TECHPACIFIC CAPITAL LIMITED

2004
ANNUAL REPORT

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors of Techpacific Capital Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Techpacific Capital Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

TABLE OF CONTENTS

The Chinese version of this annual report is provided for reference only.
In the event of any inconsistency between the Chinese and English versions,
the English version shall prevail.

ABOUT TECHPACIFIC CAPITAL LIMITED

Techpacific Capital Limited (“Techpacific” or the “Company” and, together with its subsidiaries, the “Group”) is an independent investment banking and asset management group listed on the Hong Kong Stock Exchange’s GEM board (HK GEM 8088), with offices in China, Singapore, Indonesia, the United Kingdom and representation in other parts of Asia.

The Group operates the following lines of business:

(i) **The Techpacific Business** - a regional investment vehicle for early to late stage investments in the technology sector and the technology venture capital management business.

(ii) **The Crosby Business** - Asia’ leading independent investment banking and asset management business. These activities are carried out by Crosby Capital Partners Inc. (“Crosby”) and its subsidiaries. Crosby is listed on London’s Alternative Investment Market (CSB LN).

HIGHLIGHTS

- Total revenue significantly increased to US$58 million (2003: US$4 million), a fourteen fold increase.
- Profit attributable to shareholders significantly increased to US$34 million (2003: US$4 million loss).
- EPS of US$1.27 cents (HK$9.91 cents).
- London listing achieved for Crosby by way of a reverse acquisition of Skiddaw Capital Inc.
- Achieved sale of US interests in Novus Petroleum to newly AIM quoted company, Lodore Resources Inc.
- Portfolio of merchant banking deals has grown significantly.
- Completed first closing of the Crosby ChinaChips Investment Fund.
- Initiated JV with JAIC to manage new China Fund.
- Established Crosby Wealth Management to provide independent investment advice to high net worth clients in Asia.
- Completed a 50:50 joint venture with E2 Capital and SIIS to further develop our China focused Corporate Finance business.

CHAIRMAN'S REPORT

BUSINESS REVIEW

FINANCIAL REVIEW

CHAIRMAN'S REPORT

2004 for Techpacific Capital Limited ("Techpacific" or the "Company" and, together with its subsidiaries, the "Group") showed a significant turn around of fortunes based on the hard work and the momentum generated from 2003.

In May 2004, Crosby completed its admission to the Alternative Investment Market of the London Stock Exchange. The listing has left Crosby financially independent of Techpacific and therefore reduced the overheads carried by the Techpacific Business whilst still allowing Techpacific shareholders to benefit from the future growth of Crosby through its 84.33% holding in Crosby.

Total revenue increased to US$57.5 million for the year compared to US$4.0 million for 2003 and profit attributable to shareholders increased to US$33.6 million for the year compared to a loss of US$4.4 million in 2003.

The change in fortunes of the company largely stems from the decision taken approximately 18 months ago to restructure the business and in particular to focus our investment banking resources to pursue deals where we work alongside our clients as partners, and where, by securing appropriate new sources of capital, and by financial restructuring, the Group secures a direct interest in the transactions themselves. This business is undertaken by Crosby's Merchant Banking arm. The financial results for the year are largely influenced by the Novus Petroleum Limited ("Novus") transaction, which is a good example of the unique business strategy that has now been successfully implemented and the value that can arise from it. In this transaction, Crosby secured various economic interests in the onshore and offshore oil and gas assets of Novus located in the US (Gulf of Mexico), Pakistan and the Middle East. On 31 January 2005, Crosby sold its interests in the oil and gas assets located in the US to Lodore Resources which is listed on the Alternative Investment Market of the London Stock Exchange in a transaction that valued Crosby's interests in the US assets alone at US$82.4 million (of which only US$38.4 million has been recognized during 2004). Crosby has also taken a number of steps towards monetising the Pakistan and Middle Eastern oil and gas assets and the progress in this respect is ongoing.

Crosby's Asset Management arm has also made significant progress during the year. Its fund management activities continue to focus in Asia and it now manages over US$400 million in a variety of private equity and Government sponsored funds. In April 2004, Crosby Asset Management completed the first closing of the Crosby ChinaChips Investment Fund, a specialised fund investing in a class of unquoted shares (known as "legal person" shares) of publicly quoted Chinese companies. Additionally in October 2004, Crosby Asset Management established a 50:50 Joint Venture with Japan Asia Investment Corporation to launch a China pre-IPO fund in the second quarter of 2005.

During the year, Crosby also established Crosby Wealth Management to provide independent investment advice to high net worth clients with a specific focus on Asian market investments. US$3 million in private equity was raised to finance its development and a number of highly experienced relationship managers have joined Crosby Wealth Management in 2005.

Lastly, in order for Crosby to fully develop the potential of its China focused corporate finance business that was established in 2002, Crosby formed a 50:50 joint venture, SBI CROSBY, which provides Crosby's Greater China corporate finance team enhanced distribution and research capabilities to serve the expanding market of high growth private enterprises located in China.

Outlook

The success achieved by the Group during 2004 has justified the decision to split the Group into two distinct businesses.

The Crosby Business has a clear focus on Asia-orientated Merchant Banking and Asset Management and intends to explore strategic acquisition and joint venture opportunities to develop and expand its business in both Asia and Europe. I believe that Crosby is ready and capable to capitalize on its recent successes and grow its business further.

The Techpacific Business is ideally positioned to take advantage of the upturn in the technology sector through the development of additional venture capital management business, particularly targeting government related funds in the Asian region.

I would like to thank the staff of Techpacific and Crosby for their hard work and commitment. The successes achieved during 2004 are largely attributable to their high level of skill and expertise. With their continued support, I look forward to reporting further successes during 2005.

Ilyas Tariq Khan
Chairman
18 March 2005

THE TECHPACIFIC BUSINESS

Technology Venture Capital Management

The Group manages two technology-focused venture capital funds, Nirvana Capital Limited (the "Nirvana Fund") and the Hong Kong SAR Government's Applied Research Fund ("ARF"), through the two fund management companies detailed below:

1. *Softech Investment Management Company Limited ("Softech")*
   Softech is a 50:50 joint venture company with Softbank, which is the approved manager of the ARF. The ARF is a HK$750 million fund, of which Softech manages HK$250 million, whose purpose is to provide funding support to Hong Kong-based technology ventures and research and development projects that have commercial potential. The longer-term objective of the ARF is to increase Hong Kong's technological capability and enhance the competitiveness of the local industry, thereby promoting higher value-added economic development in Hong Kong.

2. *Techpacific.com Venture Capital Limited ("TPVC")*
   TPVC is a 75.1% subsidiary, which is the investment manager of the Nirvana Fund, a technology investment fund. This fund, raised in early 2000, will be closed in April 2005 following the end of the Fund's tenure.

Technology Propriety Investments

The investment cost of earlier technology investments made by the Group was fully written off at the end of 2002 and therefore proceeds from such investments received during the year of US$0.3 million have been credited directly to the profit and loss account. The process of extracting value is ongoing.

THE CROSBY BUSINESS

Investment Banking

The investment banking arm has the following broad areas of activity:

1. A Merchant Banking group that is active in pursuing management buyout and leveraged buyout transactions in the more developed Asian markets (Australia, Indonesia, Hong Kong and Singapore are current areas of focus). Crosby benefits from these transactions by receiving advisory fees, success fees and equity interests in the target companies and their underlying assets. The Merchant Banking activity also provides opportunities for Crosby to make investments opportunistically but prudently with a minimal direct use of its own capital or via interests acquired in the form of in-kind success-based commissions.

2. A cross border corporate finance team that provides mergers and acquisitions, structured finance, fund raisings and financial advisory services for corporations in Asia. This business is largely based upon Crosby's presence in Singapore and Indonesia.

3. A corporate finance advisory business focused on China and Greater China, concentrating primarily on mid-cap private sector companies in China. Since August 2004, Crosby participates in this business through "SBI CROSBY", a 50:50 joint venture with SIIS XCapital Limited ("SIIS"). This partnership with E2 Capital and SIIS gives the China business of Crosby significant access to their distribution and research capabilities to serve the expanding market of high growth private enterprises located in China.

During 2004, Crosby's Merchant Banking Group organized, as principal, a takeover offer for Novus, an upstream, oil and gas company listed on the Australian Stock Exchange which at the time of the offer had an enterprise value of US$360 million. This takeover offer eventually resulted in Crosby obtaining significant economic interests in certain of Novus' assets located in Pakistan, the Middle East and the United States. In this transaction, the most significant value for the Group lies in the oil and gas assets located in the Gulf of Mexico. On 31 January 2005, Crosby sold these interests to Lodore Resources who are also listed on the Alternative Investment Market of the London Stock Exchange in a transaction that valued Crosby's interests in the US assets alone at US$82.4 million (of which only US$38.4 million has been recognized in these financial statements). In addition to the progress that has been made towards realising the value of the US-based assets, Crosby have also taken a number of steps towards monetising the Pakistan and the Middle Eastern oil and gas assets that were also acquired via the Novus transaction.

Notwithstanding the success of the Novus transaction, Crosby also has a healthy pipeline of other substantial merchant banking deals and continues to look for businesses around Asia, to which the Group can create further value. Our search for opportunities is concentrated on the oil and gas, consumer, financial resources and property sectors - areas where Crosby has significant in-house expertise. With a large number of transactions being worked on, we modestly increased our staff in this area during the year and we expect this trend to continue in the coming year as we build up our merchant banking team.

Asset Management

i) Funds Management

Crosby now manages over US$400 million in a variety of private equity and Government-sponsored funds.

Crosby's current asset management activities continue to focus in Asia, where management see the greatest potential for rapid growth. During the year substantial progress was made, not only in accumulating new funds to manage, but also in developing new products and potential joint venture partners. Strategically, the asset management business is very important for the long term growth and development of the Crosby Business.

In April 2004, Crosby Asset Management completed the first closing of the Crosby ChinaChips Investment Fund, a specialised fund investing in a class of unquoted shares (known as "legal person" shares) of publicly quoted Chinese companies.

During the year, Crosby has made a concerted effort to identify suitable joint venture partners to help expand this business. In pursuit of this aim, in October 2004, Crosby Asset Management established a 50:50 Joint Venture with Japan Asia Investment Corporation, an established fund management group listed in Japan, to raise capital for and manage a new fund focused specifically on mid-cap pre-IPO opportunities in China. This fund will be launched in Q2 of 2005 and will add to the growing stable of Crosby's China-focused funds.

ii) Wealth Management

In April 2004 Crosby entered into another joint venture to develop Crosby Wealth Management ("CWM") with Mr. Paul Giles, a proven and experienced private banker. CWM is an investment advisor to high net worth clients in Asian markets. The relevant licenses were received from the Securities and Futures Commission of Hong Kong in July 2004 and it raised US$3 million to fund the recruitment of a highly qualified team of private wealth managers. CWM has partnered with a major Swiss bank which provides infrastructure and custodian services to CWM's clients. The business is expected to become fully operational in the second quarter of 2005.

FINANCIAL REVIEW

RESULT	2004 US$'000	2003 US$'000	Increase %
Total Revenue	57,543	3,969	1,350
Profit/(Loss) from operations	44,360	(4,360)	–
Profit/(Loss) after taxation	44,374	(4,410)	–
Profit/(Loss) attributable to shareholders	33,561	(4,369)	–
Basic earnings/(loss) per share	USD1.27 cents	(USD0.17) cent	-

BALANCE SHEET	2004 US$'000	2003 US$'000	Increase %
Non-current assets	1,999	729	174
Net current assets	54,812	7,874	596
Total assets less current liabilities	56,811	8,603	560
Equity shareholders' funds	42,909	8,527	403

TOTAL REVENUE

The main contribution to the increase in total revenue relates to Crosby's merchant banking arm and, in particular, the fees and economic interests in the oil and gas assets earned as a result of the public bid for Novus Petroleum Limited (the "Novus transaction"). Included in other revenue is US$38.4 million revaluation of Crosby's interest in Sunov Petroleum Limited ("Sunov") which owns the economic interests in the oil and gas assets of Novus Petroleum Limited in the United States. Sunov was sold to Lodore Resources Inc. on 31 January 2005 in an all share transaction agreed in December 2004 that valued Crosby's interest in Sunov at US$82.4 million. As the transaction had not completed at the year end, the Directors took a prudent view and valued Crosby's interest in the financial asset at a lower value than that expected on completion of the transaction in 2005.

In respect of the Group's asset management arm, income from fund management fees has decreased to US$1 million compared with US$1.3 million in 2003. This was mainly due to the decrease in fund management income from Nirvana Fund which will be closed in April 2005 following the end of the Fund's tenure. Although the Group added additional funds under management during 2004, their contribution has yet to fully compensate for the decrease in fees for the group following the termination of the Nirvana Fund. Although Crosby Wealth Management did not contribute to turnover during the year, included in Other Revenue is a gain of US$1.7 million relating to the deemed disposal arising from US$3 million of capital raised to fund the expansion of this business from third party investors during the year.

OPERATING EXPENSES

Operating expenses have increased to US$13.2 million during the year from US$8.3 million for 2003.

This increase was largely made up of approximately US$1.8 million of project expenses included in other operating expenses related to the Novus transaction. These expenses were recovered through a break fee paid by Novus that is included in turnover for the year.

Additionally, compensation for early lapse of employee's share options of approximately US$1.2 million was charged to the income statement for the year. Of this compensation US$900,000 was payable to Simon Fry, the Chief Executive Officer of Crosby, and was satisfied during the year by the allotment of 292,500,000 deferred shares of the Company.

Finally, operating expenses of US$0.5 million were incurred by Crosby Wealth Management which was incorporated during the year and therefore is not included in the comparative figure for 2003.

Taking into account the above factors, and the additional reporting and compliance expenses following Crosby's listing in London, the increase in operating expenses was modest given the Group's expansion since mid-2003.

MINORITY INTERESTS

Minority interests of US$10.8 million was charged to the income statement during the year. This charge was mainly made up of US$6.1 million related to the minorities share of the profit of the Company's 84.33% subsidiary, Crosby Capital Partners Inc., and US$4.8 million related to the minorities share of the value attributable to the economic interests acquired in the Novus transaction recognised in the financial statements of the relevant subsidiaries of Crosby Capital Partners Inc. These charges to the income statement have been partially offset by credit to minority interests of US$0.1 million in respect of Crosby Wealth Management.

PROFILES OF BOARD OF DIRECTORS

● **Ilyas Khan**

Chairman
Ilyas Khan founded Techpacific in December 1998 and is also responsible for the Merchant Banking activities of Crosby. Prior to December 1998 Ilyas was a senior member of the management team and a Managing Director of Nomura, responsible for a regional (non-Japan Asia) investment banking and fixed income business, where he worked closely with Simon Fry (the CEO of Crosby).

Ilyas has more than 19 years' corporate finance and investment banking experience with financial institutions such as Citicorp, UBS and Schroders. At Citicorp and UBS, Ilyas initiated, built, and then managed regional corporate finance and capital market businesses in Asia and was responsible for a number of landmark transactions and "deals of the year" across Asia.

● **Johnny Chan**

Chief Executive Officer
Johnny Chan co-founded Techpacific with Ilyas Khan and directs the strategic development of Techpacific's and Crosby's asset management businesses. He also oversees the development of Crosby Wealth Management. He is Chairman and CEO of Crosby Asset Management (Hong Kong) Limited, a vehicle which is licensed by the SFC in Hong Kong.

Johnny has over 20 years of experience of corporate finance and investment banking experience in leading global financial institutions. In 1999, he was Managing Director of Bear Stearns Asia Limited. Prior to that, he was an Executive Director at UBS and Director at Citicorp, where he worked with Ilyas Khan. At UBS and Bear Stearns Johnny was responsible for a number of innovative capital market and corporate finance transactions, including several landmark deals for Chinese and Asian issuers.

Johnny is the principal portfolio manager for the Hong Kong SAR Government's Applied Research Fund as well as the CORO Voltin fund sponsored by the Small Business Corporation of the Korean Government.

● **Ahmad S. Al-Khaled**

Ahmad S. Al-Khaled is the Chief Operating Officer of TBV Holdings Limited, a global Venture Capital firm that invests in private and publicly held companies in high growth sectors. Ahmad is also the Assistant Deputy Director and Head of Investment Funds Division at the Kuwait Fund for Arab Economic Development which he joined in 1995. His responsibility is to lead a team of investment professionals in strategizing, analysing, investing and monitoring a portfolio of investment funds that include hedge funds, long only equity, fixed income, private equity and real estate funds.

● *Executive Director*
● *Non-executive Directors*
● *Independent Non-executive Directors*

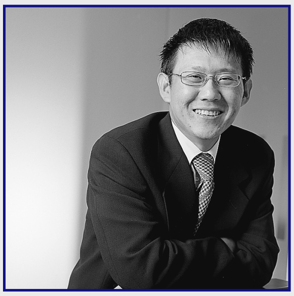
Daniel Yen Tzu Chen

Daniel Yen currently serves on the board of Hudson Holding Pte Ltd., a property and investment holding company based in Singapore. He is also Managing Director and Founder of P.T. Universal Sejati, an Indonesian trading company that deals in commodity metals, chemicals, machinery and mining products.

Daniel has an accounting and business background and has over 20 years experience throughout the Southeast Asian region particularly in Indonesia and Singapore.

Peter McIntyre Koenig

Peter Koenig joined the Board in May 2004 with a financial and business background having over 30 years experience in journalism, including senior editorial positions for respected financial publications including the Institutional Investor, Euromoney, the Independent on Sunday and Bloomberg News. Peter is currently a contract business correspondent for the Sunday Times and is a director of the Elfida Charitable Trust based in London and established for the benefit of the disabled.



Joseph Tong Tze Kay

Joseph Tong joined the Board in August 2004 with a financial and business background including senior positions with Universal Music Limited, Softbank China Venture Investments Limited and Nomura China Investments Limited. Mr. Tong is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants and has degree in Accounting and Statistics from the University of Southampton, England. Joseph has been an Independent Non- Executive Director of Netease, Inc., listed on NASDAQ, since March 2003.

DIRECTORS' REPORT

AUDITORS' REPORT

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The principal activities of the Company's principal subsidiaries and associates as at 31 December 2004 are set out in notes 10 and 12 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 26 to 64.

The directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 21 to the financial statements.

SHARE OPTION SCHEME

Details of the Share Option Scheme of the Company are set out in note 25 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the financial statements on pages 55 and 56 respectively.

MAJOR CLIENTS AND SUPPLIERS

The percentages of the Group's revenue attributable to the largest client and the five largest clients for the year are 62.07% and 92.80% respectively.

None of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major clients.

The Group is mainly a provider of financial and advisory services and a fund manager. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

DONATIONS

The Group made charitable and other donations during the year amounting to approximately US$12,500.

DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year were as follows:

Executive director:

Johnny Chan Kok Chung *(Chief Executive Officer)*

Non-executive directors:

Ahmad S. Al-Khaled	
Ilyas Tariq Khan (Note) *(Chairman)*	
Francis Yuen Tin Fan	(resigned on 12 August 2004)
Robert John Richard Owen	(resigned on 19 May 2004)

Independent non-executive directors:

Daniel Yen Tzu Chen	
Peter McIntyre Koenig	(appointed on 10 May 2004)
Joseph Tong Tze Kay	(appointed on 12 August 2004)
Alec Tsui Yiu Wa	(resigned on 8 June 2004)

Note: Ilyas Tariq Khan was first appointed as executive director of the Company on 21 February 2000 and was redesignated as non-executive director on 19 May 2004.

In accordance with article 87 of the Company's Articles of Association, Mr. Daniel Yen Tzu Chen retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

The non-executive Chairman and the executive director entered into a continuous service contract with the Company commencing on 27 February 2004. These contracts were for a fixed term of one year from the date of execution and thereafter continue unless terminated by not less than one year of notice in writing served by either party on the other. The non-executive Chairman and the executive director are also eligible to a discretionary bonus payable in December of each year at the discretion of the Board. None of the non-executive Chairman and the executive director is entitled to vote on Board resolutions relating to any discretionary bonus payable to him.

The remaining directors have not been appointed for any fixed term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

Save as disclosed above, none of the directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Company's directors' remuneration are set out in note 23 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2004, the interests and short positions of the directors of the Company in the shares and underlying shares (within the meaning of the Securities and Futures Ordinance ("SFO")) of the Company and its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Exchange, were as follows:

(i) Interests in the ordinary shares of the Company

Name of director	Personal interest	Family interest	Corporate interest	Aggregate long position in shares of the Company	Percentage which the aggregate long position in shares represents to the issued share capital of the Company
Ilyas Tariq Khan (Notes 1 & 2)	79,994,076	–	513,498,147	593,492,223	23.72%
Johnny Chan Kok Chung (Note 3)	207,805,852	16,097,387	–	223,903,239	8.95%

Note 1: TW Indus Limited held 188,208,147 shares. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

Note 2: ECK & Partners Limited held 325,290,000 shares. ECK & Partners Limited was beneficially owned as to 61.43% by Ilyas Tariq Khan and as to 18.57% by Johnny Chan Kok Chung. Ilyas Tariq Khan is deemed to have interests in 325,290,000 shares since he is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited.

Note 3: Yuda Udomritthiruj held 16,097,387 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.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(ii) Interests in the underlying shares of the Company

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

Name of director	Date of grant	Subscription price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares represents to the issued share capital of the Company
Daniel Yen Tzu Chen	14 May 2003	HK$0.035	5,000,000	0.20%
Ahmad S. Al-Khaled	20 August 2004	HK$0.035	5,000,000	0.20%
Peter McIntyre Koenig	20 August 2004	HK$0.035	5,000,000	0.20%
Joseph Tong Tze Kay	20 August 2004	HK$0.035	5,000,000	0.20%

The directors consider that it is not appropriate to state the value of all the share options that were granted during the year ended 31 December 2004 under the Company's Share Option Scheme given that the variables which are critical for the calculation of the value of such share options cannot be reliably determined. The directors are of the view that the value of the share options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the directors believe that any calculation of the value of the share options will not be meaningful and may be misleading to shareholders in the circumstances.

(iii) Short Positions

None of the directors held short positions in the shares and underlying shares of the Company or any associated corporation.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(iv) Interests in the shares of an associated corporation, Crosby Capital Partners (Hong Kong) Limited (formerly known as Crosby Limited)

Name of director	Personal interest	Corporate interest	Aggregate long position in shares of the associated corporation	Percentage which the aggregate long position in shares of the associated corporation represents to the issued share capital of the associated corporation
Ilyas Tariq Khan (Note)	1	110,001	110,002	0.04%
Johnny Chan Kok Chung	30,000	–	30,000	0.01%

Note: TW Indus Limited held 110,001 shares in Crosby Capital Partners (Hong Kong) Limited. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

Save as disclosed above, at no time during the year had the directors (including their spouse and children under 18 years of age) any interest in, or been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations.

Save as disclosed above, at no time during the year was the Company, its subsidiaries, or associated corporations a party to any arrangement to enable the directors of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

As at 31 December 2004, the Company had not issued any debentures.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2004, the following persons, other than the directors of the Company, had interests and 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:

(i) Interests in the shares of the Company

Name	Number or approximate attributable number of shares	Approximate percentage or approximate attributable percentage holding of shares in issue
ECK & Partners Limited (Note 1)	325,290,000	13.00%
TBV Holdings Limited (Note 2)	302,055,000	12.07%
TW Indus Limited (Note 3)	188,208,147	7.52%

Note 1: ECK & Partners Limited held a direct interest in 325,290,000 shares. Ilyas Tariq Khan was beneficially interested in 61.43% of the share capital of ECK & Partners Limited and, therefore, Ilyas Tariq Khan was also interested in these 325,290,000 shares which are duplicated within the 593,492,223 shares in which Ilyas Tariq Khan was interested as a director.

Note 2: TBV Holdings Limited is a company wholly-owned by the Kuwait Fund for Arab Economic Development, a development finance agency owned by the government of Kuwait.

Note 3: TW Indus Limited held a direct interest in 188,208,147 shares. Ilyas Tariq Khan was beneficially interested in 100% of the share capital of TW Indus Limited and, therefore, Ilyas Tariq Khan was also interested in these 188,208,147 shares which are duplicated within the 593,492,223 shares in which Ilyas Tariq Khan was interested as a director.

(ii) Interests in the non-voting convertible deferred shares of the Company

Name	Number or approximate attributable number of shares	Approximate percentage or approximate attributable percentage holding of non-voting convertible deferred shares in issue
Simon Jeremy Fry	292,500,000	100%

Simon Jeremy Fry is the Chief Executive Officer of Crosby Capital Partners Inc., which is a 84.33% subsidiary of the Company as at 31 December 2004. Further to the Company's announcement dated 31 March 2004, the Company allotted 292,500,000 non-voting convertible deferred shares to Simon Jeremy Fry. Simon Jeremy Fry has also purchased 25,000,000 shares from the Company's Employee Share Ownership Plan and has committed to purchase a further 85,186,587 shares on deferred payment terms.

(iii) 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 2004, the directors of the Company are not aware of any other person who had an interest or short positions in the shares and underlying shares of the Company that was required to be recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' REPORT

SHARE OPTION SCHEME

Details of the Share Option Scheme are set out in note 25 to the financial statements. 15,000,000 share options were granted to the directors during the year.

As at the date of the directors' report, the number of additional options to subscribe for shares in the Company available for issue under the Company's Share Option Scheme, is 211,835,304 representing 8.46% of the issued share capital of the Company.

CONNECTED TRANSACTIONS

During the year, the Group had a connected party transaction in relation to the reorganisation and financing of Crosby's corporate finance advisory business servicing the Greater China market involving the establishment of a joint venture, as more fully described in the Company's circular to shareholders dated 9 September 2004. Save for the foregoing, the Group had no other connected party transactions that require disclosure under the GEM Listing Rules.

COMPETING INTERESTS

The directors are not aware of any business or interest, as at 31 December 2004, of the directors, initial management shareholders of the Company or their respective associates which was required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operating and investing activities with internally generated cashflows and the balance of proceeds from capital raisings by various subsidiaries.

As at 31 December 2004, the Group had cash and bank balances of US$6.1 million (2003: US$8.0 million). During the year, the Group utilised US$1.9 million (2003: US$3.8 million) to finance mainly its operating and investing activities.

FOREIGN CURRENCY EXCHANGE EXPOSURE

The Group's exposure to foreign currencies is limited to its investments in foreign subsidiaries, which are financed internally.

EMPLOYEE INFORMATION

As at 31 December 2004, the Group had 46 (2003: 49) full-time employees. Employee remuneration totaled US$6.6 million (2003: US$3.8 million). The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

DIRECTORS' REPORT

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the year.

AUDIT COMMITTEE

As required by Rule 5.28 of the GEM Listing Rules, the Company established an audit committee on 31 March 2000 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules which deal clearly with its authority and duties. As at 31 December 2004, the audit committee members comprised Joseph Tong Tze Kay, Daniel Yen Tzu Chen and Peter McIntyre Koenig. The committee's principal duties are to review and supervise the Group's financial reporting process and internal control systems. Four meetings were held by the committee during the year.

FULL NAME AND QUALIFICATIONS OF COMPANY SECRETARY, QUALIFIED ACCOUNTANT AND THE COMPLIANCE OFFICER

The Company Secretary and Qualified Accountant of the Company is Mr. Martin Angus. He is a member of the Institute of Chartered Accountants in England and Wales and is also a member of the Hong Kong Institute of Certified Public Accountants.

The Compliance Officer of the Company is Johnny Chan Kok Chung. He holds a post-graduate diploma from the Securities Institute of Australia and is an Associate of the Securities Institute of Australia (ASIA). He also has an MBA in International Business and a BA degree in Economics.

PENSION SCHEME

Hong Kong

Commencing from 1 December 2000, all Hong Kong employees have to participate in the Mandatory Provident Fund ("MPF") Scheme. Under such scheme, both the employee and employer have to contribute at least 5% of the employee's monthly salary to the MPF scheme (limited to HK$1,000 per contribution if no special agreement is made between the employees and employer).

All employees have participated in the Hong Kong and Shanghai Banking Corporation ("HSBC") MPF Scheme except for those who are exempted from this requirement. Under the HSBC MPF Scheme, both the Group and employees contribute 5% of salary (limited to HK$1,000) to the scheme each month. There is no voluntary contribution from the Group nor the employees.

Singapore

All employees based in Singapore have to participate in the Central Provident Fund Scheme in Singapore if they meet certain defined residency criteria. Both the employer and the employee must make contributions at the applicable rates.

United Kingdom

All United Kingdom employees have to participate in the National Insurance Scheme in United Kingdom. Both the employer and the employee must make contributions at the applicable rates.

The Group's contribution to these schemes amounted to US$100,158 for the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

The financial statements have been audited by Messrs. Grant Thornton who will retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Ilyas Tariq Khan
Chairman

18 March 2005

AUDITORS' REPORT

Certified Public Accountants
Hong Kong Member of
Grant Thornton International

Grant Thornton
均富會計師行

To the members of Techpacific Capital Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 26 to 64 which have been prepared in accordance with International Financial Reporting Standards.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton

Grant Thornton
Certified Public Accountants
Hong Kong

18 March 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	Notes	2004 US$	2003 US$
Turnover	4	**11,273,460**	3,148,112
Other revenue and gains	5	**46,269,892**	820,848
		57,543,352	3,968,960
Administrative expenses		**(9,697,536)**	(6,662,062)
Distribution expenses		**(26,263)**	(20,546)
Other operating expenses		**(3,459,042)**	(1,645,836)
Profit/(Loss) from operations	6	**44,360,511**	(4,359,484)
Finance costs		**(189)**	(1,485)
Share of profits/(losses) of associates		**13,931**	(35,060)
Profit/(Loss) before taxation		**44,374,253**	(4,396,029)
Taxation	7	**–**	(14,102)
Profit/(Loss) after taxation		**44,374,253**	(4,410,131)
Minority interests		**(10,813,330)**	41,417
Profit/(Loss) attributable to shareholders	8	**33,560,923**	(4,368,714)
Basic earnings/(loss) per share	9	**1.27 cents**	(0.17) cent

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Notes	2004 US$	2003 US$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**553,498**	326,989
Interests in associates	12	**281,486**	101,632
Available-for-sale investments	13	**604,280**	145,635
Intangible assets	14	**559,652**	154,449
		1,998,916	728,705
Current assets			
Amounts due from related parties	27	**102,284**	–
Debtors, deposits and prepayments	15	**1,664,210**	1,345,376
Other receivables	16	**58,811**	70,029
Financial assets held for trading	17	**49,227,220**	–
Cash and bank balances		**6,096,210**	8,026,709
		57,148,735	9,442,114
Current liabilities			
Creditors and accrued charges	18	**2,160,998**	1,440,981
Deferred income		**111,813**	60,589
Provision for taxation		**58,587**	57,054
Current portion of obligations under a finance lease	19	**5,353**	9,564
		2,336,751	1,568,188
Net current assets		**54,811,984**	7,873,926
Total assets less current liabilities		**56,810,900**	8,602,631
Non-current liabilities			
Obligations under a finance lease	19	**10,259**	–
Minority interests		**13,892,094**	75,999
Net assets		**42,908,547**	8,526,632
CAPITAL AND RESERVES			
Share capital	21	**2,795,077**	2,502,577
Reserves	22	**40,113,470**	6,024,055
Shareholders' funds		**42,908,547**	8,526,632

Johnny Chan Kok Chung
Director

Ilyas Tariq Khan
Director

BALANCE SHEET

As at 31 December 2004

	Notes	**2004** US$	2003 US$
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	10	**42,040,712**	16,412,804
Current assets			
Debtors, deposits and prepayments	15	**358,305**	458,228
Bank balances		**597,811**	752,476
		956,116	1,210,704
Current liabilities			
Creditors and accrued charges	18	**260,844**	121,324
Net current assets		**695,272**	1,089,380
Total assets less current liabilities/Net assets		**42,735,984**	17,502,184
CAPITAL AND RESERVES			
Share capital	21	**2,795,077**	2,502,577
Reserves	22	**39,940,907**	14,999,607
Shareholders' funds		**42,735,984**	17,502,184

Johnny Chan Kok Chung
Director

Ilyas Tariq Khan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Investment revaluation reserve	Foreign exchange reserve	Accumulated losses	Total
	US$	US$	US$	US$	US$	US$	US$	US$
At 1 January 2003	2,502,577	52,209,444	9,228,125	11,270	124,691	(108,909)	(51,019,401)	12,947,797
Surplus on revaluation	–	–	–	–	121,980	–	–	121,980
Exchange difference on consolidation	–	–	–	–	–	317	–	317
Net gains not recognised in the income statement	–	–	–	–	121,980	317	–	122,297
Disposal of listed investments	–	–	–	–	(174,748)	–	–	(174,748)
Loss attributable to shareholders	–	–	–	–	–	–	(4,368,714)	(4,368,714)
At 31 December 2003 and 1 January 2004	2,502,577	52,209,444	9,228,125	11,270	71,923	(108,592)	(55,388,115)	8,526,632
Surplus on revaluation	–	–	–	–	92,707	–	–	92,707
Exchange difference on consolidation	–	–	–	–	–	(171,715)	–	(171,715)
Net gains/(losses) not recognised in the income statement	–	–	–	–	92,707	(171,715)	–	(79,008)
Issue of non-voting convertible deferred shares	292,500	607,500	–	–	–	–	–	900,000
Profit attributable to shareholders	–	–	–	–	–	–	33,560,923	33,560,923
At 31 December 2004	**2,795,077**	**52,816,944**	**9,228,125**	**11,270**	**164,630**	**(280,307)**	**(21,827,192)**	**42,908,547**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Notes	2004 US$	2003 US$
Operating activities			
Profit/(Loss) before taxation and minority interests		**44,374,253**	(4,396,029)
Adjustments for:			
Amortisation of goodwill		**149,075**	164,576
Bad debts recovery		**(366,526)**	(162,149)
Compensation for early lapse of employees' share options	30(a)	**1,190,000**	–
Depreciation of property, plant and equipment		**215,162**	298,502
Exchange difference		**(183,238)**	–
Fee income received in kind	30(b)	**(7,000,000)**	–
Gain on deemed disposal of subsidiaries		**(3,140,002)**	–
Gain on disposal of available-for-sale investments		**(150,467)**	(338,488)
Gain on disposal of subsidiaries		**(54,359)**	(4,963)
Gain on disposal of trading investments		**–**	(97,240)
(Gain)/Loss on disposal of property, plant and equipment		**(21,612)**	61,930
Gain recognised on fair value of acquired subsidiaries in excess of acquisition cost		**(53,939)**	–
Gain recognised on fair value of increase in interest in a subsidiary in excess of acquisition cost		**(10,676)**	–
Increase in fair values of financial assets held for trading, net		**(41,741,426)**	–
Interest expenses		**189**	1,485
Interest income		**(55,378)**	(90,051)
Provision for doubtful debts		**86,173**	42,566
Share of (profits)/losses of associates		**(13,931)**	35,060
Write-back of provision for impairment of investments		**(140,937)**	–
Write-off of goodwill		**112,317**	–
Operating loss before working capital changes		**(6,805,322)**	(4,484,801)
Increase in debtors, deposits and prepayments		**(163,288)**	(455,470)
Decrease in tax recoverable		**–**	4,524
Increase in creditors and accrued charges		**714,136**	710,394
Increase/(Decrease) in deferred income		**51,224**	(35,564)
Increase/(Decrease) in amounts due to associates		**3,450**	(10,204)
Increase in amounts due from associates		**(13,646)**	–
Increase in tax payable		**1,533**	–
Decrease in amounts due to minority shareholders		**–**	(26,516)
Net cash outflow from operating activities		**(6,211,913)**	(4,297,637)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Notes	2004 US$	2003 US$
Investing activities			
Acquisition of an associate		–	(114,442)
Acquisition of available-for-sale investments		**(225,000)**	–
Acquisition of financial assets held for trading		**(485,795)**	–
Acquisition of subsidiaries, net of cash acquired	28	**616,331**	–
Acquisition of trademark	30(c)	**(207,012)**	–
Acquisition of trading investments		–	(27,884)
Disposal of subsidiaries, net of cash disposed	29	**(55,686)**	2,875
Interest paid		**(189)**	(1,485)
Interest received		**54,578**	93,485
Net (advance to)/repayment from investee companies		**(102,262)**	325,263
Net repayment from/(advance to) other debtors		**93,354**	(251,702)
Net repayment from staff		**11,219**	195,374
Proceeds from sale of available-for-sale investments		**142,892**	348,006
Proceeds from sale of property, plant and equipment		**35,310**	8,268
Proceeds from sale of trading investments		–	299,511
Purchases of property, plant and equipment		**(495,803)**	(305,720)
Net cash (outflow)/inflow from investing activities		**(618,063)**	571,549
Financing activities			
Repayment of finance lease obligations		**(9,564)**	(21,855)
Increase in finance lease obligations		**15,612**	–
Capital injection from minority shareholders		**4,896,047**	–
Net cash inflow/(outflow) from financing activities		**4,902,095**	(21,855)
Net decrease in cash and cash equivalents		**(1,927,881)**	(3,747,943)
Cash and cash equivalents as at 1 January		**8,026,709**	11,776,868
Effect of exchange rate fluctuations		**(2,618)**	(2,216)
Cash and cash equivalents as at 31 December		**6,096,210**	8,026,709

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2000 under the Companies Law (Revised) of the Cayman Islands.

The Company acts as the holding company of the Group. Details of the principal activities of the Company's subsidiaries are set out in note 10 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are as follows:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The financial statements are prepared under historical cost convention except for certain financial instruments.

In the current year, the Company has adopted, for the first time, the following new and revised IFRSs.

IAS 36 (revised 2004)	Impairment of assets
IAS 38 (revised 2004)	Intangible assets
IFRS 3 (2004)	Business combinations

The transition to IAS 36 (revised 2004), IAS 38 (revised 2004) and IFRS 3 (2004) was made in accordance with the specific transitional provisions of these standards.

These standards stipulate a prospective change to the accounting policies, i.e. without changes to prior period accounts. In addition, the transitional provisions required the simultaneous application of all three standards.

In accordance with the specific transitional provisions of IFRS 3 (2004), for any goodwill acquired subsequent to 1 April 2004, the goodwill is subject only to periodic testing for impairment instead of amortisation.

The other transitional provisions of IFRS 3 (2004) were not applicable. No adjustments to prior period accounts were deemed to be necessary as a result of the adoption of IAS 38 (revised 2004).

As a result of the adoption of IAS 36 (revised 2004), the Group's procedures for testing for the impairment of assets have been revised. For any goodwill acquired subsequent to 1 April 2004, the goodwill is tested for impairment on a periodic basis, irrespective of whether there is an indication of its impairment. The Group has allocated the carrying amount of its goodwill to its cash generating units.

Goodwill recognised on the balance sheet on or prior to 31 March 2004, the date specified in IFRS 3 (2004), the goodwill is stated after any accumulated amortisation and impairment and is amortised using the straight line method over a period of 3 years. Under the transitional provisions in IFRS 3 (2004), the goodwill can only be amortised up to 31 December 2004 and, since then, any carrying amount of the goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. The goodwill is stated after any accumulated amortisation and the impairment.

For the year ended 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Material intra-group balances and transactions, and any unrealised gains/losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiary

A subsidiary is a company over which the Company has the power, directly or indirectly, to govern its financial and operating decisions so as to derive economic benefits. The results of subsidiaries are included in the consolidated financial statements from the date that control effectively transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

In the Company's balance sheet, subsidiaries are stated at fair value with changes in fair value recognised in a revaluation reserve as they arise. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Associate

An associate is a company in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the post-acquisition profits or losses of associate and its share to post-acquisition movement in reserves of the associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. Any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associates. For associates that are acquired and held exclusively with a view to dispose of in the near future, the Group's interests are stated at cost, as reduced by any impairment losses recognised.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For the year ended 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

(i) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(ii) Depreciation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Computer hardware and software	25% – 50%
Furniture and fixtures	20% – 25%
Leasehold improvements	20% or over the terms of the leases
Motor vehicles	25%
Office equipment	20% – 33 $^{1}/_{3}$%

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(g) Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the asset to the Group. Assets acquired by way of finance lease are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease. The corresponding liabilities net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

For the year ended 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Investments

Investments are initially recognised at cost being the fair value of the consideration given and including transaction costs. They are subsequently carried at fair value based on quoted market prices, when available. For unquoted investments, management considers all available factors in determining fair value, which may include cost, the type of investment, subsequent purchases of the same or similar investments, and the current financial position and operating results of the company invested in. Any investment that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost and is subject to review for impairment.

Investments intended to be held on a continuing basis are classified as available-for-sale investments. Changes in fair value in these investments are recognised in a revaluation reserve when these changes arise. In the case of impairment, the deficit is recognised in the income statement. When these investments are disposed of, the related revaluation surplus or deficit is recognised as income or an expense.

(i) Financial assets held for trading

Financial assets held for trading are assets acquired for the purpose of generating a profit in the short-term. Financial assets held for trading are initially recognised at cost being the fair value of the consideration given and including transactions costs. They are subsequently carried at fair value and any changes to fair value are recognised in the income statement.

(j) Intangible assets

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired.

Goodwill recognised on the balance sheet on or prior to 31 March 2004, the date specified in IFRS 3 (2004), is amortised using the straight line method over a period of 3 years. Under the transitional provision in IFRS 3 (2004), the goodwill can only be amortised up to 31 December 2004 and, since then, any carrying amount of the goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. The goodwill is stated after any accumulated amortisation and impairment.

Goodwill arising from business combination acquiring on or after 31 March 2004 is reviewed annually for impairment.

The excess of the fair value of identifiable assets and liabilities in a business combination over the cost of acquisition is recognised directly in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Intangible assets (continued)

(ii) Trademarks

Expenditure on acquired trademarks is capitalised and is not amortised over the useful life, which is indefinite as there is no foreseeable limit to the period over which the asset is expected to generate net cashflows, based on an analysis of all of the relevant factors.

(k) Trade debtors

Trade debtors are carried at original invoice amount less provision made for impairment of trade debtors. A provision for impairment is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount being the present value of expected cash flow discounted at the market rate of interest for similar borrowings. Provision is made against trade debtors to the extent they are considered to be doubtful.

(l) Impairment

The Group's assets are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Income tax

Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit/(loss).

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Revenue

Revenue is recognised when it is probable that economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

– Fees from corporate finance and other advisory services are recognised when the services have been rendered.

– Fees from the placement of shares are recognised when the shares have been allotted and proceeds have been received by the client.

– Fund management fees are recognised in accordance with the substance of the relevant agreements.

– Interest income is recognised as it accrues, taking into account the effective yield on the asset.

– Services income from incubation operations is recognised as it accrues.

For the year ended 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) Pension obligations

The Group participates in defined contribution plans and pays contributions to publicly or privately administered pension plans on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(iii) Equity-related compensation

The Group's share option scheme allows directors and employees to acquire shares of the Company. When the option is exercised, equity is increased by the amount of the proceeds received and no compensation cost is recognised.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(p) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(q) Foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Transactions in foreign currencies are translated into the respective functional currencies at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currencies at the approximate rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

The consolidated financial statements are presented in the currency of United States dollars, which is the Company's presentation currency of the Company and most of the consolidated entities.

For the year ended 31 December 2004

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Foreign currencies (continued)

The assets and liabilities of subsidiaries and associates which are not denominated in United States dollars are translated into United States dollars at foreign exchange rates ruling at the balance sheet date. Their revenues and expenses are translated into United States dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity.

(r) Financial instruments

Financial instruments of the Group include various investments, loans and receivables, financial assets held for trading, cash and bank balances, creditors and other payables. The accounting policies for various types of investments and financial assets held for trading of the Group are set out in the individual accounting policies associated with these assets.

(s) Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in a particular business (business segment), or conducting business in a particular geographical area (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and short-term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

(u) Impact of recently issued IFRS

The revised, amended and new IFRS which are effective for accounting periods beginning on or after 1 January 2005 may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

The Group has not early adopted these revised, amended and new standards for the year ended 31 December 2004. The Group has commenced its assessment of the impact of these standards but it is not yet in a position to state whether these standards would have a material impact on its results of operations and financial position.

3. SEGMENTAL INFORMATION

(a) Primary reporting format – business segments:

The only material business segment the Group has is that of investment banking.

(b) Secondary reporting format – geographical segments:

The only material geographic segment where the Group operates is in Asia.

For the year ended 31 December 2004

4. TURNOVER

	2004	2003
	US$	US$
Corporate finance and other advisory fees	**10,199,148**	898,239
Fees from placement of shares	**6,410**	932,820
Fund management fee income	**1,042,478**	1,304,073
Others	**25,424**	12,980
	11,273,460	3,148,112

5. OTHER REVENUE AND GAINS

	2004	2003
	US$	US$
Bad debts recovery	**366,526**	162,149
Bank interest income	**40,593**	89,711
Consultancy fee income	**80,592**	–
Exchange difference	**183,238**	41,667
Gain on deemed disposal of subsidiaries	**3,140,002**	–
Gain on disposal of available-for-sale investments	**150,467**	338,488
Gain on disposal of property, plant and equipment	**21,612**	–
Gain on disposal of subsidiaries	**54,359**	4,963
Gain on disposal of trading investments	**–**	97,240
Gain recognised on fair value of acquired subsidiaries in excess of acquisition cost	**53,939**	–
Gain recognised on fair value of increase in interest in a subsidiary in excess of acquisition cost	**10,676**	–
Increase in fair values of financial assets held for trading	**41,773,760**	–
Incubation service fee income	**–**	45,224
Management fee income	**30,000**	–
Other interest income	**14,785**	340
Others	**208,406**	41,066
Write-back of provision for impairment of investments	**140,937**	–
	46,269,892	820,848

For the year ended 31 December 2004

6. PROFIT/(LOSS) FROM OPERATIONS

	2004	2003
	US$	US$
Profit/(Loss) from operations is arrived at after charging:		
Amortisation of goodwill	**149,075**	164,576
Write-off of goodwill (note 14)	**112,317**	–
Auditors' remuneration	**149,790**	68,950
Compensation for early lapse of employees' share options (Note)	**1,198,686**	–
Depreciation:		
– owned assets	**201,857**	282,536
– assets held under finance leases	**13,305**	15,966
Decrease in fair values of financial assets held for trading	**32,334**	–
Loss on disposal of property, plant and equipment	**–**	61,930
Operating leases charges in respect of rented premises	**489,694**	572,991
Portfolio management advisory fee	**622,180**	669,375
Provident/Pension fund contributions	**100,158**	54,640
Provision for doubtful debts	**86,173**	42,566
Staff costs (excluding directors' remuneration but including provident fund contributions)	**6,549,805**	3,844,842

Note: During the year, the Company entered into agreements with certain employees of the Group whereby they would be compensated in return for early lapse of their outstanding share options. One of the options holders is a director of a subsidiary who following the approval of the shareholders of the Company was compensated for US$900,000, satisfied by the allotment of 292,500,000 non-voting convertible deferred shares of the Company. Further details are set out in note 21 to the financial statements.

7. TAXATION

	2004	2003
	US$	US$
Current tax		
Overseas tax	**–**	(14,102)

No Hong Kong or overseas income tax has been provided in the financial statements as the Group did not make any assessable profit for the year (2003: US$Nil).

For the year ended 31 December 2004

7. TAXATION (continued)

A reconciliation of the tax expense applicable to profit/(loss) before taxation using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax credit or expenses at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

Group

	2004		2003	
	US$	**%**	US$	%
Profit/(Loss) before taxation	**44,374,253**		(4,396,029)	
Tax at statutory tax rates	**7,765,494**	**17.50**	(769,305)	17.50
Effect of different tax rates of subsidiaries operating in other regions	**(215,285)**	**(0.48)**	(60,151)	1.37
Tax effect of share of results of associates	**(2,438)**	**(0.01)**	6,135	(0.14)
Tax effect of prior year's tax losses utilised this year	**(16,358)**	**(0.04)**	–	–
Income not subject to tax	**(9,309,349)**	**(20.98)**	(134,000)	3.05
Expenses not deductible for tax	**207,868**	**0.47**	160,760	(3.66)
Tax effect of unrecognised temporary difference	**16,541**	**0.04**	(32,374)	0.74
Tax effect of unrecognised tax losses	**1,553,527**	**3.50**	843,037	(19.18)
Tax charge at the Group's effective tax rate	**–**	**–**	14,102	(0.32)

8. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the consolidated profit attributable to shareholders of US$33,560,923 (2003: loss attributable to shareholders of US$4,368,714), a profit of US$24,333,800 (2003: US$1,007,460) has been dealt with in the financial statements of the Company.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of US$33,560,923 (2003: loss of US$4,368,714) and the weighted average number of ordinary shares of 2,649,626,425 (2003: 2,502,577,245) in issue during the year. The calculation of weighted average number of ordinary shares in issue includes the non-voting convertible deferred shares as it ranks pari passu with ordinary shares in respect of all distributions.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share for the year ended 31 December 2004 is shown as the outstanding share options were anti-dilutive.

10. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	US$	US$
Investments at fair value		
Unlisted shares, outside Hong Kong	**42,294,490**	16,000,001
Amounts due from subsidiaries	**41,547,954**	42,124,196
Less: Provision for impairment	**(41,538,923)**	(41,588,824)
	42,303,521	16,535,373
Amounts due to subsidiaries	**(262,809)**	(122,569)
	42,040,712	16,412,804

Amounts due from/to subsidiaries are interest free, unsecured and have no fixed repayment terms.

For the year ended 31 December 2004

10. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2004 are as follows:

Name	Place of incorporation	Principal place of operation	Particular of issued share capital	Percentage of equity interest attributable to the Group indirectly/directly* 2004	2003	Principal activities
Crosby Capital Partners Inc. (formerly known as Skiddaw Capital Inc.)	Cayman Islands	N/A	235,600,000 ordinary shares at US$0.01 each	**84.33%***	–	Investment holding
Crosby Capital Partners (Hong Kong) Limited (formerly known as Crosby Limited)	Hong Kong	Hong Kong	299,288,547 ordinary shares at US$0.01 each	**84.24%**	99.9%	Provision of financial advisory and corporate services
Crosby Investment Holdings Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	**84.33%**	100%	Investment holding
Crosby Capital Partners Limited	United Kingdom	United Kingdom	547,797 ordinary shares at £1 each	**84.33%**	100%	Provision of financial advisory services
Sunov Petroleum (Pakistan) Limited	British Virgin Islands	N/A	1,000 ordinary shares at US$1 each	**44.61%**	–	Investment holding
Silk Route Petroleum Limited	British Virgin Islands	N/A	1,000 ordinary shares at US$1 each	**47.73%**	–	Investment holding
techpacific.com (BVI) Investments Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
techpacific.com Investments Limited	Cayman Islands	N/A	2 ordinary shares at US$1 each	**100%**	100%	Investment holding
Techpacific Venture Capital Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding

For the year ended 31 December 2004

10. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Principal place of operation	Particular of issued share capital	Percentage of equity interest attributable to the Group indirectly/directly*		Principal activities
				2004	2003	
Crosby Corporate Finance (Hong Kong) Limited (formerly known as Crosby Capital Partners (Hong Kong) Limited)	Hong Kong	Hong Kong	100 ordinary shares at HK$0.01 each	**84.33%**	100%	Provision of financial advisory services
techpacific.com Venture Capital Limited	British Virgin Islands	N/A	1,000 ordinary shares at US$1 each	**75.1%**	75.1%	Fund management
Nirvana Pacific Capital Limited	Cayman Islands	N/A	420,000 ordinary shares at US$0.01 each	**100%**	100%	Investment holding
Softech Investment Management Company Limited	Hong Kong	Hong Kong	502 ordinary shares at HK$10 each	**50%**	50%	Fund management
Sunov Crosby (Holdings) Limited (formerly known as Crosby Capital Partners ((BVI) Limited)	British Virgin Islands	N/A	100 ordinary shares at US$1 each	**84.33%**	100%	Investment holding
Crosby Wealth Management (Cayman) Limited	Cayman Islands	N/A	18,000 ordinary shares at US$1 each	**46.85%**	–	Investment holding
Crosby Wealth Management (Hong Kong) Limited	Hong Kong	Hong Kong	6,001 ordinary shares at HK$1 each	**46.85%**	–	Provision of wealth management services
Crosby Pte Limited	Singapore	Singapore	50,002 ordinary shares at S$1 each	**84.33%**	100%	Provision of corporate services

For the year ended 31 December 2004

10. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Principal place of operation	Particular of issued share capital	Percentage of equity interest attributable to the Group indirectly/directly* 2004	2003	Principal activities
PT Crosby Capital Partners Indonesia (formerly known as PT Crosby Indonesia)	Indonesia	Indonesia	1,000 ordinary shares at US$25 each	**84.33%**	100%	Provision of financial advisory services
Crosby Asset Management (Hong Kong) Limited	Hong Kong	Hong Kong	9,990 ordinary shares at HK$1 each	**84.33%**	100%	Provision of investment advisory and fund administration services
Crosby Capital Partners (Singapore) Pte Limited	Singapore	Singapore	12,560,000 ordinary shares at S$1 each	**84.33%**	95%	Provision of financial advisory services

All of the principal subsidiaries are incorporated as limited liability companies.

For the year ended 31 December 2004

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Computer hardware and software	Furniture and fixtures	Leasehold improvements	Motor vehicles	Office equipment	Total
	US$	US$	US$	US$	US$	US$
Cost						
At 1 January 2003	178,676	266,318	460,142	108,159	183,542	1,196,837
Additions	35,274	9,939	248,115	–	12,392	305,720
Disposals	(18,948)	(139,286)	(404,218)	–	(22,818)	(585,270)
Reclassification	–	4,618	–	–	(4,618)	–
Exchange adjustments	125	68	646	–	304	1,143
At 31 December 2003	195,127	141,657	304,685	108,159	168,802	918,430
At 1 January 2004	195,127	141,657	304,685	108,159	168,802	918,430
Additions	52,817	15,773	334,560	54,640	38,013	495,803
Disposals	(13,017)	(9,486)	–	(45,236)	(641)	(68,380)
Disposal of subsidiaries	(15,975)	(12,765)	(15,754)	–	(9,549)	(54,043)
Exchange adjustments	708	347	2,128	–	1,004	4,187
At 31 December 2004	**219,660**	**135,526**	**625,619**	**117,563**	**197,629**	**1,295,997**
Accumulated depreciation						
At 1 January 2003	139,123	119,210	360,203	55,100	133,320	806,956
Charge for the year	36,753	39,484	155,376	30,414	36,475	298,502
Disposals	(17,151)	(72,750)	(404,218)	–	(20,953)	(515,072)
Reclassification	–	134	–	–	(134)	–
Exchange adjustments	134	(73)	615	–	379	1,055
At 31 December 2003	158,859	86,005	111,976	85,514	149,087	591,441
At 1 January 2004	158,859	86,005	111,976	85,514	149,087	591,441
Charge for the year	23,076	24,229	134,842	15,609	17,406	215,162
Disposals	(10,696)	(7,422)	–	(35,923)	(641)	(54,682)
Disposal of subsidiaries	(4,173)	(1,591)	(6,028)	–	(1,289)	(13,081)
Exchange adjustments	470	223	2,043	–	923	3,659
At 31 December 2004	**167,536**	**101,444**	**242,833**	**65,200**	**165,486**	**742,499**
Net book value						
At 1 January 2003	39,553	147,108	99,939	53,059	50,222	389,881
At 31 December 2003	36,268	55,652	192,709	22,645	19,715	326,989
At 1 January 2004	36,268	55,652	192,709	22,645	19,715	326,989
At 31 December 2004	**52,124**	**34,082**	**382,786**	**52,363**	**32,143**	**553,498**

Included in motor vehicles above is a motor vehicle with a net book value of US$52,363 (2003: US$22,618) held under a finance lease.

For the year ended 31 December 2004

12. INTERESTS IN ASSOCIATES

		Group	
		2004	2003
	Notes	**US$**	US$
Share of net assets other than goodwill		**275,411**	105,753
Premium on acquisition		**381,019**	381,019
		656,430	486,772
Less: Provision for impairment		**(377,657)**	(377,657)
	(a)	**278,773**	109,115
Investments at cost		**1,969,741**	1,969,741
Less: Provision for impairment		**(1,969,741)**	(1,969,741)
	(b)	**–**	–
Amounts due from associates		**17,362**	3,716
Amounts due to associates		**(14,649)**	(11,199)
		281,486	101,632

(a) Particulars of principal associates accounted for under the equity method are as follows:

Name	Place of incorporation	Percentage of issued capital held indirectly 2004	2003	Principal activities
Henderson Baillieu Limited	Cayman Islands	**40%**	40%	Executive search
Upstream Asia Limited	British Virgin Islands	**27.05%**	27.05%	Technology marketing and promotion
Crosby Asset Management South Asia Limited (formerly known as Crosby Asset Management International Limited) ("CAMSAL")	British Virgin Islands	**100%** *Note (i)*	100% *Note (i)*	Investment holding

For the year ended 31 December 2004

12. INTERESTS IN ASSOCIATES (continued)

(a) Particulars of principal associates accounted for under the equity method are as follows: (continued)

Name	Place of incorporation	Percentage of issued capital held indirectly		Principal activities
		2004	2003	
Crosby Asset Management Limited ("CAML")	Pakistan	**100%** *Note (ii)*	100% *Note (ii)*	Provision of investment advisory and asset management services
Crosby Securities Pakistan (Private) Limited ("CSPL")	Pakistan	**20%** *Note (ii)*	–	Securities dealing
SBI CROSBY (Holdings) Limited	British Virgin Islands	**50%**	–	Investment holding
SBI CROSBY Limited	Hong Kong	**50%** *Note (iii)*	–	Provision of corporate finance advisory services

(i) CAMSAL is considered as an associate of the Group because under an investment agreement signed on 20 March 2003, a third party agreed to invest US$456,000 into CAMSAL by way of a convertible loan note which gives the holder an option to convert the loan note into ordinary shares of CAMSAL at any time and the right to participate in any dividend or other distributions made by CAMSAL on the basis that the loan has been converted into shares immediately prior to the distribution. As at 31 December 2004, the third party is considered to hold an effective 80% equity interest in CAMSAL .

(ii) CAML and CSPL are wholly owned subsidiaries of CAMSAL . As a result of the above investment arrangement, CAML and CSPL are considered as associates of the Group and that third party is also considered to hold effective 80% equity interests in CAML and CSPL as at 31 December 2004.

(iii) SBI CROSBY Limited is a wholly owned subsidiary of SBI CROSBY (Holdings) Limited.

For the year ended 31 December 2004

12. INTERESTS IN ASSOCIATES (continued)

(b) This amount represents the investments in the associates that are acquired and held exclusively with a view to their disposal in the near future. They are accounted for at cost, as reduced by any impairment losses recognised. The particulars of such associates are as follows:

Name	Place of incorporation	Percentage of issued capital held indirectly 2004	2003	Principal activities
Asset Publishing and Research Asia Limited	British Virgin Islands	**34.6%**	34.6%	Research and magazine publishing
OpenOffering Technology Limited (Formerly known as OpenIBN Technology Holdings Limited)	British Virgin Islands	**30%**	30%	Dormant

13. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2004	2003
	US$	US$
Unlisted investments, at cost		
Convertible bonds and loans	**113,636**	151,515
Convertible preference shares	**429,236**	548,868
Debentures	**71,795**	71,795
Ordinary shares	**4,617,358**	5,192,419
	5,232,025	5,964,597
Less: Provision for impairment	**(4,935,230)**	(5,892,802)
	296,795	71,795
Listed investments, at fair value		
Ordinary shares	**307,485**	73,840
	604,280	145,635

For the year ended 31 December 2004

14. INTANGIBLE ASSETS

Group

	Trademark	Goodwill	Total
	US$	US$	US$
Cost			
At 1 January 2003 and 31 December 2003	–	493,727	493,727
At 1 January 2004	–	493,727	493,727
Acquisition of additional interests in subsidiaries	–	188,293	188,293
Acquisition of trademark	478,302	–	478,302
At 31 December 2004	478,302	682,020	1,160,322
Accumulated amortisation and impairment			
At 1 January 2003	–	174,702	174,702
Amortisation	–	164,576	164,576
At 31 December 2003	–	339,278	339,278
At 1 January 2004	–	339,278	339,278
Amortisation	–	149,075	149,075
Impairment (notes 6 and 14(a))	–	112,317	112,317
At 31 December 2004	–	600,670	600,670
Net book value			
At 1 January 2003	–	319,025	319,025
At 31 December 2003	–	154,449	154,449
At 1 January 2004	–	154,449	154,449
At 31 December 2004	**478,302**	**81,350**	**559,652**

(a) The directors have reviewed the carrying amount of goodwill at the balance sheet date and consider the goodwill should be written off because the goodwill was mainly attributable to acquisition of a shell company listed on the Alternative Investment Market in the United Kingdom which did not have business.

For the year ended 31 December 2004

15. TRADE DEBTORS

The Group allows a credit period ranging from 15 to 45 days to its investment banking clients.

At the balance sheet date, included in debtors, deposits and prepayments are trade debtors of US$230,897 (2003: US$350,386).

	Group	
	2004	2003
	US$	US$
0 – 30 Days	**150,000**	162,225
31 – 60 Days	**1,000**	110,320
61 – 90 Days	**–**	50,000
Over 90 Days	**79,897**	27,841
	230,897	350,386

The Company had no trade debtors throughout the year.

16. OTHER RECEIVABLES

Included in this balance are staff loans and advances of US$57,783 (2003: US$69,002). Such loans and advances were granted at the discretion of the management and were for the purpose of assisting employees to buy the Company's shares prior to the Company's initial public offering and for other purposes. The loans and advances are partially or wholly secured by the borrowers' shares in the Company and repayable by instalment as agreed with the borrowers.

17. FINANCIAL ASSETS HELD FOR TRADING

	Group	
	2004	2003
	US$	US$
Ordinary shares, listed investment, at fair value	**239,960**	–
Others (note)	**48,987,260**	–
	49,227,220	–

Note: Others comprise the economic interests in the oil and gas assets of Novus Petroleum Limited located in the United States, Pakistan and the Middle East and are stated at fair value.

For the year ended 31 December 2004

18. CREDITORS AND ACCRUED CHARGES

The Group and the Company had no trade creditors throughout the year.

19. OBLIGATIONS UNDER A FINANCE LEASE

(a) Finance lease liabilities – minimum lease payments:

	Group	
	2004	2003
	US$	US$
Due within one year	**5,689**	9,725
Due in the second to fifth years	**10,904**	–
	16,593	9,725
Future finance charges on finance leases	**(981)**	(161)
Present value of finance lease liabilities	**15,612**	9,564

(b) The present value of finance lease liabilities is as follows:

	Group	
	2004	2003
	US$	US$
Due within one year	**5,353**	9,564
Due in the second to fifth years	**10,259**	–
	15,612	9,564

20. DEFERRED TAXATION

The following are the major deferred tax assets not recognised in the consolidated balance sheet.

	Accelerated tax depreciation	**Tax losses***	**Total**
	US$	US$	US$
As 31 December 2003	2,664	3,596,517	3,599,181
As 31 December 2004	2,340	4,959,300	4,961,640

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

* The tax losses can be carried forward indefinitely if certain criteria can be met under the respective tax jurisdictions.

For the year ended 31 December 2004

21. SHARE CAPITAL

	Number of ordinary shares	Number of non-voting convertible deferred shares	Number of convertible redeemable preference shares	Amount
				US$
Authorised (par value of US$0.001 each)				
At 1 January 2004 and 31 December 2004	20,000,000,000	(note(a)) –	1,000,000	20,001,000
Issued and fully paid (par value of US$0.001 each)				
At 1 January 2004	2,502,577,245	–	–	2,502,577
Issue of shares (note (b))	–	292,500,000	–	292,500
At 31 December 2004	**2,502,577,245**	**292,500,000**	**–**	**2,795,077**

Notes:

(a) No authorised share capital with respect to these non-voting convertible deferred shares is required.

(b) On 24 May 2004 at an extraordinary general meeting, a resolution was passed by shareholders authorising the issue of 292,500,000 non-voting convertible deferred shares for compensation for the lapse of outstanding share options, amounting to US$900,000 (US$607,500 representing the premium in excess of the nominal value of the share issued of US$292,500 is credited to the Company's share premium account as set out in note 22 to the financial statements), held by a director of a subsidiary. The deferred shares have the following rights and restrictions:

(i) The holder is not entitled to vote at any general meetings of the Company.

(ii) The shares rank pari passu with ordinary shares in respect of all distributions.

(iii) Each deferred share can be converted into one ordinary share commencing three months from the date of issue and can be converted upon 14 days prior written notice to the Company. There is no expiration date for the right of conversion. The deferred shares have no redemption rights.

For the year ended 31 December 2004

22. RESERVES

	Group 2004	Group 2003
	US$	US$
Share premium	**52,816,944**	52,209,444
Capital reserve	**9,228,125**	9,228,125
Capital redemption reserve	**11,270**	11,270
Investment revaluation reserve	**164,630**	71,923
Foreign exchange reserve	**(280,307)**	(108,592)
Accumulated losses	**(21,827,192)**	(55,388,115)
	40,113,470	6,024,055

Company

	Share premium	**Capital redemption reserve**	**Capital reserve**	**Accumulated losses**	**Total**
	US$	US$	US$	US$	US$
At 1 January 2003	52,209,444	11,270	4,639,099	(42,867,666)	13,992,147
Profit for the year	–	–	–	1,007,460	1,007,460
At 31 December 2003 and 1 January 2004	52,209,444	11,270	4,639,099	(41,860,206)	14,999,607
Issue of non-voting convertible deferred shares (note 21(b))	607,500	–	–	–	607,500
Profit for the year	–	–	–	24,333,800	24,333,800
At 31 December 2004	**52,816,944**	**11,270**	**4,639,099**	**(17,526,406)**	**39,940,907**

For the year ended 31 December 2004

22. RESERVES (continued)

In the opinion of the Company's directors, the Company's reserves available for distribution to shareholders were as follows:

	2004	2003
	US$	US$
Accumulated losses	**(17,526,406)**	(41,860,206)
Capital reserve	**4,639,099**	4,639,099
Share premium	**52,816,944**	52,209,444
	39,929,637	14,988,337

23. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Remuneration of the directors for the year is as follows:

	2004	2003
	US$	US$
Fees	**90,519**	40,000
Other emoluments		
Salaries, allowances and benefits in kind	**784,393**	676,146
Provident fund contributions	**5,715**	4,615
	790,108	680,761
	880,627	720,761

Fees include US$46,155 (2003: US$10,000) payable to the non-executive directors and US$44,364 (2003: US$30,000) payable to the independent non-executive directors. Other emoluments payable to the non-executive directors during the year amounted to US$398,906 (2003: US$216,923). No other emoluments were paid to independent non-executive directors for the years ended 31 December 2004 and 31 December 2003.

For the year ended 31 December 2004

23. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(a) Remuneration of the directors for the year is as follows: (continued)

Details of the emoluments of each director are as follows:

	2004	2003
	US$	US$
Director A	**391,202**	237,689
Director B	**335,189**	226,149
Director C	**63,717**	216,923
Director D	**39,999**	–
Director E	**15,000**	10,000
Director F	**12,849**	–
Director G	**8,773**	20,000
Director H	**7,742**	–
Director I	**6,156**	10,000
	880,627	720,761

None of the directors of the Company waived any emoluments during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2003: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: three) individuals during the year are as follows:

	2004	2003
	US$	US$
Salaries, allowances and benefits in kind	**899,740**	418,587
Bonus paid and payable	**239,832**	352,243
Provident fund contributions	**8,674**	7,729
	1,148,246	778,559

For the year ended 31 December 2004

23. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(b) Five highest paid individuals (continued)

	Number of individuals	
	2004	2003
Emoluments band		
US$193,001 to US$257,000	**–**	1
US$257,001 to US$321,000	**1**	2
US$321,001 to US$385,000	**1**	–
US$385,001 to US$449,000	**–**	–
US$449,001 to US$513,000	**1**	–

During the year, no emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

24. FINANCIAL INSTRUMENTS

The Group uses financial instruments comprising cash and bank balances, loan and receivables, available-for-sale investments, financial assets held for trading and a finance lease contract. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

(a) Credit risks

Cash and bank balances

The Group's bank balances were mainly with leading banks in Hong Kong

Short term debtors and creditors, loans and other receivables

The Group's debtors and creditors have no significant credit risks as the Group does not have a significant exposure to any individual client or counterparty and they are of short term in nature.

Borrowing facilities

Other than a finance lease contract the Group has no borrowing facilities available to it.

(b) Currency risk

The Group's exposure to foreign currencies during the year was limited to its investments in foreign subsidiaries which are financial internally.

(c) Interest rate risk

The Group has no significant interest rate risk due to no interest bearing borrowings.

(d) Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts and the majority of the Group's financial assets is measured at fair value.

For the year ended 31 December 2004

25. EQUITY COMPENSATION BENEFITS

(a) 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 executive director, 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 Share Option Scheme are exercisable as follows:

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

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

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

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

Date of options grant	Options granted	Options exercise price	Options lapsed since grant	Options outstanding	Options exercisable as at 31 December 2004
27 March 2002	248,244,700	HK$0.0704	247,944,700	300,000	180,000
18 March 2003	54,000,000	HK$0.0350	54,000,000	–	–
14 May 2003	15,000,000	HK$0.0350	10,000,000	5,000,000	1,500,000
18 June 2003	26,064,000	HK$0.0350	26,064,000	–	–
11 July 2003	312,000,000	HK$0.0350	312,000,000	–	–
1 December 2003	21,000,000	HK$0.0350	21,000,000	–	–
20 August 2004	15,000,000	HK$0.0350	–	15,000,000	–
	691,308,700		671,008,700	20,300,000	1,680,000

No options granted under the Share Option Scheme had been exercised as at 31 December 2004.

For the year ended 31 December 2004

25. EQUITY COMPENSATION BENEFITS (continued)

Movements of the share options granted under the Share Option Scheme during the year are as follows:

	Exercise price HK$0.0704	**Exercise price HK$0.035**
At 1 January 2003	167,200,000	–
Granted during the year	–	428,064,000
Lapsed during the year	(50,900,000)	(5,000,000)
At 31 December 2003	116,300,000	423,064,000
Granted during the year	–	15,000,000
Lapsed during the year	(116,000,000)	(418,064,000)
At 31 December 2004	**300,000**	**20,000,000**

26. COMMITMENTS

(a) At 31 December 2004, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings and motor vehicles are payable as follows:

	2004 Land and buildings	2003 Land and buildings	**2004 Motor vehicles**	2003 Motor vehicles	**2004 Total**	2003 Total
	US$	US$	**US$**	US$	**US$**	US$
Within one year	**500,915**	343,886	**14,664**	–	**515,579**	343,886
In the second to fifth years	**490,764**	323,396	**–**	–	**490,764**	323,396
	991,679	667,282	**14,664**	–	**1,006,343**	667,282

The Group leases a number of properties under operating leases in Hong Kong and overseas. None of the leases includes contingent rentals.

The Company had no commitments under non-cancellable operating leases as at 31 December 2004.

For the year ended 31 December 2004

26. COMMITMENTS (continued)

(b) At 31 December 2004, details of the Group's capital commitments are as follows:

	2004	2003
	US$	US$
Authorised but not contracted for	**–**	6,021
Contracted but not provided for	**43,490**	253,784

The Company had no capital commitments as at 31 December 2004.

27. RELATED PARTY TRANSACTIONS AND BALANCES

Identity of related parties:

The Group has a related party relationship with certain investee companies.

(a) During the year, the Group had the following related party transactions:

	2004	2003
	US$	US$
Advertising and marketing expenses to an associate	**(26,754)**	(3,076)
Corporate finance and other advisory fees from investee companies	**5,128**	1,282
Consultancy and technical support fees paid to shareholder of a subsidiary	**–**	(39,170)
Fund management fee income from an investee company	**–**	150,000
Incubation services income from an associate	**–**	14,488
Sales proceeds of investment received by an investee company on behalf of the Group	**56,819**	64,849

(b) At the balance sheet date, the amounts due from related parties are interest free, unsecured and have no fixed repayment terms.

For the year ended 31 December 2004

28. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 88.89%, 45.02% and 48.17% of the share capital of Crosby Capital Partners Inc. ("CCPI"), Sunov Petroleum (Pakistan) Limited ("Sunov Pakistan") and Silk Route Petroleum Limited ("Silk Route") respectively. The acquired businesses contributed revenues of US$10,570,483 and net profit of US$8,778,423 to the Group since their acquisition.

Details of net assets acquired and goodwill are as follows:

	CCPI	Sunov Pakistan	Silk Route	Total
	US$	US$	US$	US$
Purchase consideration:				
Cash paid	–	529	566	1,095
Direct costs relating to the acquisition	1,316,503	–	–	1,316,503
Fair value of shares issued by a subsidiary	550,487	–	–	550,487
Total purchase consideration	1,866,990	529	566	1,868,085
Fair value of net assets acquired	(1,760,047)	(37,511)	(17,523)	(1,815,081)
Goodwill/(Gain recognised on fair value of increase in interest in a subsidiary in excess of acquisition cost)	106,943	(36,982)	(16,957)	53,004

The assets and liabilities arising from the acquisition are as follows:

	CCPI	Sunov Pakistan	Silk Route	Total acquirees' carrying amounts
	US$	US$	US$	US$
Cash and cash equivalents	1,832,059	70,910	30,960	1,933,929
Minority interests	(72,012)	(33,399)	(13,437)	(118,848)
Net assets acquired	1,760,047	37,511	17,523	1,815,081

The directors consider the fair values of the net assets of subsidiaries acquired are not materially different from their carrying amount.

No disclosure has been made in respect of the revenue and profit or loss of the combined entity for the year as though the acquisition date for all business combinations effected during the year had been the beginning of that year as the directors consider the overall impact to the financial statements of the Group would not be materially different had the acquisition occurred on 1 January 2004.

For the year ended 31 December 2004

28. ACQUISITION OF SUBSIDIARIES (continued)

An analysis of net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	US$
Cash and cash equivalents in subsidiaries acquired	1,933,929
Purchase consideration settled in cash	(1,317,598)
Net cash inflow from acquisition	616,331

There were no acquisitions in the year ended 31 December 2003.

29. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its 50% interest in each of SBI CROSBY (Shanghai) Limited and SBI CROSBY (Beijing) Limited and 100% interest in CCP Buyout Fund Limited. The disposed business contributed net profit of US$5,232 (2003: loss of US$2,088) to the Group from 1 January 2004 to the dates of disposal.

	2004	2003
	US$	US$
Net assets/(liabilities) disposed of:		
Interest in an associate	**–**	378
Property, plant and equipment	**35,836**	–
Debtors, deposits and prepayments	**24,420**	2
Amount due from immediate holding company	**1,000**	–
Cash and bank balances	**65,686**	–
Creditors and accrued charges	**(5,881)**	(577)
Provision for taxation	**(613)**	–
Amounts due to fellow subsidiaries	**(38,312)**	–
Amount due to immediate holding company	**(70,673)**	–
Amount due to ultimate holding company	**–**	(1,891)
	11,463	(2,088)
Gain on disposal of subsidiaries	**18,397**	4,963
Total consideration	**29,860**	2,875
Satisfied by:		
Cash	**10,000**	2,875
Capital investments in associates	**19,860**	–
	29,860	2,875

For the year ended 31 December 2004

29. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2004	2003
	US$	US$
Cash consideration	**10,000**	2,875
Cash and bank balances disposed	**(65,686)**	–
Net cash (outflow)/inflow on disposal	**(55,686)**	2,875

30. MAJOR NON-CASH TRANSACTIONS

(a) During the year, the Company entered into the agreements with certain employees of the Group to compensate them for early lapse of their outstanding share options. The total compensation was approximately US$1,198,000, approximately US$1,190,000 of which was satisfied by the Company by the allotment of 292,500,000 non-voting convertible deferred shares at a price of HK$0.024 per share and the shares of CCPI, a 84.33% owned subsidiary.

(b) During the year, a subsidiary of the Company has provided services to a client in return for a fee income which was satisfied by the economic interest in oil and gas assets in Pakistan at a valuation of US$7,000,000 as classified under financial assets held for trading in the consolidated balance sheet.

(c) During the year, various subsidiaries of the Group entered into an agreement in relation to, amongst other matters, the acquisition of the "Crosby" brand name for the provision of financial services in Europe. Part of the consideration amounting to US$271,290 was satisfied by issuing 600,000 ordinary shares of CCPI, at the subscription price of £0.25 per share.

31. CONTINGENCIES

Litigation is in progress against a subsidiary of the Company. The litigation arises from an agreement by the aforementioned subsidiary of the Company to acquire listed shares from the plaintiffs in the litigation. The litigation proceedings seek an injunction to prevent the sale of the listed shares to the subsidiary of the Company or, in the alternative, unspecified damages alleging a conspiracy by the subsidiary of the Company to harm the sellers of the shares who are plaintiffs in the litigation. The directors, after consulting the Group's lawyers, are of the opinion that the possibility for the claim to be successful is unlikely and no provision has been made in the financial statements in this regard.

Save as disclosed above, the Group and the Company had no other material contingent liabilities at the balance sheet date.

32. SUBSEQUENT EVENT

On 31 January 2005, a subsidiary of the Company sold its interest in Sunov Petroleum Limited to Lodore Resources Inc. ("Lodore") for Lodore's shares which were valued at approximately US$82.4 million at that date. The directors consider that the fair value of Sunov Petroleum Limited as at 31 December 2004 should be determined by reference to the above transaction and be discounted by a number of factors, including timing, liquidity and risk. During the year ended 31 December 2004, only US$38.4 million of which has been recognised in the financial statements.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 18 March 2005.