plus other operating expenses) from continuing operations for the year under review were US$6.2 million as compared to US$6.2 million last year. Excluding the initial set up costs for Crosby Securities incurred in late 2012, the Group managed to reduce the operating costs below last year's level.

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 2012, together with the comparative audited figures of the corresponding period in 2011, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**2012** **US$'000**	(Restated) 2011 *US$'000*
Continuing operations			
Revenue	*5*	**2,481**	4,323
Cost of sales		**(598)**	(570)
Gross profit		**1,883**	3,753
Loss on financial assets at fair value through profit or loss	*17*	**(30)**	(175)
Gain on financial liabilities at fair value through profit or loss	*21*	**2,484**	654
Other income	*6*	**396**	153
Administrative expenses			
Amortisation of intangible assets	*14*	**(569)**	(815)
Other administrative expenses		**(5,677)**	(5,591)
		(6,246)	(6,406)
Impairment of available-for-sale investments	*13*	**–**	(4)
Share of profit of a jointly controlled entity		**217**	–
Other operating expenses		**(498)**	(574)
Loss from operations		**(1,794)**	(2,599)
Finance costs		**(2,565)**	(2,535)
Loss before taxation	*7*	**(4,359)**	(5,134)
Taxation	*8*	**–**	(4)
Loss for the year from continuing operations		**(4,359)**	(5,138)
Discontinued operations			
Loss for the year from discontinued operations	*9*	**(890)**	(2,148)
Loss for the year		**(5,249)**	(7,286)

	Note	2012 US$'000	(Restated) 2011 US$'000
Attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(4,359)**	(5,138)
Loss for the year from discontinued operations		**(541)**	(1,156)
		(4,900)	(6,294)
Non-controlling interests			
Loss for the year from continuing operations		**–**	–
Loss for the year from discontinued operations		**(349)**	(992)
		(349)	(992)
Loss for the year		**(5,249)**	(7,286)

	Note	US cents	(Restated) US cents
Loss per share attributable to owners of the Company during the year	*10*		
Basic			
Continuing operations		**(3.46)**	(8.06)
Discontinued operations		**(0.43)**	(1.82)
		(3.89)	(9.88)
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 2012

	Note	**2012** **US$'000**	2011 *US$'000*
Loss for the year		**(5,249)**	(7,286)
Other comprehensive income:			
Available-for-sale investments			
(Deficit)/Surplus on revaluation	*13*	**(19)**	57
Recycle to income statement:			
Provision for impairment		**–**	4
Gain upon disposal		**–**	(15)
Exchange differences on translating foreign operations		**2**	4
Other comprehensive income for the year, net of tax		**(17)**	50
Total comprehensive income for the year, before and net of tax		**(5,266)**	(7,236)
Attributable to:			
Owners of the Company		**(4,917)**	(6,244)
Non-controlling interests		**(349)**	(992)
Total comprehensive income for the year, before and net of tax		**(5,266)**	(7,236)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 US$'000	2011 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**10,403**	10,688
Interests in jointly controlled entities		**227**	220
Note receivable	*12*	**2,801**	–
Available-for-sale investments	*13*	**699**	718
Intangible assets	*14*	**112**	577
Goodwill	*15*	**3,311**	3,311
		17,553	15,514
Current assets			
Trade and other receivables	*16*	**1,489**	2,153
Tax recoverable		**–**	195
Financial assets at fair value through profit or loss	*17*	**30**	60
Cash and cash equivalents		**3,021**	7,774
		4,540	10,182
Current liabilities			
Other payables	*18*	**2,009**	2,536
Deferred income		**–**	52
Loan payable		**62**	–
Financial liabilities at fair value through profit or loss	*21*	**5,942**	–
Convertible bonds	*22*	**25,112**	–
Borrowings	*19*	**2,246**	251
		35,371	2,839
Net current (liabilities)/assets		**(30,831)**	7,343
Total assets less current liabilities		**(13,278)**	22,857

	Notes	2012 US$'000	2011 US$'000
Non-current liabilities			
Loan payable		**–**	59
Financial liabilities at fair value through profit or loss	*21*	**97**	9,262
Convertible bonds	*22*	**–**	26,573
Borrowings	*19*	**4,166**	4,392
		4,263	40,286
Net liabilities		**(17,541)**	(17,429)
EQUITY			
Share capital	*23*	**1,378**	9,812
Reserves		**(18,991)**	(27,662)
Capital deficiency attributable to owners of the Company		**(17,613)**	(17,850)
Non-controlling interests		**72**	421
Capital deficiency		**(17,541)**	(17,429)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Capital deficiency attributable to owners of the Company									Non-controlling interests	Capital deficiency
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Employee share-based compensation reserve	Investment revaluation reserve	Foreign exchange reserve	Accumulated losses	Total		
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2011	4,906	108,221	271	77	6,903	191	–	(136,934)	(16,365)	1,409	(14,956)
Employee share-based compensation	–	–	–	–	131	–	–	–	131	4	135
Issue of shares as a result of rights issue	4,906	126	–	–	–	–	–	–	5,032	–	5,032
Shares issue costs	–	(404)	–	–	–	–	–	–	(404)	–	(404)
Transactions with owners	4,906	(278)	–	–	131	–	–	–	4,759	4	4,763
Loss for the year	–	–	–	–	–	–	–	(6,294)	(6,294)	(992)	(7,286)
Other comprehensive income:											
Available-for-sale investments											
Surplus on revaluation	–	–	–	–	–	57	–	–	57	–	57
Recycle to income statement:											
Provision for impairment	–	–	–	–	–	4	–	–	4	–	4
Gain upon disposal	–	–	–	–	–	(15)	–	–	(15)	–	(15)
Exchange differences on translating foreign operations	–	–	–	–	–	–	4	–	4	–	4
Total comprehensive income for the year	–	–	–	–	–	46	4	(6,294)	(6,244)	(992)	(7,236)
At 31 December 2011	9,812	107,943	271	77	7,034	237	4	(143,228)	(17,850)	421	(17,429)
At 1 January 2012	**9,812**	**107,943**	**271**	**77**	**7,034**	**237**	**4**	**(143,228)**	**(17,850)**	**421**	**(17,429)**
Employee share-based compensation	**–**	**–**	**–**	**–**	**253**	**–**	**–**	**–**	**253**	**–**	**253**
Lapse of share options	**–**	**–**	**–**	**–**	**(166)**	**–**	**–**	**166**	**–**	**–**	**–**
Repurchase of share options	**–**	**–**	**–**	**–**	**(2,691)**	**–**	**–**	**2,674**	**(17)**	**–**	**(17)**
Issue of shares upon conversion of bonds *(Note 23(d))*	**3,764**	**696**	**–**	**–**	**–**	**–**	**–**	**–**	**4,460**	**–**	**4,460**
Capital reduction *(Note 23(c)(ii))*	**(12,218)**	**(108,639)**	**–**	**–**	**–**	**–**	**–**	**120,857**	**–**	**–**	**–**
Issue of shares upon exercise of warrants *(Note 23(e))*	**20**	**438**	**–**	**–**	**–**	**–**	**–**	**–**	**458**	**–**	**458**
Transactions with owners	**(8,434)**	**(107,505)**	**–**	**–**	**(2,604)**	**–**	**–**	**123,697**	**5,154**	**–**	**5,154**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,900)**	**(4,900)**	**(349)**	**(5,249)**
Other comprehensive income:											
Available-for-sale investments											
Deficit on revaluation	**–**	**–**	**–**	**–**	**–**	**(19)**	**–**	**–**	**(19)**	**–**	**(19)**
Exchange differences on translating foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**2**	**–**	**2**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(19)**	**2**	**(4,900)**	**(4,917)**	**(349)**	**(5,266)**
At 31 December 2012	**1,378**	**438**	**271**	**77**	**4,430**	**218**	**6**	**(24,431)**	**(17,613)**	**72**	**(17,541)**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The Company's shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000.

The Company acts as the holding company of the Group. The Group is principally engaged in the businesses of asset management and direct investment.

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

The audited consolidated financial statements have been prepared under historical cost basis except for certain financial instruments classified as available-for-sale and at fair value through profit or loss, which are measured at fair value.

In preparing the financial statements, the Directors have considered the operations of the Group as a going concern notwithstanding the Group had net current liabilities approximately of US$30,831,000 (2011: net current assets of US$7,343,000) and a capital deficiency of approximately US$17,541,000 (2011: US$17,429,000) as at 31 December 2012, the Group incurred a loss of approximately US$5,249,000 (2011: US$7,286,000) for the year and the Company had net current liabilities of approximately US$31,597,000 (2011: net current assets of approximately US$4,324,000) and a capital deficiency of approximately US$19,144,000 (2011: US$22,925,000) as at 31 December 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore, the Group and the Company may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Directors have prepared the financial statements based on the assumption that the Group can continue as a going concern and are of the view that the Group will have sufficient working capital and financial resources to finance its operations for twelve months from the end of the reporting period, after taking into consideration the following:

(i) Without changing the terms, majority of the holders of the Company's convertible bonds have indicated that they have no intention of considering exercising their early redemption options on 4 October 2013;

(ii) The Group continues to implement measures to tighten cost controls over various administrative expenses and to attain positive cash flow operations through a new wholly owned subsidiary, Crosby Securities Limited, after obtaining the related licenses from the Securities and Futures Commission, engaging in brokerage and investment advisory services;

(iii) A substantial shareholder of the Company has undertaken to provide financial support to the Group when necessary.

(iv) The Group might consider additional financing by way of new shares issue or other means.

Having regard to the cash flow projection of the Group, which has been prepared assuming no early redemption of convertible bonds, successful cost control measures, favourable brokerage and investment advisory income from Crosby Securities Limited and the possible placement of the Company's shares to raise fund, the Directors of the Company are of the opinion that, in the light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient working capital and financial resources to satisfy its future working capital and other financing requirements for the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis and are satisfied that the Group will have sufficient working capital and financial resources to finance its operations for twelve months from the end of the reporting period.

Should the Group be unable to generate sufficient cash flows and/or the convertible bond holders exercise the early redemption on 4 October 2013, the Group might not be able to continue in business as a going concern. Accordingly, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The financial statements for the year ended 31 December 2012 were approved by the Board of Directors on 14 March 2013.

2. ADOPTION OF NEW OR AMENDED IFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new IFRSs"), which are relevant to and effective for the consolidated financial statements for the annual period beginning on 1 January 2012:

(a) Adoption of amendments to IFRSs – first effective on 1 January 2012

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New or amended IFRSs that have been issued but are not yet effective

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

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to IFRS 1	Government Loans[2]
Amendments to IFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities[3]
IFRS 9	Financial Instruments[4]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 19 (2011)	Employee Benefits[2]
IAS 27 (2011)	Separate Financial Statements[2]
IAS 28 (2011)	Investments in Associates and Joint Ventures[2]
IFRIC – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Information on new or amended IFRSs that is potentially relevant to the Group's financial statements is as follows:

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

IFRS 9 – Financial Instruments

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

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

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

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

IFRS 10 – Consolidated Financial Statements

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

IFRS 11 – Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 13 – Fair Value Measurement

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

IFRSs (Amendments) – Annual Improvements 2009–2011 Cycle

The improvements made amendments to the following standards:

(i) IAS 16 – Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(ii) IAS 32 – Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iii) IAS 34 – Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Except for IFRS 9, the Directors anticipated that the application of other new or amended 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 2012.

4. SEGMENT INFORMATION

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

The Group has identified the following reportable operating segments:

(i) Asset Management – provision of fund management, asset management and wealth management services. Wealth management business was ceased on 28 September 2012 and the comparative figures were re-presented as discontinued operations.

(ii) Direct Investment – holding of available-for-sale investments (excluding investments in funds managed by the Group), loans to investee and related companies and financial assets at fair value through profit or loss.

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

	Asset management		**Direct investment**		**Total**	
		(Restated)		(Restated)		(Restated)
	2012	2011	**2012**	2011	**2012**	2011
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers						
Continuing operations	**2,481**	4,318	**–**	5	**2,481**	4,323
Discontinued operations	**354**	1,308	**–**	–	**354**	1,308
	2,835	5,626	**–**	5	**2,835**	5,631
Inter-segment revenues						
Continuing operations	**–**	–	**–**	–	**–**	–
Discontinued operations	**–**	–	**–**	–	**–**	–
	–	–	**–**	–	**–**	–
Total revenue	**2,835**	5,626	**–**	5	**2,835**	5,631
Segment (loss)/profit from operations						
Continuing operations	**(2,119)**	(601)	**221**	(87)	**(1,898)**	(688)
Discontinued operations	**(890)**	(2,148)	**–**	–	**(890)**	(2,148)
Total segment (loss)/profit from operations	**(3,009)**	(2,749)	**221**	(87)	**(2,788)**	(2,836)
Segment total assets	**3,684**	5,586	**2,880**	113	**6,564**	5,699

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

	Continuing operations		**Discontinued operations**		**Total**	
		(Restated)		(Restated)		(Restated)
	2012	2011	**2012**	2011	**2012**	2011
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Segment loss from operations	**(1,898)**	(688)	**(890)**	(2,148)	**(2,788)**	(2,836)
Reconciling items:						
Other income not allocated	**77**	55	**–**	–	**77**	55
Gain on financial liabilities at fair value through profit or loss	**2,484**	654	**–**	–	**2,484**	654
Amortisation of intangible assets	**(569)**	(815)	**–**	–	**(569)**	(815)
Other expenses not allocated	**(3,265)**	(2,964)	**–**	–	**(3,265)**	(2,964)
Elimination of inter-segment revenue	**1,160**	1,159	**–**	–	**1,160**	1,159
Loss from operations	**(2,011)**	(2,599)	**(890)**	(2,148)	**(2,901)**	(4,747)
Finance costs	**(2,565)**	(2,535)	**–**	–	**(2,565)**	(2,535)
Share of profit of a jointly controlled entity	**217**	–	**–**	–	**217**	–
Loss before taxation	**(4,359)**	(5,134)	**(890)**	(2,148)	**(5,249)**	(7,282)

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

	2012	2011
	US$'000	*US$'000*
Segment total assets	**6,564**	5,699
Reconciling item:		
Other assets not allocated	**15,529**	19,997
Total assets	**22,093**	25,696

	Asset management		Direct investment		Other		Total	
		(Restated)		(Restated)		(Restated)		(Restated)
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Other information								
Continuing operations								
Interest income	**(10)**	–	**(258)**	–	**(16)**	–	**(284)**	–
Gain on disposal of available-for-sale investments	**–**	–	**–**	(15)	**–**	–	**–**	(15)
Depreciation of property, plant and equipment	**18**	28	**–**	–	**535**	385	**553**	413
Impairment of available-for-sale investments	**–**	4	**–**	–	**–**	–	**–**	4
Share-based compensation expense	**91**	47	**–**	–	**162**	78	**253**	125
Discontinued operations								
Interest income	**–**	(1)	**–**	–	**–**	–	**–**	(1)
Depreciation of property, plant and equipment	**45**	81	**–**	–	**–**	–	**45**	81
Share-based compensation expense	**–**	10	**–**	–	**–**	–	**–**	10

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

5. REVENUE – CONTINUING OPERATIONS

		(Restated)
	2012	2011
	US$'000	*US$'000*
Fund management fee income	**2,133**	4,318
Others	**348**	5
	2,481	4,323

6. OTHER INCOME – CONTINUING OPERATIONS

	2012 *US$'000*	(Restated) 2011 *US$'000*
Bad debts recovery on loan and other receivables	**–**	81
Bank interest income	**1**	1
Dividend income	**51**	3
Gain on disposal of property, plant and equipment	**2**	–
Gain on disposal of a subsidiary	**–**	5
Gain on disposal of available-for-sale investments	**–**	15
Management fee income	**13**	46
Other interest income	**283**	–
Others	**46**	2
	396	153

7. LOSS BEFORE TAXATION – CONTINUING OPERATIONS

	2012 *US$'000*	(Restated) 2011 *US$'000*
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	**64**	63
– other services	**12**	12
Amortisation of intangible assets	**569**	815
Depreciation of property, plant and equipment	**553**	413
Employee benefit expense (including directors' remuneration)	**4,375**	4,310
Foreign exchange losses, net	**6**	–
Impairment of available-for-sale investments	**–**	4
Loss on disposal of property, plant and equipment	**–**	38
Operating leases charges in respect of leased premises	**226**	256
After crediting:		
Foreign exchange gains, net	**–**	3
Gain on disposal of a subsidiary	**–**	5

8. TAXATION – CONTINUING OPERATIONS

	2012 *US$'000*	(Restated) 2011 *US$'000*
Current tax charge		
Hong Kong:		
– Under provision in prior years	–	4
– Current year charge	–	–
	–	4
Overseas:		
– Over provision in prior years	–	–
Net charge	–	4

No Hong Kong profits tax has been provided in the financial statements for the year ended 31 December 2012 as the Group did not make any assessable profit. Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2011. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the year.

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

9. DISCONTINUED OPERATIONS

	Note	2012 *US$'000*	(Restated) 2011 *US$'000*
Revenue		**354**	1,308
Cost of sales		–	–
Gross loss		**354**	1,308
Other income		–	18
Administrative expenses			
Other administrative expenses		**(1,150)**	(3,316)
Other operating expenses		**(94)**	(158)
Loss before taxation	*(i)*	**(890)**	(2,148)
Taxation		–	–
Loss for the year		**(890)**	(2,148)

Note:

(i) Loss before taxation – Discontinued operations

	2012	(Restated) 2011
	US$'000	*US$'000*
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	**12**	12
Depreciation of property, plant and equipment	**45**	81
Employee benefit expense (including directors' remuneration)	**537**	1,907
Foreign exchange losses, net	**6**	8
Operating lease rental in respect of leased premises	**104**	196
Loss on disposal of property, plant and equipment	**95**	–
After crediting:		
Write back of provision for legal costs relating to claims, net of insurance recovery	**(250)**	–

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

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

	2012	(Restated) 2011
(US$'000)		
Consolidated loss attributable to owners of the Company		
Continuing operations	**(4,359)**	(5,138)
Discontinued operations	**(541)**	(1,156)
	(4,900)	(6,294)
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**125,983,222**	63,710,532

	2012	(Restated) 2011
	US cents	*US cents*
Basic loss per share		
Continuing operations	**(3.46)**	(8.06)
Discontinued operations	**(0.43)**	(1.82)
	(3.89)	(9.88)

(b) Diluted loss per share

No diluted loss per share is shown for 2012 and 2011 as the outstanding share options, convertible bonds, warrants and redeemable convertible preference shares are anti-dilutive or have no dilutive effect.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Computer hardware and software	Furniture and fixtures	Leasehold improvements	Motor vehicles	Office equipment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2011							
Cost	–	207	86	613	–	77	983
Accumulated depreciation	–	(193)	(64)	(397)	–	(65)	(719)
Carrying amount	–	14	22	216	–	12	264
Year ended 31 December 2011							
Opening carrying amount	–	14	22	216	–	12	264
Additions	10,201	148	137	361	237	71	11,155
Disposals	–	–	–	–	(237)	–	(237)
Depreciation	(187)	(42)	(31)	(209)	–	(25)	(494)
Closing carrying amount	10,014	120	128	368	–	58	10,688
At 31 December 2011							
Cost	10,201	355	223	819	–	148	11,746
Accumulated depreciation	(187)	(235)	(95)	(451)	–	(90)	(1,058)
Carrying amount	10,014	120	128	368	–	58	10,688
Year ended 31 December 2012							
Opening carrying amount	10,014	120	128	368	–	58	10,688
Additions	–	27	76	186	–	32	321
Disposals	–	–	(7)	–	–	(1)	(8)
Depreciation	(282)	(60)	(34)	(190)	–	(32)	(598)
Closing carrying amount	9,732	87	163	364	–	57	10,403
At 31 December 2012							
Cost	**10,201**	**358**	**261**	**548**	**–**	**136**	**11,504**
Accumulated depreciation	**(469)**	**(271)**	**(98)**	**(184)**	**–**	**(79)**	**(1,101)**
Carrying amount	**9,732**	**87**	**163**	**364**	**–**	**57**	**10,403**

As at 31 December 2012, the Group's leasehold land and buildings were situated in Hong Kong, which was held under long-term lease.

Property, plant and equipment includes certain leasehold land and buildings of total carrying amount of US$9,458,000 (2011: US$9,732,000) pledged to a bank to secure a mortgage loan granted to one of the wholly owned subsidiaries as at 31 December 2012 (Note 19(a)(ii)).

12. NOTE RECEIVABLE

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

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

13. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	**2012** ***US$'000***	2011 *US$'000*
Unlisted investments, at fair value			
Equity securities		**586**	605
Less: Impairment losses		**(15)**	(15)
	(i)	**571**	590
Unlisted investments, at cost			
Equity securities		**1,586**	1,586
Less: Impairment losses		**(1,458)**	(1,458)
	(ii)	**128**	128
Total		**699**	718

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

	2012 ***US$'000***	2011 *US$'000*
At 1 January	**718**	553
Additions	**–**	128
Disposals	**–**	(20)
Change in fair value recognised directly in other comprehensive income	**(19)**	57
At 31 December	**699**	718

Notes:

(i) Provision for impairment of US$Nil (2011: US$4,000) has been made during the year ended 31 December 2012 which has been removed from the investment revaluation reserve in equity and recognised in the consolidated income statement.

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

14. INTANGIBLE ASSETS

	Non-compete contract	**Trademarks**	**Total**
	US$'000	*US$'000*	*US$'000*
Carrying amount at 1 January 2011	1,384	4	1,388
Addition	–	4	4
Amortisation	(815)	–	(815)
Carrying amount at 31 December 2011 and 1 January 2012	569	8	577
Addition	–	106	106
Written off	–	(2)	(2)
Amortisation	(569)	–	(569)
Carrying amount at 31 December 2012	**–**	**112**	**112**

The non-compete contract was attributable to the acquisition of Shikumen Capital Management (HK) Limited on 13 September 2010 and was amortised over its expected useful life of 2 years. It was fully amortised during the year ended 31 December 2012.

15. GOODWILL

	2012	2011
	US$'000	*US$'000*
Carrying amount at 1 January and 31 December	**3,311**	3,311

16. TRADE AND OTHER RECEIVABLES

	Notes	2012 US$'000	2011 US$'000
Trade receivables	*(i)*	**836**	1,316
Other receivables – gross		**124**	246
Less: Impairment losses		**–**	(107)
Other receivables – net	*(ii)*	**124**	139
Deposits and prepayments		**529**	698
Total		**1,489**	2,153

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

Notes:

(i) At 31 December 2012, the ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	2012 US$'000	2011 US$'000
0 – 30 days	**512**	519
31 – 60 days	**159**	702
61 – 90 days	**165**	30
Over 90 days	**–**	65
	836	1,316

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

As at 31 December 2012, trade receivables related to three customers (2011: three customers) for which there was no recent history of default.

As at 31 December 2012 and 31 December 2011, no impairment has been made in respect of trade receivables.

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

	2012	2011
	US$'000	*US$'000*
Less than 30 days past due	**671**	1,221
31 – 60 days past due	**165**	30
61 – 90 days past due	**–**	65
	836	1,316

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

	2012	2011
	US$'000	*US$'000*
At 1 January	**107**	193
Reversal due to debt recovery		
– Continuing operations	**–**	(76)
Written off	**(107)**	(10)
At 31 December	**–**	107

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

	2012	2011
	US$'000	*US$'000*
Less than 30 days past due	**124**	123
31 – 60 days past due	**–**	–
61 – 90 days past due	**–**	–
Over 90 days past due	**–**	16
	124	139

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	US$'000	*US$'000*
Held for trading		
Listed securities, at fair value:		
– Equity securities – Australia	**20**	31
– Equity securities – Japan	**10**	29
Total	**30**	60

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

	2012	2011
	US$'000	*US$'000*
At 1 January	**60**	274
Disposals	**–**	(39)
Loss on financial assets at fair value through profit or loss		
– Continuing operations	**(30)**	(175)
At 31 December	**30**	60

18. OTHER PAYABLES

	2012	2011
	US$'000	*US$'000*
Other payables	**346**	371
Accrued charges	**1,663**	2,165
	2,009	2,536

Included in the Group's accrued charges is the insurance deductible and related costs of US$Nil (2011: US$405,000) and the provision for bonus of US$1,050,000 (2011: US$1,028,000) to directors and staff, of which the provision for bonus of US$414,000 (2011: US$414,000) is deferred from prior years.

19. BORROWINGS

	2012	2011
	US$'000	*US$'000*
Current liabilities		
Bank loan – secured	**256**	251
Other loan – secured	**1,990**	–
	2,246	251
Non-current liabilities		
Bank loan – secured	**3,205**	3,442
Redeemable convertible preference shares *(Note 20)*	**961**	950
	4,166	4,392
Total	**6,412**	4,643

	2012	2011
	US$'000	*US$'000*
Borrowings are repayable as follows:		
Within one year	**2,246**	251
In the second year	**240**	235
In the third to fifth years	**1,702**	1,679
After the fifth year	**2,224**	2,478
Total	**6,412**	4,643

Notes:

(a) Bank loan

(i) The contractual interest rate of the bank loan is HIBOR+1.25%. HIBOR represents the Hong Kong Interbank Offered Rate;

(ii) The bank loan is repayable by instalments. The maturity date, on which the last instalment shall be due for repayment, will be 31 March 2026;

(iii) The bank loan is secured by:

- mortgage over certain leasehold land and building of the Group situated in Hong Kong of net carrying amount of US$9,458,000 as at 31 December 2012 (2011: US$9,732,000) (Note 11); and

- corporate guarantees given by the Company and Shikumen Capital Management (HK) Limited, a wholly owned subsidiary of the Company, for an unlimited amount and HK$30,000,000 which is equivalent to approximately US$3,846,000 respectively for the years ended 31 December 2012 and 31 December 2011.

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

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

(b) Other loan

(i) The contractual interest rate of the other loan is 0.1% per day (i.e.36.5% per annum) and the effective interest rate is 43.06% per annum and is repayable on or prior to the maturity date on 24 January 2013;

(ii) The other loan is secured by personal guarantee from a substantial shareholder of the Company.

(c) Redeemable convertible preference shares

The effective interest rate of the redeemable convertible preference shares is 1.14% per annum.

20. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 14 September 2011 ("issue date"), the Company issued 10,019,790 redeemable convertible preference shares ("RCPS") of par value of US$0.10 each before the capital reduction as disclosed in Note 23 at subscription price of US$2.00 per RCPS, of which US$0.10 per RCPS was paid on subscription and the remaining balance of US$1.90 per RCPS will be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company.

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

In accordance with the terms and conditions thereof, the prevailing conversion price is HK$0.90 per share as reset on 14 March 2013.

The residual amount of the proceeds of the RCPS over the fair value of the embedded derivatives, estimated at the date of issuance using Binomial Option Pricing Model, is assigned as the liability component and is included in borrowings under non-current liabilities.

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

	US$'000
Face value of RCPS issued	1,002
Initial value of subscription option over RCPS recognised upon subscription	3
Transaction costs	–
Net proceeds	1,005
Fair value of derivatives embedded in the RCPS *(Note 21)*	(58)
Liability component on initial recognition upon issuance of RCPS	947

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

	2012	2011
	US$'000	*US$'000*
Net carrying amount at 1 January	**950**	–
Issue of RCPS	**–**	947
Effective interest expense for the year	**11**	3
Net carrying amount at 31 December *(Note 19)*	**961**	950

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

21. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	US$'000	*US$'000*
Derivatives embedded in the convertible bonds issued:		
Balance at 1 January	**8,984**	6,375
Initial recognition *(Note 22)*	**–**	2,957
Conversion of bonds	**(570)**	–
Gain on financial liabilities at fair value through profit or loss	**(2,472)**	(348)
Balance at 31 December	**5,942**	8,984
Warrants issued:		
Balance at 1 January	**245**	526
Exercise of warrants	**(169)**	–
Gain on financial liabilities at fair value through profit or loss	**(5)**	(281)
Balance at 31 December	**71**	245
Derivatives embedded in the redeemable convertible preference shares issued:		
Balance at 1 January	**33**	–
Initial recognition *(Note 20)*	**–**	58
Gain on financial liabilities at fair value through profit or loss	**(7)**	(25)
Balance at 31 December	**26**	33
Total	**6,039**	9,262
Categorised as:		
Current liabilities	**5,942**	–
Non-current liabilities	**97**	9,262
	6,039	9,262

During the year ended 31 December 2012, warrants with principal amount of HK$2,250,000 were exercised at the exercise price of HK$1.111 per share, with fair value of US$169,000 at the date of exercise, as calculated using the Binomial Option Pricing Model.

The fair values at 31 December 2012 and 31 December 2011 are calculated using the Binomial Option Pricing Model for the derivatives embedded in the convertible bonds and the RCPS and the warrants issued respectively. The inputs into the model are as follows:

	Derivatives embedded in the convertible bonds issued		Warrants issued		Derivatives embedded in the redeemable convertible preference shares issued	
	2012	2011	**2012**	2011	**2012**	2011
Expected volatility	**70.69%**	90.83%	**70.69%**	90.83%	**75.26%**	89.93%
Expected life	**2.76 years**	3.76 years	**2.76 years**	3.76 years	**3.71 years**	4.71 years
Risk-free rate	**0.12%**	0.71%	**0.12%**	0.71%	**0.22%**	0.90%
Spot price	**HK$0.79**	HK$0.83	**HK$0.79**	HK$0.83	**HK$0.79**	HK$0.83
Expected dividend yield	**0%**	0%	**0%**	0%	**0%**	0%

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

22. CONVERTIBLE BONDS

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 5-year Zero Coupon Convertible Bonds with an aggregate principal amount of up to HK$250,000,000, comprising Tranche 1 of principal amount up to HK$160,000,000 (the "Tranche 1 Convertible Bonds") and Tranche 2 of principal amount of up to HK$90,000,000 (the "Tranche 2 Convertible Bonds"), subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required for Tranche 1 Convertible Bonds, the Company issued the Tranche 1 Convertible Bonds, HK$156,000,000 of which was used to finance the repurchase of the convertible bonds previously issued in March 2006 as detailed in the Company's 2010 Annual Report. On 30 March 2011, with the fulfillment of all conditions required for Tranche 2 Convertible Bonds, the Company further issued the Tranche 2 Convertible Bonds, the proceeds of which was used to finance the purchase of the new office premises together with the bank loan (Note 19).

The Tranche 1 and Tranche 2 Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the bondholder(s) at any time after the date of issuance up to and including the date which is seven days prior to the maturity date of 4 October 2015, into new shares of the Company at a price of HK$0.18 per share (before the Share Consolidation as disclosed in Note 23(a)(ii)) initially, subject to the conversion price reset where at the end to 6-month period from the date of issuance and at the end of every 6-month period thereafter, the conversion price shall be adjusted to 110% of the one-month volume weighted average price with a floor of HK$0.78 per share (after adjustments for the effect of the Share Consolidation as disclosed in Note 23(a)(ii)) and provided that the conversion price shall not in any event be higher than the lower of HK$1.80 per share (after adjustments for the effect of the Share Consolidation as disclosed in Note 23(a)(ii)) and the previous adjusted conversion price reset. The Tranche 1 and Tranche 2 Convertible Bonds are transferable without restriction and may be redeemed by the Company after the date of issuance at the early redemption amount, which shall result in an annual yield equal to 3.5% per annum compound on a semi-annual basis, provided that the closing market price of the shares is at least 150% of the conversion price for 30 consecutive trading days. The bondholder(s) of the Tranche 1 and Tranche 2 Convertible Bonds may request the Company to redeem at the aforesaid early redemption amount on or after third anniversary year from 4 October 2010.

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

The Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds recognised in the statement of financial position at the date of issuance on 4 October 2010 and 30 March 2011 respectively are calculated as follows:

	Tranche 2 Convertible Bonds	**Tranche 1 Convertible Bonds**
	US$'000	*US$'000*
Face value of Convertible Bonds issued	11,538	20,513
Transaction costs	(86)	(310)
Net proceeds	11,452	20,203
Financial liabilities at fair value through profit or loss *(Note 21)*	(2,957)	(4,969)
Liability component on initial recognition upon issuance of Convertible Bonds, i.e. 30 March 2011/4 October 2010	8,495	15,234

The carrying values of the liability component of the convertible bonds recognised in the statement of financial position at the end of the reporting period are as follows:

	2012	2011
	US$'000	*US$'000*
Net carrying amounts at 1 January	**26,573**	15,793
Effective interest expense for the year	**2,429**	2,285
Issue of new bonds	**–**	8,495
Conversion of Convertible Bonds	**(3,890)**	–
Net carrying amounts at 31 December	**25,112**	26,573
Categorised as:		
Current liabilities	**25,112**	–
Non-current liabilities	**–**	26,573
	25,112	26,573

On 4 October 2010, the Company repurchased the convertible bonds previously issued in March 2006 at a consideration comprising cash of HK$156,000,000 (approximately US$20,000,000) financed by the issue of Tranche 1 Convertible Bonds and an aggregate of 60,000,000 warrants issued. The fair values of warrants issued amounting to HK$6,294,000 (approximately US$807,000) were valued by an independent professional valuer.

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

The residual amount of the proceeds of the Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds over the fair value of the embedded derivatives, estimated at the date of issuance using Binomial Option Pricing Model, is assigned as the liability component.

23. SHARE CAPITAL

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of redeemable convertible preference shares	Value
				US$'000
Authorised				
At 1 January 2011 (par value of US$0.01 each)	4,000,000,000	100,000	–	40,001
Diminution *(Note (a)(i))*	–	(100,000)	–	(1)
Effect of Share Consolidation *(Note (a)(ii))*	(3,600,000,000)	–	–	–
Increase in authorised ordinary share capital *(Note (a)(iii))* (par value of US$0.1 each)	1,600,000,000	–	–	160,000
Redesignation and reclassification *(Note (a)(iv))*	(100,000,000)	–	100,000,000	–
At 31 December 2011 and 1 January 2012 (par value of US$0.10 each)	1,900,000,000	–	100,000,000	200,000
Capital reduction *(Note (c)(i))*	17,100,000,000	–	900,000,000	–
At 31 December 2012 (par value of US$0.01 each)	19,000,000,000	–	1,000,000,000	200,000
Issued and fully paid				
At 1 January 2011 (par value of US$0.01 each)	490,597,984	–	–	4,906
Effect of Share Consolidation *(Note (a)(ii))*	(441,538,186)	–	–	–
Issue of shares as a result of Rights Issue *(Note (b)(i))*	49,059,798	–	–	4,906
Issue of redeemable convertible preference shares as a result of Rights Issue *(Note (b)(ii))*	–	–	10,019,790	–
At 31 December 2011 and 1 January 2012 (par value of US$0.10 each)	98,119,596	–	10,019,790	9,812
Conversion of convertible bonds *(Note (d))*	37,634,408	–	–	3,764
Capital reduction *(Note (c)(ii))*	–	–	–	(12,218)
Exercise of warrants *(Note (e))*	2,025,202	–	–	20
At 31 December 2012 (par value of US$0.01 each)	**137,779,206**	**–**	**10,019,790**	**1,378**

Notes:

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

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

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

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

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

(b) On 14 September 2011:

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

(ii) 10,019,790 redeemable convertible preference shares ("RCPS") of par value of US$0.10 each of the Company were allotted and issued at subscription price of US$2.00 per RCPS, of which US$0.10 per RCPS was paid on subscription in a total amount of approximately US$1,002,000 and the remaining balance of US$1.90 per RCPS will be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company. The residual amount of the proceeds of the RCPS over the fair value of the embedded derivatives as set out in Note 20, is assigned as the liability component as set out in Note 19.

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

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

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

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

(e) On 11 June 2012, 2,025,202 ordinary shares were allotted and issued upon exercise of warrants for a total amount of HK$2,250,000 (equivalent to approximately US$288,000) at the exercise price of HK$1.111 per share.

24. MATERIAL RELATED PARTY TRANSACTIONS

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

	2012	2011
	US$'000	*US$'000*
Effective interest charged by Crosby Management Holdings Limited ("CMHL"), a substantial shareholder of the Company, in respect of note payable	**–**	97
Partial prepayment of note payable to CMHL, including effective interest thereon	**–**	2,340
Interest paid to a Director of the Company in respect of note payable on the first anniversary date of issuance	**–**	45
Fee rebate paid and payable to key management staff of the Group	**360**	335

25. COMMITMENTS

(a) Operating leases

As at 31 December 2012, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	Land and buildings	Land and buildings	**Motor vehicles**	Motor vehicles	**Others**	Others	**Total**	Total
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Within one year	**275**	16	**7**	29	**9**	–	**291**	45
In the second to fifth years	**–**	–	**–**	25	**–**	–	**–**	25
	275	16	**7**	54	**9**	–	**291**	70

The Group leases a number of properties under operating leases in Hong Kong. The leases run for an initial period of 1-2 years (2011: 3 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

(b) Capital commitments

As at 31 December 2012 and 31 December 2011, the Group and the Company had no material capital commitments.

26. CONTINGENCIES

The Company and Shikumen Capital Management (HK) Limited, its wholly owned subsidiary, have provided corporate guarantees of unlimited amount and HK$30,000,000 (approximately US$3,846,000) respectively to secure the bank loan granted to another wholly owned subsidiary of the Company, HK$26,993,000 (approximately US$3,461,000) of which the maximum amount required to pay if the guarantees were called on, as set out in Note 19. The Company had not recognised any provision in the financial statements as at 31 December 2012 (2011: Nil) in respect of the corporate guarantee as the Directors considered that the probability for the holder of the corporate guarantees to call upon the Company as a result of default in repayment is remote.

Save as disclosed above, the Group and the Company had no material contingent liabilities as at 31 December 2012 and 31 December 2011.

27. POST BALANCE SHEET EVENTS

On 11 March 2013, the directors of Crosby Wealth Management (Asia) Limited ("CWM Asia") and Crosby Wealth Management (Hong Kong) Limited ("CWM HK") (together, the "CWM Group") resolved to recommend the voluntary liquidation of CWM Asia and CWM HK, respectively, to their shareholders. CWM Asia is indirectly owned as to 55.86% by the Company and CWM HK is a wholly owned operating subsidiary of CWM Asia. Therefore, both CWM Asia and CWM HK are subsidiaries of the Company. The proposed voluntary liquidation of CWM Asia and CWM HK shall be subject to the approval of the shareholders of CWM Asia controlling at least 75% of the voting rights of CWM Asia.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

AUDIT OPINION

The auditor of the Group will issue an opinion with emphasis of matter on the consolidated financial statements of the Group for the year under audit, An extract of the independent auditor's report is set out in the section headed "Extract of Independent Auditor's Report" below.

Extract of Independent Auditor's Report

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter – material uncertainty regarding the going concern assumption

Without qualifying our opinion, we draw attention to Note 3(a) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2012, the Group had net current liabilities of approximately US$30,831,000 and the Group's total liabilities exceeded its total assets by approximately US$17,541,000 and the Group also incurred a loss of approximately US$5,249,000 for the year then ended. The Company had net current liabilities of approximately US$31,597,000 and the Company's total liabilities exceeded its total assets by approximately US$19,144,000 as at 31 December 2012. These conditions, along with other matters as disclosed in Note 3(a) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

(a) Corporate Governance Practices

During the year ended 31 December 2012, the Company has complied with the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules, except for the following deviations:

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 four Executive Directors of the Company collectively.

Code Provision A.5.1

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

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

Code Provision A.6.7

Code Provision A.6.7 provides that the Independent Non-Executive Directors and other Non-Executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

The Non-Executive Director and two Independent Non-Executive Directors of the Company were unable to attend the annual general meeting of the Company held on 4 May 2012 due to absences from Hong Kong.

(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 2012, the Group had cash and bank balances of US$3.0 million (2011: US$7.8 million) and net current liabilities of US$30.8 million (2011: net current assets of US$7.3 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.

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 2012, the Group had 33 full-time employees (2011: 30). Employee remuneration (including Directors' remuneration) totaled US$4.9 million (2011: US$6.2 million), US$4.4 million (2011: US$4.3 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 2012, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(i) Interests in the ordinary shares of the Company

Name of Directors	Personal interest	Family interest	Corporate interest	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Ulric Leung Yuk Lun	3,411,000	–	–	3,411,000	2.48
Johnny Chan Kok Chung *(Note)*	1,892,532	47,773	–	1,940,305	1.41
Robert John Richard Owen	–	–	1,065,576	1,065,576	0.77
Joseph Tong Tze Kay	50,000	–	–	50,000	0.04
Daniel Yen Tzu Chen	20,000	–	–	20,000	0.01

Note: Yuda Udomritthiruj was beneficially interested in 47,773 ordinary shares. Yuda Udomritthiruj, an employee of a subsidiary of the Company, is the wife of Johnny Chan Kok Chung and, accordingly, he is deemed to have interests in her shares.

(ii) Interests in the redeemable convertible preference shares ("RCPS") of the Company

Name of Directors	Personal interest	Family interest	Corporate interest	Aggregate long position in RCPS of the Company	Percentage which the aggregate long position in RCPS represents to the total RCPS of the Company in issue
					%
Ulric Leung Yuk Lun	850,000	–	–	850,000 *(Note 1)*	8.48
Douglas Craham Morin	–	800,000	–	800,000 *(Note 2)*	7.98
Johnny Chan Kok Chung	188,500	–	–	188,500 *(Note 3)*	1.88

Notes:

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

   Following the reset of conversion price to HK$0.90 per share on 14 March 2013, 14,733,333 ordinary shares will be allotted and issued upon full conversion of 850,000 RCPS, representing 10.69% of the total ordinary share capital of the Company in issue.

2. Tse Kwar Mei held 800,000 RCPS of the Company through her 100% interest in Kimta Limited, which can be convertible into 10,487,394 ordinary shares at conversion price of HK$1.19 per share upon full conversion, representing 7.61% of the total ordinary share capital of the Company in issue. Tse Kwar Mei is the wife of Mr. Douglas Craham Morin and accordingly, he is deemed to have interests in her shares.

   Following the reset of conversion price to HK$0.90 per share on 14 March 2013, 13,866,666 ordinary shares will be allotted and issued upon full conversion of 800,000 RCPS, representing 10.06% of the total ordinary share capital of the Company in issue.

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

Following the reset of conversion price to HK$0.90 per share on 14 March 2013, 3,267,333 ordinary shares will be allotted and issued upon full conversion of 188,500 RCPS, representing 2.37% of the total ordinary share capital of the Company in issue.

(iii) Interests in the underlying shares of the Company

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

(a) Outstanding options

Name of Directors	Date of grant	Exercise price	Exercise period	Balance as at 1 January 2012	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2012
	(dd/mm/yyyy)	*HK$*	*(dd/mm/yyyy)*					
Johnny Chan Kok Chung	26/04/2006	57.054	26/04/2007 to 25/04/2016	809,756	–	–	–	809,756
	11/02/2008	13.337	11/02/2009 to 10/02/2018	404,888	–	–	–	404,888
	07/10/2010	1.171	07/10/2011 to 06/10/2020	377,886	–	–	–	377,886
	16/03/2012	1.206	16/03/2013 to 15/03/2022	–	580,000			580,000
				1,592,530	580,000	–	–	2,172,530
Robert John Richard Owen	11/02/2008	13.337	11/02/2009 to 10/02/2018	33,739	–	–	–	33,739
	14/05/2012	1.136	14/05/2013 to 13/05/2022	–	980,000	–	–	980,000
				33,739	980,000	–	–	1,013,739
Jeffrey Lau Chun Hung	07/10/2010	1.171	07/10/2011 to 06/10/2020	404,878	–	–	–	404,878
	16/03/2012	1.206	16/03/2013 to 15/03/2022	–	580,000	–	–	580,000
				404,878	580,000	–	–	984,878
Ulric Leung Yuk Lun	07/10/2010	1.171	07/10/2011 to 06/10/2020	202,439	–	–	–	202,439
	16/03/2012	1.206	16/03/2013 to 15/03/2022	–	580,000	–	–	580,000
				202,439	580,000	–	–	782,439

Name of Directors	Date of grant	Exercise price	Exercise period	Balance as at 1 January 2012	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2012
	(dd/mm/yyyy)	*HK$*	*(dd/mm/yyyy)*					
Daniel Yen Tzu Chen	24/03/2006	57.054	24/03/2007 to 23/03/2016	67,479	–	–	–	67,479
	29/01/2007	27.045	29/01/2008 to 28/01/2017	33,739	–	–	–	33,739
	11/02/2008	13.337	11/02/2009 to 10/02/2018	67,479	–	–	–	67,479
	29/12/2008	1.334	29/12/2009 to 28/12/2018	67,479	–	–	–	67,479
	16/03/2012	1.206	16/03/2013 to 15/03/2022	–	170,000	–	–	170,000
				236,176	170,000	–	–	406,176
Joseph Tong Tze Kay	24/03/2006	57.054	24/03/2007 to 23/03/2016	67,479	–	–	–	67,479
	29/01/2007	27.045	29/01/2008 to 28/01/2017	33,739	–	–	–	33,739
	11/02/2008	13.337	11/02/2009 to 10/02/2018	67,479	–	–	–	67,479
	29/12/2008	1.334	29/12/2009 to 28/12/2018	67,479	–	–	–	67,479
	16/03/2012	1.206	16/03/2013 to 15/03/2022	–	170,000	–	–	170,000
				236,176	170,000	–	–	406,176
David John Robinson Herratt	16/03/2012	1.206	16/03/2013 to 15/03/2022	–	170,000	–	–	170,000

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

(b) Outstanding convertible bonds

Name of Director	Conversion price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Ulric Leung Yuk Lun	HK$0.93	5,376,344	3.90

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

(iv) Short positions

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

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

(b) Substantial Shareholders and Other Persons

As at 31 December 2012, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

Name	Aggregate long position in ordinary shares	Aggregate long position in underlying shares of the Company	The total long position in ordinary shares and underlying shares to the total ordinary share capital of the Company in issue
			%
Substantial Shareholders			
Hidy Investment Limited *(Note 1)*	3,000,000	118,434,082	88.14
Sodikin *(Note1)*	3,000,000	118,434,082	88.14
Nelson Tang Yu Ming *(Notes 2 and 3)*	41,092,000	76,323,502	85.22
Crosby Management Holdings Limited *(Note 2)*	41,092,000	74,722,689	84.06
Main Wealth Enterprises Limited *(Note 4)*	20,941,376	23,655,914	32.37
Lau Kit Mei *(Note 4)*	20,941,376	23,655,914	32.37
Greyhound International Limited *(Note 5)*	–	43,010,752	31.22
James Wu Ting Fai *(Note 5)*	–	43,010,752	31.22
Other Persons			
Kimta Limited *(Note 6)*	–	10,487,394	7.61
Tse Kwar Mei *(Note 6)*	–	10,487,394	7.61
Simon Wu Siu Fai *(Note 7)*	8,176,800	1,257,176	6.85
Wilson Lau Yu Fung	9,129,032	–	6.63
Frank Ng Chun Fai *(Note 8)*	–	8,149,320	5.91

Notes:

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

   Following the reset of the conversion price of RCPS to HK$0.90 per share on 14 March 2013, 13,000,000 ordinary shares will be allotted and issued upon full conversion of 750,000 RCPS, increasing its aggregate interest from 88.14% to 90.44% of the total ordinary share capital of the Company in issue.

2. Crosby Management Holdings Limited ("Crosby Management") held 41,092,000 ordinary shares of the Company. Crosby Management is beneficially owned as to 96.7% by Nelson Tang Yu Ming who is entitled to exercise more than 30% of the voting power at the general meetings of Crosby Management and, accordingly, he is deemed to be interested in 41,092,000 ordinary shares owned by Crosby Management. Crosby Management also owns 5,700,000 RCPS which can be converted into 74,722,689 ordinary shares at conversion price of HK$1.19 per share reset on 14 March 2012 upon full conversion.

   Following the reset of the conversion price of RCPS to HK$0.90 per share on 14 March 2013, 98,800,000 ordinary shares will be allotted and issued upon full conversion of 5,700,000 RCPS, increasing its aggregate interest from 84.06% to 101.53% of the total ordinary share capital of the Company in issue.

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

4. Main Wealth Enterprises Limited ("Main Wealth") owns 20,941,376 ordinary shares of the Company and 23,655,914 underlying shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$22,000,000 at conversion price of HK$0.93 per share. Lau Kit Mei is deemed to be interested in these shares through her 100% interests in Main Wealth.

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

6. Tse Kwar Mei held 800,000 RCPS of the Company through her 100% interest in Kimta Limited, which can be convertible into 10,487,394 ordinary shares at conversion price of HK$1.19 per share upon full conversion. Tse Kwar Mei is the wife of Douglas Craham Morin and accordingly, he is deemed to have interests in her shares.

   Following the reset of the conversion price of RCPS to HK$0.90 per share on 14 March 2013, 13,866,666 ordinary shares will be allotted and issued upon full conversion of 800,000 RCPS, increasing its aggregate interest from 7.61% to 10.06% of the total ordinary share capital of the Company in issue.

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

   Following the reset of the conversion price of RCPS to HK$0.90 per share on 14 March 2013, 1,662,266 ordinary shares will be allotted and issued upon full conversion of 95,900 RCPS, increasing its aggregate interest from 6.85% to 7.14% of the total ordinary share capital of the Company in issue.

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

(ii) Short positions

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

Save as disclosed above, as at 31 December 2012, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and Underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2012, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

(c) Share Options

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

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

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

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

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

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

			Number of Share Options				
Date of grant	Exercise price	Exercise period	Balance as at 1 January 2012	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2012
(dd/mm/yyyy)	HK$	(dd/mm/yyyy)					
27/03/2002	5.216	27/03/2003 to 26/03/2012	4,048	–	–	(4,048)	–
24/03/2006	57.054	24/03/2007 to 23/03/2016	269,916	–	–	–	269,916
26/04/2006	57.054	26/04/2007 to 25/04/2016	1,619,512	–	–	(809,756)	809,756
29/01/2007	27.045	29/01/2008 to 28/01/2017	134,956	–	–	–	134,956
11/02/2008	13.337	11/02/2009 to 10/02/2018	1,045,941	–	–	(337,398)	708,543
29/12/2008	1.334	29/12/2009 to 28/12/2018	269,916	–	–	–	269,916
07/10/2010	1.171	07/10/2011 to 06/10/2020	2,523,739	–	–	–	2,523,739
16/03/2012	1.206	16/03/2013 to 15/03/2022	–	4,905,000	–	–	4,905,000
14/05/2012	1.136	14/05/2013 to 13/05/2022	–	980,000	–	–	980,000
			5,868,028	5,885,000	–	(1,151,202)	10,601,826

Note: The exercise prices per outstanding options and the number of shares to be allotted and issued attaching to the instruments incorporated the adjustments as a result of the Share Consolidation and issue of rights shares which took effect from 15 August 2011 and 14 September 2011 as set out in Note 23(a)(ii) and Note 23(b)(i) respectively.

5,885,000 (2011: Nil) options were granted during the year ended 31 December 2012. The fair value of the options granted during the year ended 31 December 2012, measured at the date of grant, totalled HK$3,624,000 (equivalent to approximately US$465,000).

The following significant assumptions were used to derive the fair value of the share options granted for the year ended 31 December 2012, using the Binomial Option Pricing Model:

(i) an expected volatility : between 90.87% and 91.04% throughout the option life;

(ii) nil dividend yield;

(iii) the estimated expected life of the options granted is 10 years; and

(iv) the risk free rates are based on the yields on Hong Kong Exchange Fund Bills and Notes.

In the determination of volatility, the historical volatility of the Company prior to the issuance of share options has been considered. The volatility is measured based on the weekly price change and the volatility measured on weekly basis provided a reasonable estimation for the expected volatility is considered.

4,048 options were lapsed upon expiry of the life of the options during the year ended 31 December 2012.

On 16 October 2012, 1,147,154 options were repurchased and cancelled at total consideration of HK$131,585.

No options granted under the Share Option Scheme had been exercised during the year ended 31 December 2012.

(d) Competing Interests

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

AUDIT COMMITTEE

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

The audit committee meets at least quarterly with the most recent meeting held on 14 March 2013. The audited financial statements for the year ended 31 December 2012 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 years ended 31 December 2012 and 31 December 2011. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the years ended 31 December 2012 and 31 December 2011.

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

Hong Kong, 14 March 2013

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

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

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