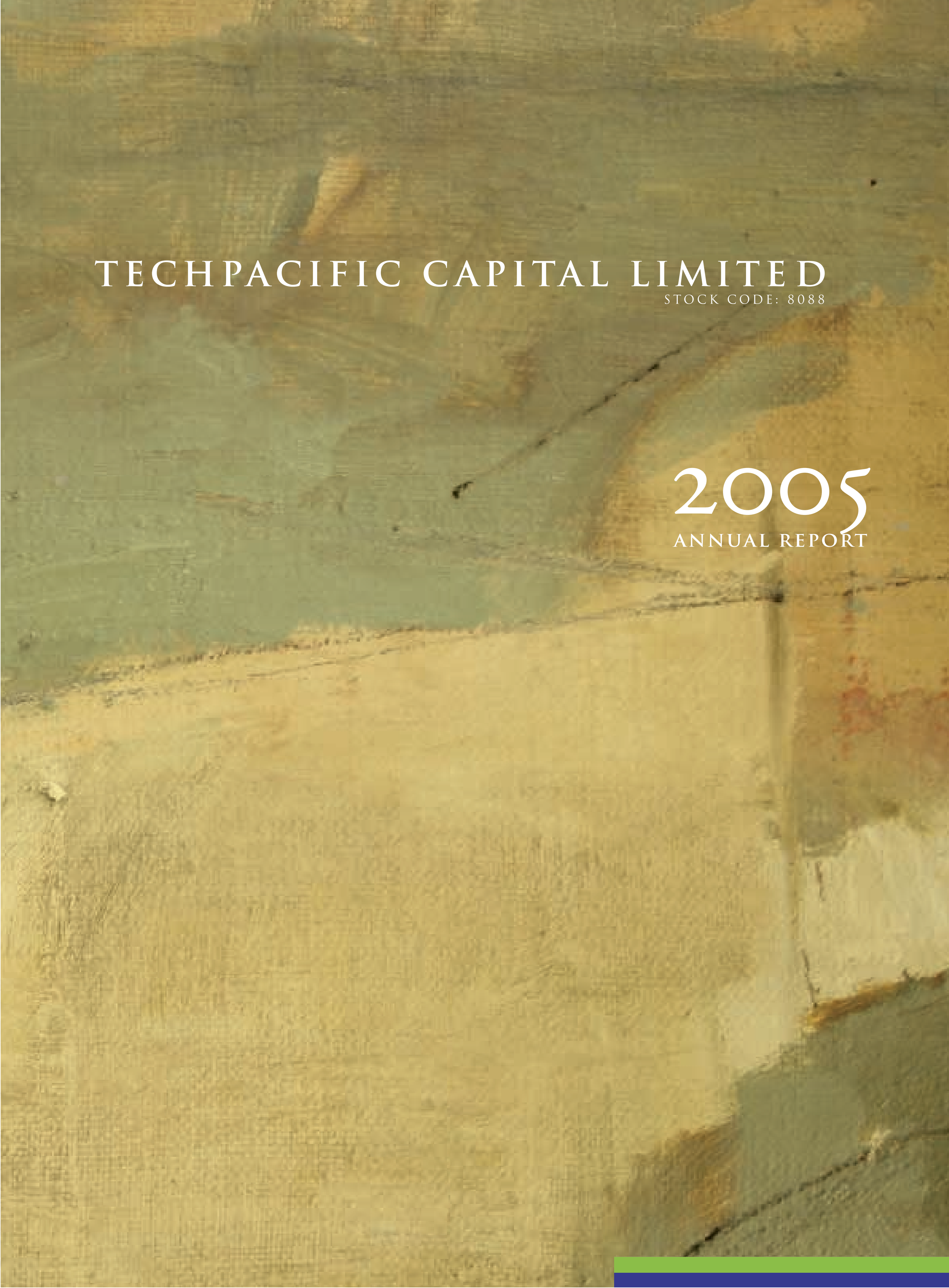


TECHPACIFIC CAPITAL LIMITED

STOCK CODE: 8088

2005
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.

CONTENTS

Expressed in United States dollars ("US$")

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 merchant 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 vehicle for direct investments and a technology venture capital management business.

(ii) **The Crosby Business** - a leading independent, deal-focused, Asia-oriented merchant banking and asset management business. These activities are carried out by Crosby Capital Partners Inc. ("Crosby") and its subsidiaries. Crosby is listed on Alternative Investment Market ("AIM") of the London Stock Exchange (CSB LN).

HIGHLIGHTS

- Total income significantly increased to US$152 million (2004: US$58 million).
- Profit attributable to shareholders significantly increased to US$84 million (2004: US$34 million).
- Basic earnings per share for the year significantly increased to US$0.03 per share (2004: US$0.0127 per share).
- Shareholders' equity increased almost threefold to US$128 million (2004: US$43 million).

CHAIRMAN'S REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN'S REPORT

2005 has been another important and successful year for Techpacific Capital Limited that saw the Group record another substantial increase in its levels of income and profit. As a result of the improved performance of the Group, our retained losses of US$55 million that were accumulated between 2000 and 2003, when technology investments were prudently written off, have been fully reversed - indeed they have now been transformed into retained profits of US$62 million at the end of fiscal year 2005. An important and meaningful milestone in many respects!

Total income increased very substantially to US$152 million for the year 2005 compared to US$58 million last year, and profit attributable to shareholders increased to US$84 million compared to US$34 million last year. The balance sheet is now also very strong with shareholders' equity of US$128 million at the end of 2005 compared with US$43 million at the end of 2004.

The majority of the income generated by the Group in 2005 originated from the Crosby business in which Techpacific has an 81.24% interest at the date of this report. Crosby's merchant banking operation has again been successful in unearthing latent value from deeply unusual and highly complex situations. By way of example, in March 2005, in return for agreeing to launch a proxy battle and lead a restructuring of the company, Crosby obtained warrants to subscribe for 107 million shares in IB Daiwa Corporation ("IB Daiwa"), a loss making Japanese listed company with a number of diverse business operations including the manufacture of industrial yarns, wholesale food distribution and real estate. On 24 June 2005, four Crosby executives were appointed to the IB Daiwa board of directors at IB Daiwa' s annual general shareholder meeting, with a strategy to convert IB Daiwa into a company focused on the natural resources sector. Within a very short time and with the support of Crosby, IB Daiwa was able to acquire two businesses, Darcy Energy Ltd. ("Darcy ") and Lodore Resources Inc. ("Lodore"), companies involved in oil and gas production and exploration in the Gulf of Mexico and Louisiana, USA.

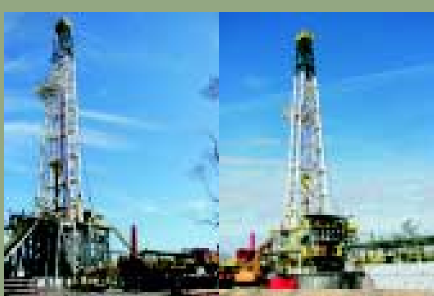
With the completion of these acquisitions, IB Daiwa is now one of the few JASDAQ listed pure-play natural resources companies and the transformation of its business and earnings potential has seen a significant re-rating of its shares. When Crosby first obtained its interest in IB Daiwa the shares were trading at 18 Yen. Since then the shares have traded as high as 317 Yen and have consistently traded above 200 Yen. At the time of writing this report, IB Daiwa has a market capitalization of approximately US$600 million of which, assuming it exercises all of its warrants, Crosby's shareholding at the date of this report is 28% on a fully diluted basis. This is after the placement, with international institutional investors in September 2005, of 20 million of IB Daiwa shares.

One of the tangible results of the share placement was Crosby's declaration in September 2005 of a US$0.05 special dividend that resulted in Techpacific receiving a dividend payment of US$9.86 million.

Crosby has also made considerable progress in its asset management business and has increased its assets under management to over US$1 billion. This milestone was achieved largely as a result of the funds added from the wealth management business that became fully operational in May 2005. This business has been extremely successful in attracting talented managers and in gathering assets of a higher quality than we had anticipated. We will soon be adding representation in the Middle East and Europe in 2006.

On 7 December 2005, the Group advanced a loan of US$9.5 million to IB Daiwa as part of the funding for the acquisition of Darcy Energy Ltd. ("Darcy").

In a very important development, on 7 March 2006, the Company announced that it had issued US$75 million 5 year zero coupon Convertible / Exchangeable Bonds to Goldman Sachs International (the "Convertible Bonds"). The issue of the bonds marks a significant development in the strategy and prospects of Techpacific. The net proceeds from the Convertible Bonds are to be used for general working capital and investment purposes, and in particular, US$42.5 million has already been committed (subject only to shareholders' approval) for an investment in the oil and gas exploration sector. Specifically, the Group will obtain a 35% working interest in three gas exploration prospects (Big Mouth Bayou, North West Kaplan and Endeavor) in Louisiana USA owned by Lodore Resources Inc. ("Lodore"), a subsidiary of IB Daiwa. Drilling has already commenced at the Big Mouth Bayou prospect and drilling of the other two prospects is due to commence later in 2006. This will allow the Company to diversify its investment portfolio by making a direct investment in these exploration prospects (in which the Group also has an indirect participation through its investment in IB Daiwa). It also provides an opportunity for the Company to work in association with IB Daiwa, in whose management the Directors have full confidence, in the joint development of the exploration prospects with a view to sharing both the commercial risks and the potential benefits. As with any oil and gas exploration project there is a risk that no gas will be discovered, or at least not in commercial quantities, and despite the very large estimates of unrisked reserves that have been made in relation to the assets we own, it is correct to temper our enthusiasm with prudent caution.



The issue of the Convertible Bonds has, rightly, attracted a lot of attention in Hong Kong and the region, and I look forward to updating our shareholders during the course of the year as the drilling programme develops. I would encourage all of you to view the three well programme as a portfolio of prospects, and not simply as three stand alone projects. The prospects that your company now owns in Louisiana are located in a region where there is considerable infrastructure and where the price of gas is extremely attractive. Any discovery of even modest levels could translate into outsized returns for Techpacific.

I would like, finally, to express my thanks to all the staff of Techpacific and Crosby for their continued hard work commitment and professionalism in delivering continued success for the Group. I would also like to thank our loyal shareholders for their continued support. I am pleased to see that the share price, which recovered strongly during 2005, has also shown strength in 2006 as it begins to reflect the success that has been achieved.

I look forward to meeting the challenges, as we always have, that lie ahead during 2006 and hope to be able to report further successes as the year progresses. Whatever else we might celebrate in 2006, everyone associated with the Group deserves a note of congratulations for completing a turnaround that is nothing short of remarkable.

Ilyas Tariq Khan
Chairman
16 March 2006

BUSINESS REVIEW

The Company continues to operate two distinct businesses: the Techpacific business combining a venture capital asset management business and direct investments and the Crosby Capital Partners merchant banking and asset management business.

THE TECHPACIFIC BUSINESS

Techpacific Technology Venture Capital Management

Techpacific manages the Hong Kong SAR Government's Applied Research Fund ("ARF") through the Softech Investment Management Company Limited ("Softech"), which is a 50:50 joint venture with Softbank China Venture Investments Limited. The ARF is a HK$750 million fund whose purpose is to provide funding support to Hong Kong based technology ventures and research and development projects that have commercial potential. Softech manages HK$250 million of the fund. The longer-term objective of the ARF is to increase Hong Kong's technological capability and enhance the competitiveness of local industries with the aim of promoting higher value-added economic development in Hong Kong.

Techpacific Direct Investments

As highlighted above, on 7 December 2005, Coniston International Capital Limited ("Coniston"), a wholly owned subsidiary of the Company, advanced a loan of US$9.5 million to IB Daiwa (the "Coniston Loan"). The Coniston Loan was used exclusively towards funding the acquisition of Darcy and related transaction costs. The Coniston Loan is unsecured, bears interest at 10% per annum and is repayable in full on 1 June 2006. Coniston financed the loan from a group of lenders, including the Company, which advanced a US$1 million loan from its own cash resources, and independent third parties, which advanced loans for an aggregate amount of US$8.5 million. The financing bears interest at 8% per annum and is repayable in full on 2 June 2006.

Techpacific also holds some technology direct investments, the investment cost of which was fully written off at the end of 2002. Some of these direct investments are now listed or have recovered some value, although in aggregate they remain small compared to the size of the Company's balance sheet and profits. Should the opportunity arise to sell any of these direct investments, the proceeds obtained will be directly credited to the income statement.

THE CROSBY BUSINESS

Merchant Banking

Crosby's merchant banking strategy is to focus on corporate situations that are opaque or under-researched and to identify under-valued assets that are often hidden within complex or inefficient management and capital structures. Crosby's team of experienced and innovative finance professionals then works with funding and operating partners to proactively realise, and share in, the inherent under-valuation identified. Thus, Crosby's return from a deal is usually based on some form of carried interest or direct equity participation in the restructured assets rather than a fee.

This strategy means that Crosby pursues a relatively small number of deals over a longer timeframe. As each transaction has the potential to provide significant returns, the income from merchant banking activities whilst often spectacular, can be unpredictable and intermittent. During the year, the merchant banking business worked on three significant projects: the Novus oil and gas assets, IB Daiwa and Tethyan.

Novus Oil and Gas Assets

During 2005, Crosby continued to extract value from the interests it obtained in various oil and gas assets as a result of its take over offer for Novus Petroleum Limited ("Novus") in 2004. Whilst Novus was finally acquired by PT Medco Energi Internasional Tbk, Crosby was able to obtain an economic interest over oil and gas assets located in the US, the Middle East and Pakistan.

At the beginning of 2005, Crosby sold its interests in the US assets from the Novus transaction to Lodore, a company that at the time was listed on AIM, in an all share deal that valued Crosby's interests in the US assets at US$82.4 million and resulted in Crosby acquiring a 35% equity stake in Lodore.

In July 2005, Crosby entered into a co-investment arrangement with Meridian Capital, a private equity firm specialising in oil and gas investments, to effect the reorganisation and refinancing of the interests in the Middle East that Crosby had acquired in the Novus transaction. The assets were subsequently transferred to a vehicle called Indago Petroleum Limited (IPL LN) that floated on AIM in December 2005. Upon completion of admission to AIM, Crosby's interest (net of minorities) was approximately 7%. The floatation valued Indago Petroleum Limited at approximately US$320 million, of which Crosby's holding net of minority interests was valued on that basis at approximately US$23 million, of which only US$18 million has been recognised in these financial statements.

IB Daiwa

In March 2005, in return for agreeing to launch a proxy battle and lead a restructuring of the company, Crosby acquired an interest in IB Daiwa, a loss making Japanese listed company with a number of diverse business operations including the manufacture of industrial yarns, wholesale food distribution and real estate. The interest was in the form of warrants to subscribe for 107 million shares at 30 Yen until December 2005 and 31 Yen between January 2006 and July 2006 when they expire.

In June 2005, four Crosby executives were appointed to the board of IB Daiwa by its shareholders at its annual general meeting. The new IB Daiwa board immediately took the opportunity to re-focus its business strategy and announced its intention to transform itself into one of the few, pure-play natural resources companies listed on JASDAQ.

Since June 2005, Crosby has made significant progress in the restructuring of IB Daiwa's business. By the end of the year it had streamlined the loss making existing business lines by spinning off two subsidiaries to management and liquidating another. More significantly, IB Daiwa had successfully acquired two US focused oil and gas businesses, Darcy Energy Ltd. ("Darcy"), an oil and gas exploration and production company, and Lodore, which at the time was a pure oil and gas exploration company listed on the AIM market of the London Stock Exchange. These acquisitions have had an immediate effect on the fortunes of IB Daiwa and its directors are confident that 2006 will be the first profitable year of IB Daiwa's in recent history.

Crosby already had a significant shareholding in Lodore as a result of the consideration it received for the US oil and gas assets that it had sold to Lodore earlier in the year. IB Daiwa acquired Lodore through an all-share bid, consequently, Crosby's holding in IB Daiwa increased.

When Crosby first obtained its interest in IB Daiwa, the share price was 18 Yen. As a result of the strategy implemented by the board of IB Daiwa the share price ended the year at 184 Yen. Since obtaining its interest Crosby has exercised warrants in respect of 42 million shares and in September 2005, it placed 20 million shares with international institutions raising US$40 million, net of expenses. At the year-end Crosby, through two subsidiaries, held 56,325,000 shares and warrants to subscribe for a further 64,600,000 shares. Assuming it exercises all of its warrants, Crosby's interest at the date of this report is 28% on a fully diluted basis.

In January 2006, IB Daiwa announced that Lodore had discovered gas at the Kami well located in onshore Louisiana. IB Daiwa has informed the market that Kamis' reserves of gas are expected to be in the range of 7 bcfe to 12 bcfe, and that the Kami well is expected to generate total revenue over its life of over US$75 million, commencing from Q2 2006. IB Daiwa's share of future operational costs is estimated to be only US$2 million. Kami is expected to begin production in April or May 2006. At the same time, Lodore announced that it was to commence drilling at its Big Mouth Bayou prospect that had pre-drill estimates of gross un-risked reserves 50 times the reserve estimate of Kami. Lodore also announced that it would drill at least two further prospects, NW Kaplan and Endeavor, with substantial reserve estimates during the course of 2006.

Both Lodore and Darcy will now provide IB Daiwa with income from their production assets and the possibility of very significant returns from their exploration projects. Should the results of drilling at Big Mouth Bayou be successful, this is expected to lead to a significant re-rating of IB Daiwa's share price and will substantially increase the value of Crosby's holdings in IB Daiwa. This does not take into account the other sizable exploration prospects held by IB Daiwa's subsidiaries. Of these other prospects, IB Daiwa recently announced that it had successfully farmed out an interest in Padre Island, and, as a consequence, will expect to start drilling during the second half of 2006.

Crosby will continue to work with the management of IB Daiwa with the aim of building a sizable natural resources and oil and gas company and maximising the returns on Crosby's interest in IB Daiwa.

Tethyan Copper

In May 2005 Skafell Pty Ltd., a special purpose vehicle owned 95% by IB Daiwa and 5% by Crosby, launched a hostile cash bid to acquire Australian copper explorer Tethyan Copper Company Ltd. ("Tethyan") which had exploration rights over a very sizable copper and gold project located in a remote area of Pakistan. Crosby had identified Tethyan as a company with significant potential, but concluded that the management and resources required to complete a project of this scale was beyond the capabilities and financial resources of Tethyan. Crosby believed that it had access to local contacts and funding partners to extract the underlying value from Tethyan's exploration rights.

This conclusion seemed to be shared by copper giant Antofagasta who announced on 23 December 2005 that it had made an offer to enter into a joint venture with Tethyan to develop their exploration prospects, Antofagasta subsequently made a full cash offer for Tethyan and proposed to bring another major resources company, Barrick Gold Corporation, into the project by means of a 50:50 joint venture. Skafell reacted to this move by increasing its own cash offer for Tethyan. Immediately prior to Skafell's initial offer, Tethyan shares were trading at A$0.485. Following Skafells offer on 6 March 2006 Tethyan's shares traded at A$1.40.

Corporate Finance

Crosby also has an interest in SBI Crosby (Holdings) Limited, a 50/50 joint venture with Softbank E2 Capital. This is a corporate finance boutique that acts as originator of small- to mid-cap listing opportunities in China. SBI Crosby not only traded profitably during the course of 2005 but also provides access to merchant banking opportunities in China and is a conduit for future growth in Crosby' s Asset Management business.

Asset Management

Crosby's asset management business is now responsible for over US$1 billion funds under management. The business is divided into main operating areas: fund management and wealth management.

Fund Management

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

During the year the JAIC Crosby Greater China Investment Fund was launched which is managed by a 50:50 joint venture with Japan Asia Investment Corporation. The fund is a closed-end fund which invests primarily in private equity issued by emerging "small to medium sized" companies with substantial business interests in Greater China that have a high level of exit visibility. The fund focuses on companies that are market leaders, that are well positioned to enjoy domestic growth, have strong brand names, visionary management, tremendous export prospects and sustainable profitability.

Wealth Management

In April 2004, Crosby entered into a joint venture with Mr. Paul Giles, who is now chairman of Crosby Wealth Management ("CWM"), a subsidiary of Crosby, to develop a wealth management business directed at the growing number of high net worth clients in the Asian markets.

In May 2005, after raising the necessary financing, establishing operating systems and recruiting a highly skilled team of advisers, CWM became fully operational from its Hong Kong base. Since that time the business has experienced phenomenal growth: from a standing start CWM has attracted more than US$650 million of assets under management and has contributed income of US$4.5 million to the Group. We are extremely optimistic that the wealth management business will continue to increase the funds under management and derive strong recurring income streams from these assets. We would also expect the business to extend its operations and open offices in other Asian financial centers.

FINANCIAL REVIEW

FINANCIAL RESULTS

The consolidated financial results are summarised below:

	2005 US$'000	2004 US$'000	Increase %
Total income	151,609	57,543	163
Profit from operations	116,003	44,361	161
Profit for the year	116,068	44,374	162
Profit attributable to equity holders of the Company	83,956	33,561	150
Earnings per share – Basic	3.00 UScents	1.27 UScents	136

Total income

Total income has increased significantly during the year to US$151.6 million from US$57.5 million for 2004. An analysis of total income between turnover, gains on financial assets and other income is provided in the consolidated income statement on page 34 of the financial statements.

A breakdown of turnover between advisory fees from corporate finance activities, fee income from fund management activities and service fees from wealth management activities is provided in Note 4 of the financial statements. The reduction in advisory fees from corporate finance activities is due to the inclusion of fees and economic interests of US$8.8 million earned as a result of the Novus transaction in the prior year. It is also worthy of note that Crosby's wealth management activities began operationally in May 2005 and already US$4.4 million of turnover has been reported by this business by the end of 2005.

Gains on financial assets increased to US$142.8 million from US$41.8 million in 2004. A detailed breakdown of the investments giving rise to these gains is provided in Note 17 of the financial statements. In summary, the gain can mainly be attributed as follows:

- US$76.5 million to the warrants to subscribe for 107 million shares of IB Daiwa acquired at the end of first quarter of 2005 and the shares of IB Daiwa acquired on exercise of the warrants;
- US$34.1 million to the shares of AIM listed Lodore acquired in the first quarter of 2005 in exchange for shares of Sunov Petroleum Limited that were subsequently exchanged in the fourth quarter of 2005 for 34.325 million additional shares of IB Daiwa; and
- US$31.9 million to the 35 million shares of AIM listed Indago before minority interests of US$13.8 million (explained below).

A breakdown of other income of US$1.0 million is provided in Note 5 of the financial statements. The reduction in other income from US$4.5 million in 2004 was mainly due to a one off gains totaling US$3.1 million on deemed disposal of subsidiaries arising from issues of shares by Crosby and Crosby Wealth Management.

Operating Expenses

Administrative expenses have increased to US$29.2 million for 2005 from US$9.7 million for 2004. The majority of these expenses is made up of directors' and employee remuneration, further details of which are provided in Note 25 of the consolidated financial statements. The main constituents of the increase in the expense in 2005 are as follows:

- Increase in performance-related remuneration in respect of Directors of US$6.8 million and employees of US$9.0 million; and

- Increase in administrative expenses of US$3.7 million related to the expansion of the Group's wealth management activities following it becoming operational in May 2005, of which the majority is directly related to the level of turnover of that business.

Other operating expenses have increased to US$6.2 million for 2005 from US$3.5 million in 2004. The variable element of these expenses mainly represents the expenses incurred on specific merchant banking projects. For 2005, US$3.9 million of project related expenses were incurred compared with US$1.8 million for 2004 reflecting an increase in scale and number of projects being undertaken during the year compared with 2004.

Minority Interests

The charge to the consolidated income statement during the year for minority interests charge of US$32.1 million is mainly made up of the 17.63% minority shareholders share of the profits of Crosby and in the Crosby Group the minority shareholders of Silk Route Petroleum Limited 43.4% share of the revaluation of Indago (discussed above).

FINANCIAL POSITION AND RESOURCES

The consolidated balance sheet is summarised below:

	2005 US$'000	2004 US$'000	Increase %
Total assets	187,673	59,148	217
Net assets	174,158	56,801	207
Equity attributable to shareholders	127,663	42,909	198
Total equity	174,158	56,801	207

Significant Investments

At the end of 2005, the Group had available-for-sale investments at fair value of US$0.4 million and financial assets at fair value of US$149.1 million as compared with those of US$0.6 million and US$49.2 million respectively at the end of 2004. Further details of these investments which are set out in Notes 14 and 17 of the financial statements respectively.

Liquidity, gearing and charge on assets

The Group has a strong focus on maintaining a healthy liquidity position to enable it to take advantage of investment opportunities, to facilitate business development objectives, to support operational and corporate requirements, and to fulfill the regulatory capital requirements of its operating subsidiaries. Cash flow forecasts are continually maintained and reviewed at each fortnightly meeting of the Operations Committee to ensure that the Group maintains adequate liquidity.

At the end of 2005, the Group had cash and bank and receivable balances of US$36.4 million increased from US$7.9 million and net current assets of US$172.0 million increased from US$54.8 million.

In terms of gearing, as detailed in the Business Review, the Company borrowed US$8.5 million from independent third parties for financing towards the Coniston Loan. The financing obtained from the independent third parties is secured by a total of 11.9 million shares of Crosby owned by the Company, representing approximately 5% of the total issued share capital of Crosby, subject to maintaining the ratio of the value of the security to the loan amount at 2 (i.e. if the share price of Crosby decreases then additional security may need to be provided to restore the ratio to 2).

Included in financial assets at the end of 2005 are 35 million shares of Indago, with a fair value of US$32.0 million, that were also pledged to a third party, further details of which are set out in Note 17 of the financial statements.

At the end of 2005, the Group had no commitments, other than under operating leases for the rental of its office premises, and no contingent liabilities, including pension obligations.

Equity Structure

Total equity and equity attributable to shareholders increased by approximately 200%. An analysis of the movements in equity during the year is provided in the consolidated statement of changes in equity on page 37 of the financial statements.

The share capital of Techpacific remained largely unchanged during the year. Following the exercise of share options, granted under the employee share option scheme, 7,500,000 shares were issued raising proceeds of US$0.03 million. As a result of this change, the number of issued shares increased from 2,502,577,245 at the beginning of the financial year to 2,510,077,245 at the end of 2005. The total amount of share options outstanding at the end of 2005 was 12,800,000. Details of the employee share option schemes are set out in Note 27 of the financial statements.

Minority interests in the balance sheet increased to US$46.5 million at the end of 2005 from US$13.9 million at the end of 2004 due to the movement through the consolidated income statement of US$18.8 million relating to the minority shareholders of Crosby and US$13.8 million relating to the minority shareholders of Crosby's 56.6% subsidiary, Silk Route Petroleum Limited, share of the gain on revaluation of its holding in 35 million shares of Indago. In addition to this amount, the balance at the end of 2005 includes US$4.8 million relating to the minority shareholders of Crosby's 52.9% subsidiary, Sunov Petroleum (Pakistan) Limited in the valuation of the Pakistan assets of US$10.8 million acquired as a result of the Novus transaction during 2004 and US$1.2 million in respect of the Crosby's wealth management operating subsidiaries.

EMPLOYEE INFORMATION

As at 31 December 2005, the Group had 50 full-time employees (2004: 46). Employee remuneration (including directors' remuneration) totaled US$26.7 million (2004: US$7.4 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 framework of the Group's salary and bonus system.

PENSION SCHEMES

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$350,501 for the year (2004: US$100,158).

FOREIGN CURRENCY EXPOSURE

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of Directors

● Ilyas Tariq Khan

Chairman
Ilyas, aged 43, founded Techpacific in December 1998 and is also responsible for the Merchant Banking activities of Crosby Group. 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 worked at financial institutions such as Citicorp, UBS, Nomura 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 Kok Chung

Chief Executive Officer
Johnny, aged 46, co-founded Techpacific with Ilyas 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), a vehicle which is licensed by the SFC in Hong Kong. Johnny is a Representative Director of IB Daiwa Corp.

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. 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, aged 39, 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, aged 50, joined the Board in December 2002. He 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, aged 61, 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, aged 43, 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. Joseph 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.

Profile of Senior Management

Simon Jeremy Fry

Chief Executive Officer of Crosby
Simon, aged 46, has over 20 years experience in the investment banking industry prior to joining Crosby as CEO in 2003, most recently within the Nomura Group where he was a Managing Director and European Board member, as well as a member of Nomura's Risk Committee and Credit Committee. Simon is a Director of IB Daiwa Corp.

DIRECTORS' REPORT

CORPORATE GOVERNANCE 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 2005.

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 2005 are set out in notes 10 and 12 to the financial statements respectively. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 34 to 86.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 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 37 and 72 respectively.

DISTRIBUTABLE RESERVE

Distributable reserve of the Company at 31 December 2005 amounted to US$43,074,025 (2004: US$39,929,637).

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.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 87.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS' REPORT

SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in note 27 to the financial statements.

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.

DONATIONS

The Group made charitable and other donations during the year amounting to US$25,423 (2004: US$12,500).

DIRECTORS

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

Executive Director:

Johnny Chan Kok Chung *(Chief Executive Officer)*

Non-executive Directors:

Ilyas Tariq Khan *(Chairman)*
Ahmad S. Al-Khaled

Independent non-executive Directors:

Daniel Yen Tzu Chen
Peter McIntyre Koenig
Joseph Tong Tze Kay

In accordance with article 87 of the Company's Articles of Association, Messrs. Johnny Chan Kok Chung, Ilyas Tariq Khan and Ahmad S. Al-Khaled retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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 25(a) to the financial statements.

DIRECTORS' REPORT

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 2005, the interests and short positions of the Directors or any chief executive of the Company in the shares and underlying shares (within the meaning of the Securities and Futures Ordinance ("SFO")) of the Company and any of its associated corporations (within the meaning of 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 pursuant to the required standard of dealings by directors of a listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(i) Interests in the ordinary shares of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Ilyas Tariq Khan (Notes 1 & 2)	79,994,076	–	413,091,794	493,085,870	19.64
Johnny Chan Kok Chung (Note 3)	174,212,205	16,097,387	–	190,309,592	7.58
Joseph Tong Tze Kay	1,500,000	–	–	1,500,000	0.06

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

Note 2: During the year ended 31 December 2005, ECK & Partners Limited disposed 100,406,353 ordinary shares reducing its shareholding from 325,290,000 ordinary shares to 224,883,647ordinary shares. Simultaneous with the disposals, Ilyas Tariq Khan increased his beneficial interest in the issued share capital of ECK & Partners Limited from 61.43% to 88.86% thereby leaving his beneficial interest unchanged. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, he is deemed to be interested in 224,883,647 ordinary shares owned by ECK & Partners Limited.

Note 3: During the year ended 31 December 2005, Johnny Chan Kok Chung disposed 33,593,647 ordinary shares reducing his shareholding from 207,805,852 ordinary shares to 174,212,205 ordinary shares. Yuda Udomritthiruj held 16,097,387 ordinary shares. Yuda Udomritthiruj, an employee of a subsidiary of the Company, is the wife of Johnny Chan Kok Chung and, accordingly, he is deemed to have interests in her shares.

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

None of the Directors held interests in the non-voting convertible deferred shares of the Company.

(iii) 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 of the Company represents to the total ordinary share capital of the Company in issue %
Daniel Yen Tzu Chen (Note 1)	14 May 2003	HK$0.035	2,000,000	0.08
Peter McIntyre Koenig (Note 2)	20 August 2004	HK$0.035	3,500,000	0.14
Ahmad S. Al-Khaled (Note 3)	20 August 2004	HK$0.035	3,500,000	0.14
Joseph Tong Tze Kay (Note 4)	20 August 2004	HK$0.035	3,500,000	0.14

Note 1: Daniel Yen Tzu Chen exercised 3,000,000 share options on 4 July 2005.

Note 2: Peter McIntyre Koenig exercised 1,500,000 share options on 2 September 2005.

Note 3: Ahmad S. Al-Khaled exercised 1,500,000 share options on 22 August 2005.

Note 4: Joseph Tong Tze Kay exercised 1,500,000 share options on 2 September 2005.

(iv) 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)

(v) Interests in the shares of an Associated Corporation

Name of Director	Associated Corporation	Personal interest	Corporate interest	Aggregate long position in shares of the Associated Corporation	Percentage which the aggregate long position in shares of the Associated Corporation represents to the issued share capital of the Associated Corporation %
Ilyas Tariq Khan (Note)	Crosby Capital Partners (Hong Kong) Limited	1	110,001	110,002	0.04
Johnny Chan Kok Chung	Crosby Capital Partners (Hong Kong) Limited	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, as at 31 December 2005, none of the Directors of the Company had interests and short positions in the shares and underlying shares of the Company and any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of a listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

As at 31 December 2005, the Company had not issued any debentures.

Save as disclosed herein, as at 31 December 2005, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or which were required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2005, 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 ordinary shares of the Company

Name	Number or approximate attributable number of ordinary shares	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
TBV Holdings Limited (Note 1)	302,055,000	12.03
ECK & Partners Limited (Note 2)	224,883,647	8.96
TW Indus Limited (Note 3)	188,208,147	7.50
Suzanna Tanojo (Note 4)	167,560,000	6.68

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

Note 2: During the year ended 31 December 2005, ECK & Partners Limited disposed 100,406,353 ordinary shares reducing its shareholding from 325,290,000 ordinary shares to 224,883,647ordinary shares. Simultaneous with the disposals, Ilyas Tariq Khan increased his beneficial interest in the issued share capital of ECK & Partners Limited from 61.43% to 88.86% thereby leaving his beneficial interest unchanged. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, ECK & Partners Limited interest in 224,883,647 ordinary shares is duplicated in the 493,085,870 ordinary shares in which Ilyas Tariq Khan is interested as a Director.

Note 3: TW Indus Limited held a direct interest in 188,208,147 ordinary shares of which 167,560,000 shares were charged to Suzanna Tanojo. 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 ordinary shares which are duplicated within the 493,085,870 ordinary shares in which Ilyas Tariq Khan was interested as a Director.

Note 4: Suzanna Tanojo has a charge over 167,560,000 shares owned by TW Indus Limited.

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

Name	Number or approximate attributable number of non-voting convertible deferred shares	Percentage which the aggregate long position in non-voting convertible deferred shares represents to the total non-voting convertible deferred shares currently in issue
Simon Jeremy Fry (Note)	292,500,000	100%

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

Note: Simon Jeremy Fry is the Chief Executive Officer of Crosby Capital Partners Inc., which is a 82.37% subsidiary of the Company as at 31 December 2005. Further to the Company's announcement dated 31 March 2004, 292,500,000 non-voting convertible deferred shares were allotted to Simon Jeremy Fry. He has also purchased 25,000,000 shares from the Company's Employee Share Ownership Trust 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 2005, the Directors of the Company were 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.

MAJOR CLIENTS AND SUPPLIERS

The Group is mainly engaged in the business of investment banking and asset management and its income is primarily derived from the return on investments and the disclosure of information regarding customers and suppliers would not be meaningful.

CONNECTED TRANSACTIONS

The Group had no connected party transactions during the year that require disclosure under the GEM Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2005, the Group had no advances outstanding which were non-trading in nature and exceeded 8% of the total assets of the Group as at 31 December 2005 required to be disclosed under Rule 17.22 of the GEM Listing Rules.

COMPETING INTERESTS

The Directors are not aware of any business or interest, as at 31 December 2005, 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.

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

The Company Secretary and Qualified Accountant of the Company is 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. He also has an MBA in International Business and a BA degree in Economics.

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these financial statements.

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

16 March 2006

CORPORATE GOVERNANCE REPORT

(a) Corporate Governance Practices

(i) The Company is committed to achieving high standards of Corporate Governance and follows the principles set out in the Code on Corporate Governance Practices for GEM listed companies as set out in Appendix 15 of the Listing Rules (the "Code").

(ii) The Company meets the code provisions set out in the Code.

(b) Directors' Securities Transactions

(i) The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in rules 5.48 to 5.67 of the Listing Rules.

(ii) Having made specific enquiries of all Directors of the Company, the Directors of the Company have complied with the required standard of dealings set out in rules 5.48 to 5.67 of the Listing Rules and the Company's above code of conduct.

(c) Board of Directors

(i) The Board is comprised of six Directors, of which three are Independent Non-Executive Directors, as follows:

Chairman and Non-Executive Director:	Ilyas Tariq Khan
Chief Executive Officer and Executive Director:	Johnny Chan Kok Chung
Non-Executive Director:	Ahmad S. Al-Khaled
Independent Non-Executive Director:	Daniel Yen Tzu Chen
Independent Non-Executive Director:	Peter McIntyre Koenig
Independent Non-Executive Director:	Joseph Tong Tze Kay

The biographies of the Directors are set out under the "Profiles of Directors and Senior Management" on pages 18 and 19 and posted on the Company's website (www.techpacific.com).

(ii) There have been thirteen meetings of the Board during the year.

(iii) Attendance of individual Directors at meetings of the Board held during the year was as follows:

Name of Director	No. of Board Meetings Attended
Ilyas Tariq Khan	13
Johnny Chan Kok Chung	13
Ahmad S. Al-Khaled	4
Daniel Yen Tzu Chen	4
Peter McIntyre Koenig	4
Joseph Tong Tze Kay	5

(c) Board of Directors (continued)

(iv) The principal roles of the Board are to oversee the Company's strategic development, to approve the Company's objectives, strategies, policies and business plan and to monitor operating and financial performance of the Group. The Board also reviews and approves Quarterly, Interim and Annual Reports of the Company.

(v) The Company has complied with Rules 5.05(1) and (2) relating to the appointment of sufficient number of Independent Non-Executive Directors and an Independent Non-Executive Director has appropriate professional qualifications or accounting or related financial management expertise.

(vi) The Company considers that each of its Independent Non-Executive Directors are independent in accordance with the guidelines for assessing independence set out in Rule 5.09 of the Listing Rules.

(vii) The Company considers that there is no relationship (including financial, business, family or other material/relevant relationship) among the members of the Board.

(viii) 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 during the year.

(d) Chairman and Chief Executive Officer

(i) The Chairman of the Board is Ilyas Tariq Khan and the Company's Chief Executive Officer is Johnny Chan Kok Chung.

(ii) The Company has segregated the roles of Chairman and Chief Executive Officer. The Chairman of the Board is a non-executive and is responsible for the leadership and effective running of the Board. The Chief Executive Officer is delegated with the authority and responsibility of running the Group's business and implementing the Group's strategy in achieving its overall commercial objectives.

(e) Non-Executive Directors

The Non-Executive Directors are not appointed for a specific term. However, all Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment and every Director is subject to retirement by rotation at least once every three years.

(f) Remuneration of Directors

(i) The Company has established a Remuneration Committee on 11 August 2005 which will meet at least once a year. The terms of reference of the Remuneration Committee are posted on the Company's website (www.techpacific.com). The principal functions of the Remuneration Committee include recommending to the Board the policy and structure for the remuneration of the Executive Director and senior management, determining the specific remuneration packages of all the Executive Director and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Executive Directors and senior management, ensuring no Director is involved in deciding his own remuneration and approving the service contracts of Directors and senior management.

(ii) The Remuneration Committee, comprised of a majority of Independent Non-Executive Directors, is chaired by Peter McIntyre Koenig, an Independent Non-Executive Director and its membership includes Johnny Chan Kok Chung and Daniel Yen Tzu Chen.

(iii) The Remuneration Committee has met once during the year and all members attended the meeting.

(iv) The Remuneration Committee has determined the specific remuneration packages of all Executive Director and senior management and approved their performance-based remuneration paid during the year.

(g) Nomination of Directors

(i) The Company established a Nomination Committee on 11 August 2005. The terms of reference of the Nomination Committee are posted on the Company's website (www.techpacific.com). The principal functions of the Nominations Committee include assisting the Board with the formulation of the nomination policy for new Directors, reviewing the structure, size and composition of the Board on a regular basis, consideration and nomination of candidates to fill casual vacancies to the Board, to assess the independence of Independent Non-Executive Directors and with other relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

(ii) The Nomination Committee, comprised of a majority of Independent Non-Executive Directors, is chaired by Daniel Yen Tzu Chen and its membership includes Ilyas Tariq Khan and Joseph Tong Tze Kay.

(iii) There have been no vacancies or appointments to the Board since the establishment of the Nomination Committee and accordingly it has not met.

(h) Auditors' Remuneration

Auditors' remuneration for the year ended 31 December 2005 was US$0.18 million (2004: US$0.15 million). During the year, the Group has paid in aggregate to its external auditors fees of US$0.02 million (2004: US$0.06 million) for non-audit related activities in respect of the review of the Quarterly and Interim Reports for 2005 of the Company and its 82.37% subsidiary, Crosby Capital Partners Inc., and for taxation services of certain subsidiaries.

(i) Audit Committee

(i) The Company established an Audit Committee on 31 March 2000 with the written terms of reference. The Audit Committee comprises three Independent Non-Executive Directors, Joseph Tong Tze Kay (Chairman), Daniel Yen Tzu Chen and Peter McIntyre Koenig. The duties of the Audit Committee are to manage the relationship with the Company's auditors, review the financial information of the Company and oversee the Company's financial reporting process and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

(ii) The Audit Committee has met four times during the year ended 31 December 2005 and the following table details the number of meetings attended by the members:

Name of Director	No. of Committee Meetings Attended
Joseph Tong Tze Kay	4
Daniel Yen Tzu Chen	3
Peter McIntyre Koenig	3

(iii) The Audit Committee has met with the Auditors and the Chief Financial Officer during the year to review the 2004 Annual Report and the Quarterly Report for the quarters ended 31 March 2005 and 30 September 2005, and the Interim Report for the six months ended 30 June 2005. The Audit Committee has also met to review these annual figures and was satisfied with the outcome of its review.

(iv) The composition of the Audit Committee meets the requirements of Rule 5.28 of the Listing Rules.

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 34 to 86 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 Hong Kong Standards on Auditing 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 2005 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

16 March 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 US$	2004 US$
Turnover / Revenue	4	**7,700,500**	11,273,460
Gain on financial assets held at fair value through profit or loss	17	**142,837,060**	41,773,760
Other income	5	**1,071,741**	4,496,132
Total income		**151,609,301**	57,543,352
Administrative expenses		**(29,240,925)**	(9,697,536)
Distribution expenses		**(154,667)**	(26,263)
Other operating expenses		**(6,210,257)**	(3,459,042)
Profit from operations	6	**116,003,452**	44,360,511
Finance costs		**(49,111)**	(189)
Share of profits of associates	12	**237,090**	13,931
Share of profit of a jointly controlled entity	13	**25,456**	–
Profit before taxation		**116,216,887**	44,374,253
Taxation expense	7	**(148,643)**	–
Profit for the year	8	**116,068,244**	44,374,253
Attributable to:			
Equity holders of the Company		**83,955,801**	33,560,923
Minority interests		**32,112,443**	10,813,330
Profit for the year	8	**116,068,244**	44,374,253
Earnings per share for profit attributable to the equity holders of the Company during the year	9	**US cents**	US cents
– Basic		**3.00**	1.27
– Diluted		**2.99**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Notes	2005 US$	2004 US$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**630,156**	553,498
Interests in associates	12	**519,828**	281,486
Interest in a jointly controlled entity	13	**59,224**	–
Available-for-sale investments	14	**388,886**	604,280
Intangible assets	15	**562,358**	559,652
		2,160,452	1,998,916
Current assets			
Loan to and amounts due from investee companies	28(c)	**10,358,588**	102,284
Trade and other receivables	16	**10,789,917**	1,723,021
Financial assets held at fair value through profit or loss	17	**149,123,799**	49,227,220
Cash and cash equivalents	18	**15,240,129**	6,096,210
		185,512,433	57,148,735
Current liabilities			
Trade and other payables	19	**4,812,527**	2,160,998
Deferred income		**60,446**	111,813
Provision for taxation		**81,833**	58,587
Current portion of obligations under a finance lease	20	**5,371**	5,353
Other loans (secured)	21	**8,549,111**	–
		13,509,288	2,336,751
Net current assets		**172,003,145**	54,811,984
Total assets less current liabilities		**174,163,597**	56,810,900
Non-current liabilities			
Obligations under a finance lease	20	**5,115**	10,259
Net assets		**174,158,482**	56,800,641
EQUITY			
Share capital	23	**2,802,577**	2,795,077
Reserves	24	**124,860,486**	40,113,470
Equity attributable to equity holders of the Company		**127,663,063**	42,908,547
Minority interests		**46,495,419**	13,892,094
Total equity		**174,158,482**	56,800,641

Johnny Chan Kok Chung
Director

Ilyas Tariq Khan
Director

BALANCE SHEET

As at 31 December 2005

	Notes	2005 US$	2004 US$
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	10	**279,146,260**	42,040,712
Current assets			
Other receivables		**448,271**	358,305
Cash and cash equivalents	18	**2,716,466**	597,811
		3,164,737	956,116
Current liabilities			
Other payables		**57,064**	260,844
Net current assets		**3,107,673**	695,272
Total assets less current liabilities/Net assets		**282,253,933**	42,735,984
EQUITY			
Share capital	23	**2,802,577**	2,795,077
Reserves	24	**279,451,356**	39,940,907
Equity attributable to equity holders of the Company		**282,253,933**	42,735,984

Johnny Chan Kok Chung
Director

Ilyas Tariq Khan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Attributable to equity holders of the Company								Minority interests	Total equity
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Employee share-based compensation reserve	Investment revaluation reserve	Foreign exchange reserve	Retained profits/ (Accumulated losses)		
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
At 1 January 2004	2,502,577	52,209,444	9,228,125	11,270	–	71,923	(108,592)	(55,388,115)	75,999	8,602,631
Surplus on revaluation	–	–	–	–	–	92,707	–	–	–	92,707
Exchange difference on consolidation	–	–	–	–	–	–	(171,715)	–	(20,652)	(192,367)
Net income/(expense) directly in equity	–	–	–	–	–	92,707	(171,715)	–	(20,652)	(99,660)
Profit for the year	–	–	–	–	–	–	–	33,560,923	10,813,330	44,374,253
Total recognised income and expenses for the year	–	–	–	–	–	92,707	(171,715)	33,560,923	10,792,678	44,274,593
Issue of non-voting convertible deferred shares	292,500	607,500	–	–	–	–	–	–	–	900,000
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	739,597	739,597
Disposal of subsidiaries	–	–	–	–	–	–	–	–	256,484	256,484
Deemed disposal of subsidiaries	–	–	–	–	–	–	–	–	2,027,336	2,027,336
At 31 December 2004 and 1 January 2005	2,795,077	52,816,944	9,228,125	11,270	–	164,630	(280,307)	(21,827,192)	13,892,094	56,800,641
Deficit on revaluation	–	–	–	–	–	(128,332)	–	–	–	(128,332)
Exchange difference on consolidation	–	–	–	–	–	–	92,607	–	17,153	109,760
Net income/(expense) directly in equity	–	–	–	–	–	(128,332)	92,607	–	17,153	(18,572)
Profit for the year	–	–	–	–	–	–	–	83,955,801	32,112,443	116,068,244
Total recognised income and expenses for the year	–	–	–	–	–	(128,332)	92,607	83,955,801	32,129,596	116,049,672
Issue of new shares upon exercise of share options	7,500	35,735	–	–	(9,581)	–	–	–	–	33,654
Disposal of subsidiaries	–	–	12,444	–	–	–	–	–	775,223	787,667
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	1,562,341	1,562,341
Employee share-based compensation	–	–	–	–	919,639	–	–	–	162,678	1,082,317
Effect on exercising share options of a subsidiary	–	–	–	–	(131,297)	–	–	–	83,302	(47,995)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(2,109,815)	(2,109,815)
At 31 December 2005	**2,802,577**	**52,852,679**	**9,240,569**	**11,270**	**778,761**	**36,298**	**(187,700)**	**62,128,609**	**46,495,419**	**174,158,482**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005	2004
	US$	US$
Operating activities		
Profit before taxation	**116,216,887**	44,374,253
Adjustments for:		
Amortisation of goodwill	**–**	149,075
Bad debts recovery	**(148,986)**	(366,526)
Compensation for early lapse of employees' share options	**–**	1,190,000
Depreciation of property, plant and equipment	**314,294**	215,162
Employee share-based compensation expense	**1,082,317**	–
Exchange difference	**254,619**	(183,238)
Fee income received in kind	**–**	(7,000,000)
Gain on disposal of available-for-sale investments	**(124,250)**	(150,467)
Gain on disposal of property, plant and equipment	**(5,655)**	(21,612)
Loss/(Gain) on disposal of subsidiaries	**246,956**	(3,194,361)
Gain on financial assets held at fair value through profit or loss	**(142,837,060)**	(41,773,760)
Loss on financial assets held at fair value through profit or loss	**–**	32,334
Gain recognised on fair value of interests in subsidiaries acquired in excess of acquisition costs	**–**	(64,615)
Impairment of goodwill	**–**	112,317
Impairment of receivables	**621,894**	86,173
Interest expenses	**49,111**	189
Interest income	**(431,778)**	(55,378)
Share of profits less losses of associates	**(237,090)**	(13,931)
Share of profit of a jointly controlled entity	**(25,456)**	–
Write-back of impairment of investments	**–**	(140,937)
Operating loss before working capital changes	**(25,024,197)**	(6,805,322)
Increase in trade and other receivables	**(385,342)**	(163,288)
Increase in amounts due from investee companies	**(779,722)**	–
Increase in trade and other payables	**2,004,560**	714,136
(Decrease)/Increase in deferred income	**(51,367)**	51,224
Increase in amount due from a jointly controlled entity	**(33,718)**	–
(Decrease)/Increase in amounts due to associates	**(12,925)**	3,450
Decrease/(Increase) in amounts due from associates	**9,518**	(13,646)
Increase in tax payable	**–**	1,533
Cash used in operations	**(24,273,193)**	(6,211,913)
Tax paid	**(105,812)**	–
Interest paid	**–**	(189)
Net cash outflow from operating activities	**(24,379,005)**	(6,212,102)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	2005	2004
	US$	US$
Investing activities		
Acquisition of a jointly controlled entity	**(50)**	–
Acquisition of available-for-sale investments	**(185,001)**	(225,000)
Acquisition of financial assets held at fair value through profit or loss	**(16,970,706)**	(485,795)
Acquisition of subsidiaries, net of cash acquired	**–**	616,331
Acquisition of trademark	**(2,706)**	(207,012)
Disposal of subsidiaries, net of cash disposed of	**1,651,230**	(55,686)
Interest received	**364,140**	54,578
Loan to an investee company	**(9,500,000)**	–
Net (advance to)/repayment from other receivables	**(484,664)**	104,573
Net advance to investee companies	**(27,979)**	(102,262)
Proceeds from sale of available-for-sale investments	**396,044**	142,892
Proceeds from sale of financial assets held at fair value through profit or loss	**51,205,531**	–
Proceeds from sale of property, plant and equipment	**35,868**	35,310
Purchase of property, plant and equipment	**(423,633)**	(495,803)
Net cash inflow/(outflow) from investing activities	**26,058,074**	(617,874)
Financing activities		
Dividend paid to minority shareholders	**(2,109,815)**	–
Repayment of finance lease obligations	**(5,126)**	(9,564)
Increase in finance lease obligations	**–**	15,612
Issue of new shares upon exercise of share options	**33,654**	–
Proceeds from grant of share options by a subsidiary	**22**	–
Proceeds from exercise of share options of a subsidiary	**404,078**	–
Drawdown of other loans (secured)	**8,500,000**	–
Advanced payment received	**650,000**	–
Capital injection from minority shareholders	**–**	4,896,047
Net cash inflow from financing activities	**7,472,813**	4,902,095
Net increase/(decrease) in cash and cash equivalents	**9,151,882**	(1,927,881)
Cash and cash equivalents as at 1 January	**6,096,210**	8,026,709
Effect of exchange rate fluctuations	**(7,963)**	(2,618)
Cash and cash equivalents as at 31 December	**15,240,129**	6,096,210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

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 address of the Company's registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies and, its principal place of business is 2701, Citibank Tower, 3 Garden Road, Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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.

The financial statements for the year ended 31 December 2005 were approved by the Board of Directors on 16 March 2006.

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 requirements 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. The measurement bases are fully described below.

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

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

IAS 1 (Revised)	Presentation of Financial Statements
IFRS 2	Share-based Payments

The application of IAS 1 (Revised) led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year. In addition, in previous years, the Group's share of tax attributable to associates and jointly-controlled entities was included as a component of the Group's taxation charge/credit in the consolidated income statement. Upon the adoption IAS 1 (Revised), the Group's share of the post-acquisition results of associates and jointly-controlled entities is presented net of the Group's share of tax attributable to associates and jointly-controlled entities.

The adoption of IFRS 2 "Share-based Payments" has resulted in a change in accounting policy for the Group's Share Option Schemes. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of IFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the income statement. IFRS 2 should be applied retrospectively for all equity instruments granted to an employee of the Group after 7 November 2002 and not vested at 1 January 2005.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The effect on adopting IFRS 2 on the consolidated income statement for the year ended 31 December 2005 and the consolidated balance sheet as at 31 December 2005 is to decrease the profit before taxation by US$1,082,317 and to increase the employee share-based compensation reserve by US$1,082,317 respectively. There is no significant impact to the consolidated results for last year on adoption of IFRS 2 and accordingly, no prior period adjustment has been made.

At the time when the share options are exercised, the amount initially recognised in employee share-based compensation reserve is transferred to share premium.

New standards or interpretations that have been issued but are not yet effective:

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. Except for IAS 39 (Amendment) and IFRIC 8 which may have potential impact to the financial statements, the Directors of the Company anticipate that the application of these standards or interpretations will have no or any material impact on the financial statements of the Group. The Group is not in the position to reasonably estimate the impact that may arise from IAS 39 (Amendment) and IFRIC 8.

IAS 1 (Amendment)	Capital Disclosures[5]
IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
IAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates[2]
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
IAS 39 (Amendment)	The Fair Value Option[2]
IFRS 4 & IAS 39 (Amendment)	Financial Guarantee Contracts[2]
IFRS 6	Exploration for and Evaluation of Mineral Resources[2]
IFRS 7	Financial Instruments : Disclosures[5]
IFRIC 4	Determining whether an Arrangement contains a lease[2]
IFRIC 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[1]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS 2[4]

1 Effective for annual periods beginning on or after 1 December 2005.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 March 2006.
4 Effective for annual periods beginning on or after 1 May 2006.
5 Effective for annual periods beginning on or after 1 January 2007.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company 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.

For the year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

(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 and jointly controlled entity

An associate is a company in which the Group has significant influence, but not control, over the financial and operating policies.

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and exists only when the strategic financial and operating decision relating to the activity require the unanimous consent of the venturers.

The consolidated financial statements include the Group's share of the post-acquisition profits or losses of associates/jointly controlled entities and its share to post-acquisition movement in reserves of the associates/jointly controlled entities on an equity accounting basis. Any goodwill or fair value adjustment attributable to the share in the associates/jointly controlled entities is included in the amount recognised as interests in associates/jointly controlled entities.

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

When the Group's share of losses in the associates/jointly controlled entities equals or exceeds its interests in the associates/jointly controlled entities, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates/jointly controlled entities.

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.

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 less their residual values 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%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Financial assets

All financial assets are recognised on their trade date. All financial assets that are not classified as fair value through profit or loss are initially recognised at fair value, plus transaction costs.

Financial assets held at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Financial assets originally designated as financial assets held at fair value through profit or loss may not subsequently be reclassified.

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognised in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment, any loss previously recognised in equity is transferred to income statement. Losses recognised in the income statement on equity instruments are not reversed through the income statement. Losses recognised in prior period income statements resulting from the impairment of debt securities are reversed through income statement.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses. Any change in their value is recognised in income statement.

An impairment of trade and other receivables is established when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of impairment is the difference between the carrying amount and the recoverable amount being present value of expected cash flow discounted at the market value of interest for similar borrowings. Impairment is made against trade receivables to the extent they are considered to be doubtful.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) 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), was being 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 of impairment. The accumulated amortisation at 31 December 2004 was eliminated against the original gross amount of goodwill. The goodwill is stated after any accumulated amortisation and impairment.

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

Any 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.

(ii) Trademarks

Expenditure on acquired trademarks is capitalised and is not amortised over the useful life, which is indefinite for the following reasons:

– it is capable of being renewed indefinitely at insignificant cost; and

– 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.

(j) Impairment of assets

The Group's property, plant and equipment, interests in associates, interest in a jointly controlled entity and intangible 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 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.

For the year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

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. An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(k) 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 statements 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.

For the year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Income/Revenue recognition

Income/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.

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

(m) 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. Further details are set out in note 2(n).

(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.

For the year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Share-based employee remuneration

All share-based payment arrangements granted after 7 November 2002 that had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based remuneration plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in income statement with a corresponding credit to the employee share-based compensation reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

(o) Related parties

Parties are considered to be related to the Group if :

(i) directly, or indirectly through one or more intermediaries, the party :

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group;
- has joint control over the Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

For the year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Foreign currencies

The consolidated financial statements are presented in the currency of United States dollars, which is the presentation currency of the Company.

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. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

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 income 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into United States dollars at the closing rate.

(q) 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.

(r) 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.

(s) Financial liabilities

The Group's financial liabilities include trade and other payables and deferred income.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in the income statement.

Trade and other payables, deferred income and other loans are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method less settlement payments.

For the year ended 31 December 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Equity

Share capital is determined using the nominal value of shares that have been issued. The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium net of any related income tax benefits to the extent that they are incremental costs directly attributable to equity transaction. Retained earnings include all current and prior period results as disclosed in the income statement.

(u) Critical accounting judgements and key sources of estimation uncertainty

The Board in applying the accounting policies, which are described in this note 2 to the financial statements, consider that the most significant judgements they have had to make is the designation of financial assets held at fair value through profit or loss which affect the amount recognised in the financial statements. In addition, the assumptions with regard to the fair value of financial assets held for trading, detailed in note 17 to the financial statements, are those that have the most significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

3. SEGMENTAL INFORMATION

(a) Primary reporting format – business segments:

The only material business segment the Group has is that of merchant banking as asset management contributes less than 10% of the Group's total income.

(b) Secondary reporting format – geographical segments:

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

4. TURNOVER/REVENUE

	2005	2004
	US$	US$
Corporate finance and other advisory fees	**1,850,789**	10,199,148
Fund management fee income	**1,420,003**	1,042,478
Wealth management services fee	**4,429,708**	–
Fees from placement of shares	–	6,410
Others	–	25,424
	7,700,500	11,273,460

For the year ended 31 December 2005

5. OTHER INCOME

	2005	2004
	US$	US$
Bad debts recovery	**148,986**	366,526
Bank interest income	**304,946**	40,593
Consultancy fee income	**–**	80,592
Exchange gain, net	**–**	183,238
Gain on disposal of subsidiaries	**–**	3,194,361
Gain on disposal of available-for-sale investments	**124,250**	150,467
Gain on disposal of property, plant and equipment	**5,655**	21,612
Gain recognised on fair value of interests in subsidiaries acquired in excess of acquisition costs	**–**	64,615
Management fee income	**207,500**	30,000
Other interest income	**126,832**	14,785
Write-back of impairment of investments	**–**	140,937
Others	**153,572**	208,406
	1,071,741	4,496,132

For the year ended 31 December 2005

6. PROFIT FROM OPERATIONS

	2005	2004
	US$	US$
Profit from operations is arrived at after charging:		
Amortisation of goodwill (note 15)	–	149,075
Auditors' remuneration:		
– audit services	161,833	89,435
– other services	22,810	64,486
Compensation for early lapse of employees' share options*	–	1,198,686
Depreciation:		
– owned assets	300,635	201,857
– assets held under finance leases	13,659	13,305
Exchange loss, net	254,619	–
Impairment of goodwill (note 15)	–	112,317
Impairment of receivables	621,894	86,173
Loss on disposal of subsidiaries	246,956	–
Loss on financial assets held at fair value through profit or loss (note 17)	–	32,334
Operating leases charges in respect of rented premises	459,717	489,694
Staff costs, excluding directors' remuneration (note 26)	18,830,518	6,549,805

* During the year ended 31 December 2004, 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 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 23(b) to the financial statements.

7. TAXATION EXPENSE

	2005	2004
	US$	US$
Current tax		
– Hong Kong	5,911	–
– overseas	142,732	–
	148,643	–

For the year ended 31 December 2005

7. TAXATION EXPENSE (continued)

Hong Kong and overseas income tax for the year have been calculated at the rates prevailing in the relevant jurisdictions (2004: Nil).

A reconciliation of the tax expense applicable to profit 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:

	2005		2004	
	US$	**%**	US$	%
Profit before taxation	**116,216,887**		44,374,253	
Tax at statutory tax rates	**20,337,955**	**17.50**	7,765,494	17.50
Effect of different tax rates of subsidiaries operating in other regions	**57,606**	**0.05**	(215,285)	(0.48)
Tax effect of share of results of a jointly controlled entity	**(4,455)**	**–**	–	–
Tax effect of share of results of associates	**(41,491)**	**(0.04)**	(2,438)	(0.01)
Tax effect of prior year's tax losses utilised this year	**(183,945)**	**(0.16)**	(16,358)	(0.04)
Income not subject to tax	**(23,176,659)**	**(19.95)**	(9,309,349)	(20.98)
Expenses not deductible for tax	**1,530,778**	**1.32**	207,868	0.47
Tax effect of unrecognised temporary difference	**14,223**	**0.01**	16,541	0.04
Tax effect of unrecognised tax losses	**1,614,631**	**1.40**	1,553,527	3.50
Tax charge at the Group's effective tax rate	**148,643**	**0.13**	–	–

8. PROFIT FOR THE YEAR

Of the consolidated profit for the year of US$116,068,244 (2004: US$44,374,253), a profit of US$3,108,653 (2004: US$24,333,800) has been dealt with in the financial statements of the Company.

9. EARNINGS PER SHARE

	Number of shares
Weighted average number of shares for calculating basic earnings per share	2,798,101,903
Effect of dilutive potential ordinary shares: share options	12,072,031
Weighted average number of shares for calculating diluted earnings per share	2,810,173,934

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2005 is based on the profit attributable to equity holders of the Company of US$83,955,801 (2004: US$33,560,923) and the weighted average number of ordinary shares of 2,798,101,903 (2004: 2,649,626,425) 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 per share

The calculation of diluted earnings per share for the year ended 31 December 2005 is based on the profit attributable to equity holders of the Company of US$83,955,801 and the weighted average number of ordinary shares in issue during the year after adjusting for the number of dilutive potential ordinary shares granted under the Company's share option scheme of 2,810,173,934. None of the dilutive shares relate to interest or similar expense recognisable in the income statement for 2005.

No diluted earnings per share is shown for 2004, as the outstanding share options were anti-dilutive.

10. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	US$	US$
Investments at fair value		
Listed shares, outside Hong Kong	**278,326,506**	42,294,489
Unlisted shares, outside Hong Kong	**2**	1
	278,326,508	42,294,490
Amounts due from subsidiaries	**50,371,276**	41,547,954
Less: Impairment losses	**(49,365,391)**	(41,538,923)
	279,332,393	42,303,521
Amounts due to subsidiaries	**(186,133)**	(262,809)
	279,146,260	42,040,712

For the year ended 31 December 2005

10. INTERESTS IN SUBSIDIARIES (continued)

11,900,000 shares of the Company's shares in Crosby Capital Partners Inc. with an aggregate value of US$16.8 million at 31 December 2005 are pledged to secure other loans as detailed in note 21 to the financial statements.

Amounts due from/to subsidiaries are interest free, unsecured and have no fixed repayment terms. In the opinion of directors, no repayment would be demanded within 12 months from the balance sheet date. Accordingly, the amounts were classified as non-current assets.

Particulars of the principal subsidiaries as at 31 December 2005 are as follows:

Name	Place of incorporation	Principal place of operation	Particulars of issued share capital	Percentage of equity interest attributable to the Group indirectly/directly* 2005	2004	Principal activities
Crosby Capital Partners Inc.	Cayman Islands	N/A	239,350,000 ordinary shares at US$0.01 each	**82.37%***	84.33%*	Investment holding
Crosby Capital Partners Limited	United Kingdom	United Kingdom	547,797 ordinary shares at £1 each	**82.37%**	84.33%	Provision of financial advisory services
Crosby Capital Partners (Hong Kong) Limited	Hong Kong	Hong Kong	299,288,547 ordinary shares at US$0.01 each	**82.29%**	84.24%	Provision of financial advisory and corporate services
Crosby Capital Partners (Singapore) Pte Limited	Singapore	Singapore	12,560,002 ordinary shares at S$1 each	**82.37%**	84.33%	Provision of financial advisory services
Crosby Corporate Finance (Hong Kong) Limited	Hong Kong	Hong Kong	100 ordinary shares at HK$0.01 each	**82.37%**	84.33%	Provision of financial advisory services
Crosby Asset Management (Hong Kong) Limited	Hong Kong	Hong Kong	9,991 ordinary shares at HK$1 each	**82.37%**	84.33%	Provision of investment advisory and fund administration services
Crosby Wealth Management (Asia) Limited) (formerly known as Crosby Wealth Management (Cayman) Limited)	Cayman Islands	N/A	18,000 ordinary shares at US$1 each	**45.76%**	46.85%	Investment holding

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10. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Principal place of operation	Particulars of issued share capital	Percentage of equity interest attributable to the Group indirectly/directly* 2005	2004	Principal activities
Crosby Wealth Management (Hong Kong) Limited	Hong Kong	Hong Kong	7,701 ordinary shares at HK$1 each	**45.76%**	46.85%	Provision of wealth management services
Crosby Investment Holdings Limited	Cayman Islands	N/A	1 ordinary share at US$1	**82.37%**	84.33%	Investment holding
Sunov Crosby (Holdings) Limited	British Virgin Islands	N/A	100 ordinary shares at US$1 each	**82.37%**	84.33%	Investment holding
Silk Route Petroleum Limited	British Virgin Islands	N/A	1,000 ordinary shares at US$1 each	**46.62%**	47.73%	Investment holding
Sunov Petroleum (Pakistan) Limited	British Virgin Islands	N/A	1,000 ordinary shares at US$1 each	**43.57%**	44.61%	Investment holding
Coniston International Capital Limited	British Virgin Islands	N/A	1 ordinary share at US$1	**100%***	–	Investment holding
Softech Investment Management Company Limited	Hong Kong	Hong Kong	502 ordinary shares at HK$10 each	**50%**	50%	Fund management
techpacific.com (BVI) Investments Limited	British Virgin Islands	N/A	1 ordinary share at US$1	**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	**100%**	100%	Investment holding
techpacific.com Venture Capital Limited	British Virgin Islands	N/A	1,000 ordinary shares at US$1 each	**75.1%**	75.1%	Fund management

For the year ended 31 December 2005

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
				2005	2004	
Techpacific Capital (Hong Kong) Limited	Hong Kong	Hong Kong	1,000 ordinary shares at HK$1 each	**100%**	100%	Provision of corporate services

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

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or the assets of the Group.

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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$
Gross carrying amount						
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
At 1 January 2005	219,660	135,526	625,619	117,563	197,629	1,295,997
Additions	154,940	102,939	139,467	–	26,287	423,633
Disposals	(30,464)	(36,530)	(49,388)	(62,923)	(18,775)	(198,080)
Disposal of subsidiaries	–	–	–	–	(356)	(356)
Exchange adjustments	(1,602)	(1,047)	(1,092)	–	(176)	(3,917)
At 31 December 2005	**342,534**	**200,888**	**714,606**	**54,640**	**204,609**	**1,517,277**
Accumulated depreciation and impairment						
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
At 1 January 2005	167,536	101,444	242,833	65,200	165,486	742,499
Charge for the year	50,167	36,194	195,591	13,659	18,683	314,294
Disposals	(17,152)	(23,167)	(47,607)	(62,923)	(17,018)	(167,867)
Disposal of subsidiaries	–	–	–	–	(356)	(356)
Exchange adjustments	(1,281)	(24)	(33)	–	(111)	(1,449)
At 31 December 2005	**199,270**	**114,447**	**390,784**	**15,936**	**166,684**	**887,121**
Carrying amount						
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
At 1 January 2005	52,124	34,082	382,786	52,363	32,143	553,498
At 31 December 2005	**143,264**	**86,441**	**323,822**	**38,704**	**37,925**	**630,156**

Included in motor vehicles above is a motor vehicle with a net book value of US$38,704 (2004: US$52,363) held under a finance lease.

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12. INTERESTS IN ASSOCIATES

Group

	2005	2004
	US$	US$
Unlisted shares at cost, less impairment losses	**–**	–
Share of net assets other than goodwill	**499,545**	275,411
Premium on acquisition	**67,934**	381,019
	567,479	656,430
Less: Impairment losses	**(53,771)**	(377,657)
	513,708	278,773
Amounts due from associates	**7,844**	17,362
Amounts due to associates	**(1,724)**	(14,649)
	519,828	281,486

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12. INTERESTS IN ASSOCIATES (continued)

Summarised financial information in respect of the Group's associates is set out below:

	2005	2004
	US$	US$
Total assets	**2,386,099**	1,813,711
Total liabilities	**(982,651)**	(1,031,028)
Net assets	**1,403,488**	782,683
Group's share of associates' net assets	**499,545**	275,411
Revenue	**3,389,985**	1,640,933
Profit for the year	**642,581**	(441,517)
Group's share of associates' profits for the year	**237,090**	13,931

At 31 December 2005, particulars of principal associates accounted for under the equity method are as follows:

Name	**Place of incorporation**	**Percentage of issued capital held indirectly**		**Principal activities**
		2005	2004	
Crosby Asset Management South Asia Limited ("CAMSAL")	British Virgin Islands	**100%** Note (i)	100% Note (i)	Investment holding
Crosby Asset Management (Pakistan) Limited (formerly known as Crosby Asset Management Limited) ("CAMPL")	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)	20% Note (ii)	Securities dealing

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12. INTERESTS IN ASSOCIATES (continued)

Name	Place of incorporation	Percentage of issued capital held indirectly		Principal activities
		2005	2004	
SBI CROSBY (Holdings) Limited	British Virgin Islands	**50%**	50%	Investment holding
SBI CROSBY Limited	Hong Kong	**50%** Note (iii)	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 2005, the third party is considered to hold an effective 80% equity interest in CAMSAL.

(ii) CAMPL and CSPL are wholly owned subsidiaries of CAMSAL. As a result of the above investment arrangement, CAMPL and CSPL are considered as associates of the Group and that third party is also considered to hold effective 80% equity interests in CAMPL and CSPL as at 31 December 2005.

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

13. INTEREST IN A JOINTLY CONTROLLED ENTITY

Group

	2005	2004
	US$	US$
Share of net assets	**25,505**	–
Amount due from a jointly controlled entity	**33,719**	–
	59,224	–

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13. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Summarised financial information in respect of the Group's jointly controlled entity is as follows:

	2005	2004
	US$	US$
Total assets	84,730	–
Total liabilities	(33,719)	–
Net assets	**51,011**	–
Group's share of a jointly controlled entity's net assets	25,505	–
Revenue	76,868	–
Profit for the year	50,911	–
Group's share of a jointly controlled entity's profit for the year	25,456	–

Group

At 31 December 2005, particulars of a jointly controlled entity accounted for under the equity method are as follows:

Name	Place of incorporation	Percentage of issued capital held indirectly 2005	2004	Principal activities
JAIC-CROSBY Investment Management Company Limited	Cayman Islands	50%	–	Provision of fund management services

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14. AVAILABLE-FOR-SALE INVESTMENTS

Group

	2005	2004
	US$	US$
Unlisted investments, at cost		
Convertible bonds and loans	**–**	113,636
Convertible preference shares	**35,286**	429,236
Debentures	**–**	71,795
Ordinary shares	**1,884,658**	4,617,358
	1,919,944	5,232,025
Less: Impairment losses	**(1,711,580)**	(4,935,230)
	208,364	296,795
Listed investments, at fair value		
Ordinary shares	**180,522**	307,485
	388,886	604,280

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15. INTANGIBLE ASSETS

Group

	Trademark	Goodwill	Total
	US$	US$	US$
Gross carrying amount			
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
At 1 January 2005	478,302	682,020	1,160,322
Elimination of accumulated amortisation and impairment under IFRS 3 (2004)	–	(600,670)	(600,670)
Acquisition of trademark	2,706	–	2,706
At 31 December 2005	481,008	81,350	562,358
Accumulated amortisation and impairment			
At 1 January 2004	–	339,278	339,278
Amortisation (note 6)	–	149,075	149,075
Impairment (note 6)	–	112,317	112,317
At 31 December 2004	–	600,670	600,670
At 1 January 2005	–	600,670	600,670
Elimination of accumulated amortisation and impairment under IFRS 3 (2004)	–	(600,670)	(600,670)
At 31 December 2005	–	–	–
Carrying amount			
At 1 January 2004	–	154,449	154,449
At 31 December 2004	478,302	81,350	559,652
At 1 January 2005	478,302	81,350	559,652
At 31 December 2005	**481,008**	**81,350**	**562,358**

Goodwill above relates to the Group's capital injection in its subsidiary, Crosby Wealth Management (Asia) Limited (formerly known as Crosby Wealth Management (Cayman) Limited) at 1 October 2004. Based on the impairment testing of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the balance of the Group's goodwill.

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16. TRADE AND OTHER RECEIVABLES

Group

	2005	2004
	US$	US$
Trade receivables – gross	**650,907**	480,967
Less: Impairment losses	**(21,795)**	(250,070)
Trade receivables – net	**629,112**	230,897
Other receivables – gross	**9,537,279**	547,305
Less: Impairment losses	**(618,809)**	(223,989)
Other receivables – net	**8,918,470**	323,316
Deposits and prepayments	**1,242,335**	1,168,808
	10,789,917	1,723,021

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

At the balance sheet date, included in trade and other receivables of the Group are trade receivables of US$629,112 (2004: US$230,897).

	2005	2004
	US$	US$
0 – 30 Days	**219,641**	150,000
31 – 60 Days	**205,142**	1,000
61 – 90 Days	**204,305**	–
Over 90 Days	**24**	79,897
	629,112	230,897

Included in trade and other receivables are staff loans and advances of US$58,807 (2004: US$57,783) granted at the discretion of the management. Such loans and advances included loans advanced in prior years for purpose of assisting employees to buy the Company's shares prior to the Company's initial public offering. In such cases, 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.

For the year ended 31 December 2005

17. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

		2005	2004
	Notes	**US$**	US$
Held for trading			
Listed securities:			
– Equity securities – Japan	(i)	**91,860,915**	–
– Equity securities – Australia		**1,006,687**	239,960
– Equity securities – United Kingdom	(iii)	**32,041,294**	–
Fair value of listed securities		**124,908,896**	239,960
Unlisted securities:			
– Warrants – Japan	(ii)	**13,272,587**	–
– Equity securities – Mauritius	(iv)	**10,842,316**	–
Fair value of unlisted securities		**24,114,903**	–
Others	(v)	**–**	48,987,260
		149,023,799	49,227,220
Designated as financial assets held at fair value through profit or loss on initial recognition			
Unlisted securities:			
– Equity securities – United Kingdom		**100,000**	–
		149,123,799	49,227,220

The movement in financial assets held at fair value through profit or loss is as follows:

	2005	2004
	US$	US$
At 1 January	**49,227,220**	–
Additions	**16,970,706**	7,485,794
Disposals	**(59,911,187)**	–
Gain on financial assets held at fair value through profit or loss	**142,837,060**	41,773,760
Loss on financial assets held at fair value through profit or loss (note 6)	**–**	(32,334)
At 31 December	**149,123,799**	49,227,220

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17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(i) At 31 December 2005, the Group held 22,000,000 shares in IB Daiwa Corporation ("IB Daiwa"), a JASDAQ listed Japanese company, which were acquired by exercise of warrants. The Group also received a further 34,325,000 IB Daiwa shares upon disposal of interests in Lodore Resources Inc. The total number of shares in IB Daiwa held by the Group at 31 December 2005 was 56,325,000 which was valued at the quoted market price at 31 December 2005.

(ii) At 31 December 2005, the Group held warrants to subscribe for 64,600,000 shares in IB Daiwa at an exercise price of 31 Japanese yen each. As there is no readily available quoted market price for these unlisted instruments and no recent market transaction on an arms length basis for them the directors have calculated the fair value using the IB Daiwa quoted share price at 31 December 2005 and applying a 33% discount, to reflect market and non-market factors such as share price volatility, and the number of warrants the Group had the financial ability to exercise at 31 December 2005.

(iii) The Group is beneficially interested in 35,000,000 shares of Indago Petroleum Limited ("Indago"), a company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange, through its 56.6% owned subsidiary of Silk Route Petroleum Limited. The Indago shares are pledged against a two year loan to Indago made by a third party founding shareholder of Indago of which US$20,000,000 was outstanding at 31 December 2005. Silk Route Petroleum Limited has also undertaken not to sell its shares until December 2006 (being one year after the admission of the shares of Indago to AIM) under a formal lock-in arrangement ("the lock-in"). At 31 December 2005, the Indago shares are valued at US$32,041,294 using the closing price per Indago share as quoted on AIM on 31 December 2005 of 76 pence per share, discounted by 30% to reflect the formal restriction on the disposal of those shares under the lock-in. The Indago shares were issued to Silk Route Petroleum Limited during the year in consideration for surrendering an option to acquire 49% of Novus Middle East Limited (which owns interests in, and is the operator, of six petroleum exploration and production concessions located in the Sultanate of Oman and Ras Al Khaimah, United Arab Emirates) and arranging for Indago to acquire 100% of Novus Middle East Limited. The fair value of the aforementioned option was US$100,000 at 31 December 2004 and the increase in fair value during the year has been dealt with in the consolidated income statement.

(iv) The Group is beneficially interested in Eastern Petroleum Limited ("Eastern Petroleum"), a company incorporated in Mauritius, through its 52.9% owned subsidiary Sunov Petroleum (Pakistan) Limited. Eastern Petroleum in turn owns 100% of the issued share capital of Spud Energy Pty Limited (formerly known as Novus Pakistan Pty Limited), a company registered in Australia, which owns a 47.5% interest in the Bolan Concession and a 15% interest in the Badar Mining Lease both located onshore in Pakistan. At 31 December 2005, the investment in Eastern Petroleum Limited is valued at US$10,842,316 based on the valuation used for a third party investment which is the only recent market transaction in that asset.

(v) Others comprised the economic interests in the oil and gas assets of Novus Petroleum Limited located in the United States, Pakistan and the Middle East, and were stated at fair value.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	US$	US$	**US$**	US$
Bank and cash balances	**7,971,068**	4,412,336	**1,011,454**	25,948
Short-term bank deposits	**7,269,061**	1,683,874	**1,705,012**	571,863
	15,240,129	6,096,210	**2,716,466**	597,811

For the year ended 31 December 2005

18. CASH AND CASH EQUIVALENTS (continued)

The effective interest rate of short-term bank deposits for the year ranges from 0.3125% to 4.01% (2004: 0.001% to 3.25%). These deposits have maturity periods ranging from 1 to 61 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

19. TRADE AND OTHER PAYABLES

Group

	2005	2004
	US$	US$
Other payables	**974,081**	122,707
Accrued charges	**3,838,446**	2,038,291
	4,812,527	2,160,998

The Group had no trade payables throughout the year (2004: Nil).

20. OBLIGATIONS UNDER A FINANCE LEASE

(a) Finance lease liabilities – minimum lease payments:

	Group	
	2005	2004
	US$	US$
Due within one year	**5,689**	5,689
Due in the second to fifth years	**5,215**	10,904
	10,904	16,593
Future finance charges on finance lease	**(418)**	(981)
Present value of finance lease liabilities	**10,486**	15,612

20. OBLIGATIONS UNDER A FINANCE LEASE (continued)

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

	Group	
	2005	2004
	US$	US$
Due within one year	**5,371**	5,353
Due in the second to fifth years	**5,115**	10,259
	10,486	15,612
Less: Portion due within one year included under current liabilities	**(5,371)**	(5,353)
Non-current portion included under non-current liabilities	**5,115**	10,259

21. OTHER LOANS (SECURED)

Group

Other loans are interest-bearing at 8% per annum and are repayable in full on 2 June 2006. The other loans are secured by 11,900,000 shares, representing 4.97% of the total issued share capital of Crosby Capital Partners Inc., a 82.37% subsidiary of the Company at 31 December 2005, subject to maintaining the ratio of the value of the security to the loan amount at 2 (i.e. if the share price of Crosby decreases then additional security may need to be provided to restore the ratio to 2).

The carrying amounts and fair value of other loans at 31 December 2005 are as follows:

	Carrying amounts		Fair value	
	2005	2004	**2005**	2004
	US$	US$	**US$**	US$
Other loans (secured)	**8,549,111**	–	**8,549,111**	–

The fair value of the other loans is based on cash flows discounted using a rate based on the borrowing rate of 8% per annum.

22. DEFERRED TAXATION

Group

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

	Accelerated tax depreciation	Tax losses*	Total
	US$	US$	US$
At 31 December 2004	2,340	4,959,300	4,961,640
At 31 December 2005	**57,931**	**5,173,289**	**5,231,220**

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.

Company

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

23. SHARE CAPITAL

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of non-voting convertible deferred shares	Value
				US$
Authorised (par value of US$0.001 each)				
At 1 January 2005 and 31 December 2005	20,000,000,000	1,000,000	(note (a)) –	20,001,000
Issued and fully paid (par value of US$0.001 each)			(note (b))	
At 1 January 2005	2,502,577,245	–	292,500,000	2,795,077
Issue of shares (note (c))	7,500,000	–	–	7,500
At 31 December 2005	**2,510,077,245**	**–**	**292,500,000**	**2,802,577**

For the year ended 31 December 2005

23. SHARE CAPITAL (continued)

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 24 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.

(c) 7,500,000 shares were issued during the year on exercise of share options, granted under the Share Option Scheme of the Company. Further details of which are provided in note 27 to the financial statements.

24. RESERVES

	Group	
	2005	2004
	US$	US$
Share premium	**52,852,679**	52,816,944
Capital reserve	**9,240,569**	9,228,125
Capital redemption reserve	**11,270**	11,270
Employee share-based compensation reserve	**778,761**	–
Investment revaluation reserve	**36,298**	164,630
Foreign exchange reserve	**(187,700)**	(280,307)
Retained profits/(Accumulated losses)	**62,128,609**	(21,827,192)
	124,860,486	40,113,470

For the year ended 31 December 2005

24. RESERVES (continued)

Company

	Share premium	Capital redemption reserve	Capital reserve	Employee share-based compensation reserve	Investment revaluation reserve	Accumulated losses	Total
	US$	US$	US$	US$	US$	US$	US$
At 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 23(b))	607,500	–	–	–	–	–	607,500
Profit for the year	–	–	–	–	–	24,333,800	24,333,800
At 31 December 2004 and 1 January 2005	52,816,944	11,270	4,639,099	–	–	(17,526,406)	39,940,907
Issue of new shares upon exercise of share options	35,735	–	–	(9,581)	–	–	26,154
Surplus on revaluation	–	–	–	–	236,355,812	–	236,355,812
Employee share-based compensation expense	–	–	–	19,830	–	–	19,830
Profit for the year	–	–	–	–	–	3,108,653	3,108,653
At 31 December 2005	**52,852,679**	**11,270**	**4,639,099**	**10,249**	**236,355,812**	**(14,417,753)**	**279,451,356**

For the year ended 31 December 2005

25. DIRECTORS' AND EMPLOYEES' REMUNERATION

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

	Fees	Salaries and allowances	Discretionary bonuses	Contribution to defined benefit plan	Benefits in kind	Share-based compensation expense	Total
	US$	US$	US$	US$	US$	US$	US$
2005							
Executive director:							
Johnny Chan Kok Chung	–	500,000	2,200,000	3,077	20,790	–	2,723,867
Non-executive directors:							
Ilyas Tariq Khan	–	385,385	4,650,000	3,077	16,943	–	5,055,405
Ahmad S. Al-Khaled	20,000	–	–	–	–	3,241	23,241
Independent non-executive directors:							
Daniel Yen Tzu Chen	20,000	–	–	–	–	10,106	30,106
Peter McIntyre Koenig	20,000	–	–	–	–	3,241	23,241
Joseph Tong Tze Kay	20,000	–	–	–	–	3,241	23,241
	80,000	885,385	6,850,000	6,154	37,733	19,829	7,879,101

For the year ended 31 December 2005

25. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

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

	Fees	Salaries and allowances	Discretionary bonuses	Contribution to defined benefit plan	Benefits in kind	Share-based compensation expense	Total
	US$	US$	US$	US$	US$	US$	US$
2004							
Executive director:							
Johnny Chan Kok Chung	–	330,583	50,000	2,821	7,798	–	391,202
Non-executive directors:							
Robert John Richard Owen (resigned on 19 May 2004)	–	63,131	–	586	–	–	63,717
Ilyas Tariq Khan	–	325,385	–	2,308	7,496	–	335,189
Ahmad S. Al-Khaled	39,999	–	–	–	–	–	39,999
Francis Yuen Tin Fan (resigned on 12 August 2004)	6,156	–	–	–	–	–	6,156
Independent non-executive directors:							
Alec Tsui Yiu Wa (resigned on 8 June 2004)	8,773	–	–	–	–	–	8,773
Daniel Yen Tzu Chen	15,000	–	–	–	–	–	15,000
Peter McIntyre Koenig	12,849	–	–	–	–	–	12,849
Joseph Tong Tze Kay	7,742	–	–	–	–	–	7,742
	90,519	719,099	50,000	5,715	15,294	–	880,627

For the year ended 31 December 2005

25. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2004: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2004: three) individuals during the year are as follows:

	2005	2004
	US$	US$
Salaries, allowances and benefits in kind	896,304	899,740
Commission paid and payable	1,605,373	–
Bonus paid and payable	5,530,000	239,832
Provident/Pension fund contributions	234,058	8,674
Share-based compensation expense	127,977	–
	8,393,712	1,148,246

The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Emoluments band		
Nil – US$257,000	–	–
US$257,001 to US$321,000	–	1
US$321,001 to US$385,000	–	1
US$385,001 to US$449,000	–	–
US$449,001 to US$513,000	–	1
US$513,001 to US$1,153,000	–	–
US$1,153,001 to US$1,217,000	1	–
US$1,217,001 to US$1,857,000	–	–
US$1,857,001 to US$1,921,000	1	–
US$1,921,000 to US$5,225,000	–	–
US$5,225,001 to US$5,289,000	1	–

During the year, no emoluments have been paid by the Group to the directors of the Company or the remaining three (2004: three) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the director of the Company waived any emoluments during each of the two years ended 31 December 2005.

26. EMPLOYEE BENEFIT EXPENSE (EXCLUDING DIRECTORS' REMUNERATION)

	Group	
	2005	2004
	US$	US$
Salaries, allowances and benefits in kind	**5,634,041**	4,211,691
Compensation for early lapse of employees' share options	**–**	1,198,686
Commission paid and payable	**1,785,431**	–
Bonus paid and payable	**10,004,293**	1,044,985
Provident/Pension fund contributions	**344,265**	94,443
Share-based compensation expense	**1,062,488**	–
	18,830,518	6,549,805

27. EQUITY COMPENSATION BENEFITS

Group

(a) Employee Share Option Scheme of the Company

The Company adopted an Employee Share Option Scheme on 27 March 2002 (the "Employee Share Option Scheme") in order to incentivise key management and staff.

Pursuant to the Company's Employee Share Option Scheme, a duly authorised committee of the board of directors of the Company may, at its discretion, grant options to eligible employees, including directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant of the particular option or (ii) the average of the closing prices of the shares of the Company for the five trading days immediately preceding the date of the grant of the options or (iii) the nominal value of the shares. On each grant of options HK$10 is payable by the grantee.

The total number of shares available for issue under options granted pursuant to the Employee Share Option Scheme must not in aggregate exceed 10 percent of the total number of shares in issue as at the date of the approval of the Employee Share Option Scheme (the "Scheme Mandate Limit"), unless shareholders' approval has been obtained. Options lapsed in accordance with the terms of the Employee Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of the shares issued and to be issued upon exercise of options granted (whether or not cancelled) and to be granted under the Employee Share Option Scheme to any eligible person (including both exercised and outstanding options) in any 12 month period up to the date of grant to such eligible person shall not exceed 1 percent of the issued shares of the Company, unless approval of shareholders of the Company has been obtained. Where any option is proposed to be granted to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director of the Company or any of their Associates (as defined by the GEM Listing Rules) in excess of 0.1% of the issued shares of the Company and having an aggregate value in excess of HK$5 million then the proposed grant must be subject to the approval of shareholders of the Company.

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27. EQUITY COMPENSATION BENEFITS (continued)

(a) Employee Share Option Scheme of the Company (continued)

Share options granted under the Employee 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 discloses movements in the outstanding options granted under the Employee Share Option Scheme:

During the year ended 31 December 2005:

	Number of share options				
Share option grant	**Outstanding at 1.1.2005**	**Granted during the year**	**Cancelled/ Lapsed during the year**	**Exercised during the year**	**Outstanding at 31.12.2005**
2002	300,000	–	–	–	300,000
2003 (b)	5,000,000	–	–	(3,000,000)	2,000,000
2004	15,000,000	–	–	(4,500,000)	10,500,000
	20,300,000	**–**	**–**	**(7,500,000)**	**12,800,000**

During the year ended 31 December 2004:

	Number of share options				
Share option grant	**Outstanding at 1.1.2004**	**Granted during the year**	**Cancelled/ Lapsed during the year**	**Exercised during the year**	**Outstanding at 31.12.2004**
2002	248,244,700	–	(247,944,700)	–	300,000
2003(a)	54,000,000	–	(54,000,000)	–	–
2003(b)	15,000,000	–	(10,000,000)	–	5,000,000
2003(c)	26,064,000	–	(26,064,000)	–	–
2003(d)	312,000,000	–	(312,000,000)	–	–
2003(e)	21,000,000	–	(21,000,000)	–	–
2004	–	15,000,000	–	–	15,000,000
	676,308,700	15,000,000	(671,008,700) Note 1	–	20,300,000

Note 1: Includes 518,564,000 of share options that have lapsed and are not available for re-use.

For the year ended 31 December 2005

27. EQUITY COMPENSATION BENEFITS (continued)

(a) Employee Share Option Scheme of the Company (continued)

The exercise prices of the share options granted under the Employee Share Option Scheme are as follows:

Share option grant	Date of grant	Exercise price per share
2002	27 March 2002	HK$0.0704
2003(a)	18 March 2003	HK$0.0350
2003(b)	14 May 2003	HK$0.0350
2003(c)	18 June 2003	HK$0.0350
2003(d)	11 July 2003	HK$0.0350
2003(e)	1 December 2003	HK$0.0350
2004	20 August 2004	HK$0.0350

Notes:

(i) The closing prices of the shares of the Company quoted on the Stock Exchange on the business days immediately before the dates on which share options were granted, ranged from HK$0.024 to HK$0.0704.

(ii) The weighted average closing prices of the shares of the Company quoted on the Stock Exchange on the business days immediately before the dates on which the options were exercised was HK$0.41 (2004: No options were exercised).

(iii) As at the date of this annual report, the number of additional options to subscribe for shares of the Company available for issue under the Employee Share Option Scheme, is 191,535,304 representing 7.63% of the issued ordinary share capital of the Company.

(iv) The fair value of the options outstanding at 1 January 2005, measured at the dates of grant, totalled approximately US$25,522. In total, US$19,829 of employee share-based expense is included in the consolidated income statement for 2005 (2004: nil) which will give rise to share premium upon exercise. The following significant assumptions were used to derive the fair value, using the Binomial option pricing model:

1. an expected decreasing volatility, starting at 70% in the first year and trending down to 30% over a 7 year period for the share options;

2. nil dividend yield;

3. the estimated expected life of the options granted is 10 years;

4. the risk free rates are based on the yields on Hong Kong Exchange Fund Bills and Notes; and

5. 20% of option holders will early exercise when the share price underlying a vested option reaches 110% of the exercise price and the remaining 80% exercise when the share price underlying a vested option reaches 150% of the exercise price, at the end of the contractual term if either of these prices is not achieved.

The Binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the options.

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27. EQUITY COMPENSATION BENEFITS (continued)

(b) Employee Share Option Scheme of the Subsidiary

Crosby Capital Partners Inc., ("Crosby"), a 82.37% subsidiary of the Company at 31 December 2005, adopted an employee Share Option Scheme during the year ("Crosby Employee Share Option Scheme") in order to incentivise key management and staff of Crosby. Pursuant to the Crosby Employee Share Option Scheme, a duly authorised committee of the board of directors of Crosby may, at its discretion, grant options to eligible employees, including directors, of Crosby or any of its subsidiaries to subscribe for shares in Crosby at a price not less than the higher of (i) the closing price of the shares of Crosby quoted on AIM on the date of grant of the particular option or (ii) the average of the closing prices of the shares of Crosby quoted on AIM for the five trading days immediately preceding the date of the grant of the options or (iii) the nominal value of the shares. On each grant of options £1.00 is payable by the grantee.

The total number of shares available for issue under options granted pursuant to the Crosby Employee Share Option Scheme must not in aggregate exceed 10% of the total number of Crosby's shares in issue at the date of last approval (the "Scheme Mandate Limit"), unless approval of shareholders of the Company has been obtained. However, the overall limit must not in aggregate exceed 25% of Crosby's issued share capital (i.e. 59,837,500 options as of 31 December 2005). Options lapsed in accordance with the terms of the Crosby Employee Share Option Scheme, prior to their exercise date, are available for re-use.

The total number of Crosby's shares issued and to be issued upon exercise of options granted (whether or not cancelled) and to be granted under the Crosby Employee Share Option Scheme to any eligible person (including both exercised and outstanding options) in any 12 month period immediately preceding the date of grant to such eligible person shall not exceed 1 percent of Crosby's shares in issue, unless approval of shareholders of the Company has been obtained. Where any option is proposed to be granted to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director of the Company or any of their Associates (as defined in the GEM Listing Rules) in excess of 0.1% of the shares of Crosby in issue and having an aggregate value in excess of HK$5 million then the proposed grant must be subject to the approval of shareholders of the Company.

Share options granted under the Crosby Employee 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.

Prior to adopting the Crosby Employee Share Option Scheme, 3,750,000 options with an exercise price of 6 pence per share were granted to Shahed Mahmood, a director of Crosby, on 23 February 2004 under a separate share option scheme adopted by the Company prior to the reverse acquisition by the Crosby Group. These options vested and were subsequently exercised on 23 August 2005 upon Shahed Mahmood's resignation as director of Crosby.

Crosby has also granted 1,117,318 options with an exercise price of 89.5 pence to a consultant of the Crosby Group on 21 November 2005. Crosby has absolute discretion as to whether any part of the option is exercisable and none of these options were exercisable as at 31 December 2005.

For the year ended 31 December 2005

27. EQUITY COMPENSATION BENEFITS (continued)

(b) Employee Share Option Scheme of the Subsidiary (continued)

The movement on share options and their weighted average exercise price are as follows for the reporting periods presented:

	2005		2004	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
Outstanding at 1 January	**3,750,000**	**0.06**	–	–
Granted	**16,417,318**	**30.13**	3,750,000	0.06
Forfeited	**–**	**–**	–	–
Exercised	**(3,750,000)**	**(0.06)**	–	–
Expired	**–**	**–**	–	–
Outstanding at 31 December	**16,417,318**	**30.13**	3,750,000	0.06

The weighted average of the closing share prices at the relevant date of exercise for the options exercised during the year was 64.25 pence (2004: Nil).

At 31 December 2005, Crosby had the following options outstanding:

Date of options granted	**Options granted**	**Options exercise price (pence)**	**Options exercisable as at 31.12.2005**	**Exercisable period**
11 January 2005	14,150,000	21.15p	–	10 years
15 September 2005	150,000	84.5p	–	10 years
21 November 2005	1,117,318	89.5p	–	10 years
30 December 2005	1,000,000	82.65p	–	10 years
	16,417,318		–	

Subsequent to 31 December 2005, 3,325,000 options were exercised on 11 January 2006.

The total fair value of the options granted, measured at the relevant dates of grant, were US$2,260,596 (2004: US$144,452). In total, employee share-based compensation expense US$1,082,317 has been included in the consolidated income statement for 2005 (2004: nil).

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28. MATERIAL RELATED PARTY TRANSACTIONS

(a) Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 25 to the financial statements is as follows:

	2005	2004
	US$	US$
Fees	**80,000**	95,073
Salaries, allowances and benefits in kind	**1,340,690**	1,146,177
Bonus paid and payable	**11,500,000**	139,832
Provident/Pension fund contributions	**231,179**	12,851
Share-based compensation expense	**19,829**	–
	13,171,698	1,393,933

(b) During the year the Group had the following related party transactions with certain investee companies:

	2005	2004
	US$	US$
Corporate finance and other advisory fees from an investee company	**350,000**	5,128
Management services fee received from an investee company	**200,000**	–
Fund management fee income from an investee company	**189,468**	–

(c) Included in the loan to and amounts due from investee companies at the balance sheet date, the Group had a loan to an investee company of US$9,565,972, which is unsecured, interest-bearing at 10% per annum and is repayable in full on 1 June 2006.

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29. NON-CASH TRANSACTIONS

(a) On 14 December 2004, a wholly-owned subsidiary of the Company, Sunvo Crosby (Holdings) Limited ("SCH"), entered into a sale and purchase agreement to sell its 61% interest in Sunov Petroleum Limited to Lodore Resources Inc. ("Lodore"). The consideration was satisfied by the issue of 214,666,667 Lodore shares to SCH at a price of GBP14.34 per share and cash of US$19,341,762 received and to be received via the placement of 70,000,000 shares of Lodore to third parties at a price of GBP14.75 per share upon completion on 31 January 2005. The cash received from the placement as at 31 December 2005 of US$10,626,611 has been included in the proceeds from sale of financial assets held at fair value through profit or loss in the consolidated cash flow statement.

(b) On 8 July 2005, an indirect non-wholly owned subsidiary of the Company, Silk Route Petroleum Limited ("SRPL"), entered into a share subscription agreement and shareholders' agreement with Indago Petroleum (Holdings) Limited ("IPHL") (formerly known as Meridian Oil & Gas (Middle East) Limited) in relating to the subscription of 210,000 shares at consideration of US$210. Subsequently, IPHL underwent a restructuring and repurchase of shares from the existing shareholders. The consideration for the repurchase was satisfied by the transfer of shares in its subsidiary, Indago Petroleum Limited ("IPL"). In this regard, 210,000 shares of IPHL held by SRPL were exchanged for 35,000,000 shares in IPL. On 2 December 2005, IPL was listed on AIM.

(c) On 4 November 2005, SCH entered into an agreement with IB Daiwa Corporation ("IB Daiwa") in relation to the acceptance of the offer to sell its entire 214,666,667 Lodore shares to IB Daiwa in exchange for 34,325,000 new IBD Shares at a price of 225 Japanese yen per share. The transaction was completed on 15 December 2005.

For the year ended 31 December 2005

30. COMMITMENTS

(a) Operating leases

Group

At 31 December 2005, 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:

	2005 Land and buildings	2004 Land and buildings	**2005 Motor vehicles**	2004 Motor vehicles	**2005 Total**	2004 Total
	US$	US$	**US$**	US$	**US$**	US$
Within one year	**430,331**	500,915	**26,884**	14,664	**457,215**	515,579
In the second to fifth years	**388,858**	490,764	**–**	–	**388,858**	490,764
	819,189	991,679	**26,884**	14,664	**846,073**	1,006,343

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

Company

The Company had no commitments under non-cancellable operating leases as at 31 December 2005.

For the year ended 31 December 2005

30. COMMITMENTS (continued)

(b) Capital commitments

Group

At 31 December 2005, details of the Group's capital commitments are as follows:

	2005	2004
	US$	US$
Authorised but not contracted for	–	–
Contracted but not provided for	–	43,490

Company

The company had no capital commitments as at 31 December 2005.

31. CONTINGENCIES

At 31 December 2005, the Group and the Company had no material contingent liabilities.

32. SUBSEQUENT EVENTS

On 6 March 2006, the Company entered into the Purchase Agreement with Goldman Sachs International (the "Purchaser") in relation to the issue to the Purchaser by the Company of a US$75 million Zero Coupon 5 year Convertible Bonds ("Convertible Bonds"). At any time on or after 13 March 2006 and up to and including 4 February 2011, the Convertible Bonds are convertible into either new shares of the Company at a price of HK$0.7665 per share or existing shares of Crosby Capital Partners Inc. held by the Company at a price of 99.75 pence per share at the option of the holder. The net proceeds from the Convertible Bonds are to be used for general working capital and investment purposes. In particular, on 9 March 2006, US$42.5 million was committed (subject only to shareholders' approval) for an investment in the oil and gas exploration sector. Specifically, the Group will obtain a 35% working interest in three gas exploration prospects (Big Mouth Bayou, North West Kaplan and Endeavor) in Louisiana USA owned by Lodore Resources Inc., a subsidiary of IB Daiwa.

33. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

(a) Foreign currency risk

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

(b) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial assets' carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

For the year ended 31 December 2005

33. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Cash flow and fair value interest rate risks

Cash flow is monitored on a regular basis to ensure that the group has sufficient cash and cash equivalents to support the business activities of the Group. The Group does not commit to any major merchant banking transaction unless it has the necessary funding in place. The cash and cash equivalents are invested such that the optimum interest rate is achieved.

The Group currently has no material financial liabilities with floating interest rates.

(d) Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair value.

APPENDIX I

FIVE YEAR FINANCIAL SUMMARY

	2005	2004	2003	2002	2001
	US$	US$	US$	US$	US$
Results					
Profit/(Loss) attributable to shareholders	**83,955,801**	33,560,923	(4,368,714)	(13,371,724)	(38,625,344)
Assets and liabilities					
Total assets	**187,672,885**	59,147,651	10,170,819	13,996,152	29,486,694
Total liabilities	**(13,514,403)**	(2,347,010)	(1,568,188)	(903,579)	(3,139,098)
Shareholders' funds	**174,158,482**	56,800,641	8,602,631	13,092,573	26,347,596

APPENDIX II

CORPORATE INFORMATION

Board of Directors

Ilyas Tariq Khan
Chairman and Non-Executive Director

Johnny Chan Kok Chung
Chief Executive Officer and Executive Director

Ahmad S. Al-Khaled
Non-Executive Director

Daniel Yen Tzu Chen
Independent Non-Executive Director

Peter McIntyre Koenig
Independent Non-Executive Director

Joseph Tong Tze Kay
Independent Non-Executive Director

Audit Committee

Joseph Tong Tze Kay *Chairman*
Daniel Yen Tzu Chen
Peter McIntyre Koenig

Remuneration Committee

Peter McIntyre Koenig *Chairman*
Johnny Chan Kok Chung
Daniel Yen Tzu Chen

Nomination Committee

Daniel Yen Tzu Chen *Chairman*
Ilyas Tariq Khan
Joseph Tong Tze Kay

Company Secretary

Martin Angus

Qualified Accountant

Martin Angus

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited

Auditors

Grant Thornton

Solicitors

Stephenson Harwood & Lo

Registered Office

Century Yard, Cricket Square,
Hutchins Drive,
P.O. Box 2681GT,
George Town,
Grand Cayman,
British West Indies

Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

Stock Code

GEM 8088