Techpacific Capital Limited

Stock Code: 8088

Annual Report 2007

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.

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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, the United Kingdom and representation in other parts of Asia.

The Group is engaged in the businesses of merchant banking, asset management, venture capital fund management and direct investment. Its subsidiary, Crosby Capital Partners Inc. ("Crosby"), which carries out the Group's merchant banking and asset management activities, is quoted on the London Stock Exchange's AIM (CSB LN).

A more in detailed discussion of the Group's business is contained in the Chairman's Report and in the Management Discussion and Analysis section of this report.

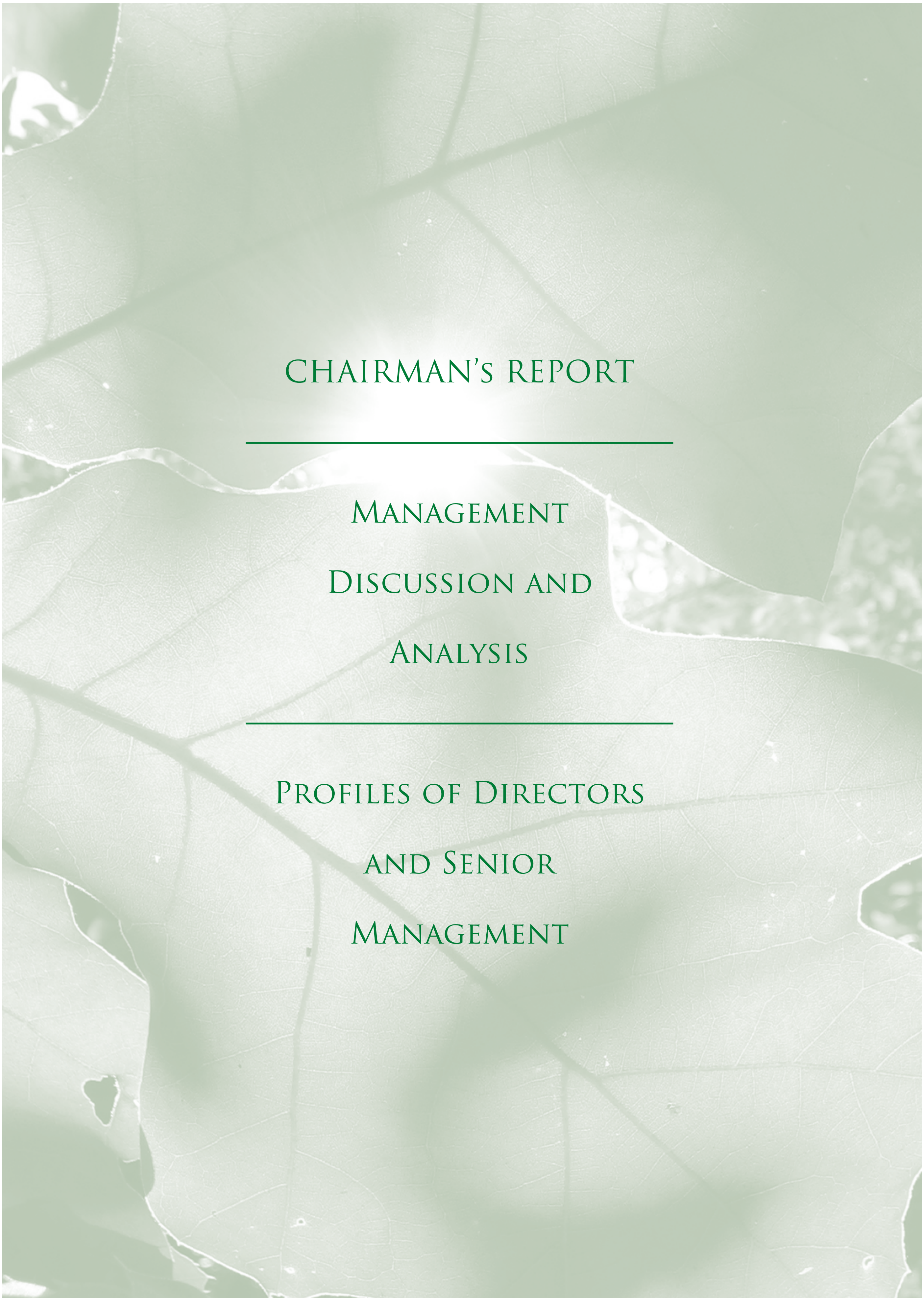
Highlights

- Loss attributable to shareholders – US$64.7 million
  (2006: US$60.7 million)

- Shareholders' equity – US$61.6 million
  (2006: US$121.8 million)

- Assets under management – US$2.5 billion up from
  US$1.2 billion

- Asset management revenue – US$39.5 million up from
  US$7.6 million



CHAIRMAN's REPORT

Management Discussion and Analysis

Profiles of Directors and Senior Management

CHAIRMAN'S REPORT

During 2007 Techpacific had to deal with the effects of two major negative factors that had a jarring impact on our reported financial results. These events – the mark-to-market losses that our key operating subsidiary, Crosby Capital Partners Inc. ("Crosby"), had to report due to the decrease in the share price of its holdings of IB Daiwa; and the failure of our joint venture oil and gas exploration operations in Louisiana to overcome drilling problems – are both well known and have been thoroughly documented through the year by way of regulatory announcements as well as our quarterly trading updates.

Your management team believes that losses arising from these areas have now been stemmed, and that the underlying value of the merchant banking and asset management operations will start to be more clearly recognised by the market. As you will see from the detailed financial statements that accompany this report, we have taken whatever prudent financial steps possible to provide for any losses that might accrue from the oil and gas portfolio, and the carrying value of IB Daiwa, which is listed on the JASDAQ exchange in Tokyo has fallen to such a low level that even large percentage falls in the share price will not have as great an impact on the reported profit and loss of Crosby as has been the case for much of the past 18 months. Whilst I cannot say with absolute certainty that there will not be any further losses, I can assure you that the worst of the provisions is behind us, and that we are not aware, as of the time of writing this report, of any need for further provisions. There is indeed some reason for cautious optimism that underlying conditions may have improved, and I look forward to the interim review for the half year ended June 2008 by which time I will be able to report on how this improvement may have affected our financial position.

Importantly, as you will also note, we have taken the opportunity to implement a much anticipated restructuring of our businesses and clarify the operations that are carried out in Techpacific and Crosby. A combination of the financial provisions noted above, the growth in our underlying merchant banking and asset management businesses, and the clarity and independence of the two different listed companies as a result of the restructuring, should now provide investors with greater confidence as 2008 progresses.

Despite a year of continued losses on a consolidated basis, I would like to take this opportunity to draw your attention to what I believe should be the key positive message that can be drawn from the financial performance, and which should be communicated to our shareholders – namely that the Group's fund and asset management business has grown very significantly and now, as a result both of organic as well as acquisition led growth, represents a very valuable part of the structure. The restructuring that we are announcing and will implement with immediate effect (subject to shareholder and regulatory approval where necessary) will enable the markets to see this value more clearly. As a consequence your company's holdings in Crosby (we hold approximately 200 million shares with a market value as of the time of this release in excess of US$100 million) are set to become even more important. It may be relevant to recall at this point that when Crosby was separately listed on AIM by Techpacific in 2004 it had only US$5 million of capital.

Looking a little more closely at the fund and asset management areas, turnover increased from US$9 million in 2006 to US$42 million in 2007. This more than four-fold increase was driven more specifically by an exceptional performance at Crosby Wealth Management, and first-time contributions from the Crosby Active Opportunities Fund and the newly acquired Forsyth fund-of-funds and ratings and research business. These fund and asset management areas, were they to report separately, would have seen net income of close to US$15 million. I note below some more details about this side of the Crosby business.

I am also very pleased to report that on an operating basis, and partially as a result of the cash flow from fund and asset management operations, and due also to the successful monetisation of assets in the merchant banking area, Crosby was cash flow positive in 2007. This has allowed Crosby to invest in new deals, such as the Forsyth transaction, and maintain a conservative balance sheet. Crosby's growth from capital of US$5 million in 2004 to shareholder's equity of US$64 million at the end of 2007 has all been generated by profits and cashflow from normal operations, and with no recourse to equity fund raising and without incurring any debt.

As mentioned above, in spite of these positive aspects of our business, Techpacific still recorded a net loss attributable to shareholders of US$65 million for 2007. This loss is mainly attributable to two factors: (i) US$15 million of net mark-to-market losses mainly from the investment portfolio of the Group's 82.33% subsidiary, Crosby; and (ii) a provision for impairment of US$28 million against a proportion of the Group's funding related to its oil and gas exploration prospects.

Turning back to the operations, at Crosby, AUM grew substantially from US$1.2 billion to US$2.5 billion. With this organic and acquisition-led growth and diversification, the Group's fund and asset management business has now achieved sufficient critical mass to constitute an important business in its own right. Subsequent to the period under review, the strategic development of the Group's business mix was taken a stage further in February 2008 when Crosby became a 25% founding partner in SW1 Capital LP ("SW1"), a newly formed partnership that has been established to take advantage of long-term strategic changes now occurring in the asset management industry.

The Group's merchant banking team continued to be very busy in 2007, both in sourcing new deals and working to maximise the value of, and monetise, the Group's existing holdings.

I am also encouraged by the diversification during 2007 in the merchant banking team's deal flow. The team has handled deals as diverse as the public-to-private takeover of Orchard Petroleum, the acquisition of the investment management contracts of Forsyth Partners and advisory work with White Energy and Pocketmail (now known as Adavale Resources). This demonstrates again that their core skill-set is identifying undervalued assets and structuring transactions to unlock the value, rather than a particular industry focus.

In order to reflect better the Company's existing business activities and the group restructuring outlined as part of Crosby's annual results announcement, the Board has proposed that, subject to its shareholders' approval at the Company's Annual General Meeting, the English name of the Company be changed from "Techpacific Capital Limited" to "Crosby Capital Limited". This proposed change of name would also involve the adoption of the Chinese name "高誠資本有限公司" in place of "亞科資本有限公司" for identification purposes upon the name change becoming effective.

Additionally, with effect from 1 April 2008, I will take up the role of Chief Executive Officer of the Company, in addition to continuing in my current role of Chairman, and Johnny Chan will relinquish his role as Chief Executive Officer and be re-designated as a Non-Executive Director. This re-designation of roles on the Board will take place concurrently with Johnny Chan's appointment as an Executive Director, and the re-designation of myself as a Non-Executive Director, on the board of directors of Crosby. Johnny will focus his time in the building and managing the fund and asset management business under Crosby where he has already achieved such good results.

I would like to pay tribute to the Group's executive teams in both Europe and Asia for another year of unrelenting hard work which has placed the Company in a good position to reward the patience of our shareholders in 2008. The adverse impact of the mark-to-market losses of the holdings of IB Daiwa at Crosby, and the fact that IB Daiwa's oil and gas exploration efforts were unsuccessful at IB Daiwa's subsidiary Lodore Resources, resulted in two significant and separate negatives at the same time. It is a testimony to the dedication of the team that despite this horrendous confluence of circumstance they have continued to work to build the long-term value of the businesses that we operate.

Ilyas Khan
Chairman
13 March 2008

Management Discussion and Analysis

FINANCIAL RESULTS

The consolidated financial results are summarised below:

	2007	2006
	US$'000	US$'000
Turnover	**41,534**	9,169
Loss from operations	**(54,295)**	(68,073)
Loss after taxation	**(57,808)**	(69,289)
Loss attributable to equity holders of the Company	**(64,651)**	(60,700)
	US cents	US cents
Loss per share – basic	**(1.92)**	(1.93)

Total Income

An analysis of total income between turnover and other income is provided in the consolidated income statement on page 33 of the financial statements.

A breakdown of turnover/revenue between advisory fees from corporate finance activities, fee income from fund management activities and service fees from wealth management activities is provided in Note 6 to the financial statements. The increase in turnover to US$41.5 million from US$9.2 million in 2006 is mainly due to the increase in the service fees from wealth management activities to US$28.9 million in 2007 from US$6.4 million in 2006, and the increase in the fund management fees to US$10.6 million in 2007 from US$1.2 million in 2006 due to the contribution of Crosby Active Opportunities Fund and Forsyth Partners funds.

The Group incurred a net loss on financial assets and liabilities at fair value through profit or loss totaling US$13.7 million during the year ended 31 December 2007. This loss is mainly attributable to a fall during 2007 in the share price of IB Daiwa Corporation from ¥76 to ¥41, which resulted in a mark-to-market loss of US$29.2 million in the income statement. This mark-to-market loss offset mark-to-market gain in respect of the Group's investments in Indago Petroleum Limited of US$12.7 million and White Energy Company Limited of US$3.6 million.

The Group incurred a loss due to the impairment of its interest in oil and gas exploration prospects of US$27.5 million, further details of which are provided in Note 19 to the financial statements.

A breakdown of other income of US$2.6 million is provided in Note 7 to the financial statements.

Operating Expenses

Administrative expenses decreased to US$48.0 million for 2007 from US$57.6 million for 2006. The majority of these expenses is made up of directors' remuneration and employee emoluments, further details of which are provided in Note 13 of the financial statements, which decreased to US$43.3 million for 2007 from US$52.8 million for 2006. The main reason for the decrease in directors' remuneration and employee emoluments was due to a decrease in the bonus paid and payable which decreased by US$22.0 million to

US$12.2 million for 2007 from US$34.2 million for 2006. This decrease in bonus paid and payable was partially offset by the following factors:

- Increase of salaries and pensions expense of US$5.0 million mainly due to the acquisition of the Forsyth Partners asset management business in September 2007 and an increase in head count of the Group from 57 to 72 (excluding the additional head count in respect of the Forsyth Partners asset management business which represented 66 employees out of the total headcount of 138 employees at 31 December 2007); and

- Increase in commissions paid and payable by US$8.2 million mainly due to the increase in turnover of the Group's wealth management business to which the commissions directly correlate.

Other operating expenses of US$8.9 million for 2007 increased by US$3.4 million from US$5.5 million in 2006. The main variable elements of these expenses are the commission costs related to the newly acquired Forsyth Partners asset management business and the expenses incurred on specific merchant banking projects and asset management initiatives.

Segmental Results

An analysis of the results by business segment is provided in Note 5(a) to the financial statements.

Finance Costs

An analysis of the finance costs is provided in Note 8 to the financial statements. The finance costs in 2007 represent US$1.2 million of notional effective interest on the convertible bond issued during 2006.

Minority Interests

The charge to minority interests in the consolidated income statement for 2007 of US$6.8 million mainly consists of, within the Crosby Group, of the minority shareholders of the Group's wealth management operating subsidiary interests in its profits of US$7.8 million and the minority shareholders of Silk Route Petroleum Limited 43.4% interest in the revaluation gain in respect of Indago Petroleum Limited of US$6.4 million, these were partially offset by US$0.9 million related to the minority shareholders of ESK Limited interest in the revaluation loss in respect of Orchard Petroleum Inc. and 17.67% minority shareholders share of the losses of Crosby of US$6.5 million.

FINANCIAL POSITION AND RESOURCES

The consolidated balance sheet is summarised below:

	2007	2006	Decrease
	US$'000	US$'000	%
Total assets	**124,902**	214,245	(41.70)
Net current assets	**67,628**	140,713	(51.94)
Equity attributable to equity holders	**61,616**	121,824	(49.42)
Total equity	**81,279**	168,122	(51.65)

Significant Investments

At 31 December 2007, the Group also had available-for-sale investments of US$5.8 million, interest in oil and gas exploration prospects of US$15.0 million and financial assets at fair value through profit or loss of US$54.1 million. Details of these investments are set out in Notes 18, 19 and 23 to the financial statements respectively. Details of the Group's risk management policy and exposure to market risk are set out in Note 39(b) to the financial statements.

Liquidity

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 2007, the Group had cash and cash equivalents balances of US$25.1 million decreased from US$25.6 million and net current assets of US$67.6 million decreased from US$140.7 million. Further details of the current assets are set out in Notes 22, 23, 24 and 32(c) to the consolidated financial statements. Details of the Group's risk management policy and exposure to liquidity risk are set out in Note 39(c) to the financial statements.

Gearing

On 8 March 2006, Techpacific sold a US$75 million zero coupon convertible bond to Goldman Sachs International, raising net proceeds of US$72.8 million for the Group after expenses. The convertible bond has a five-year term and provides bondholders with a premium on redemption in March 2011 at 116.1% of its principal, or the ability, at their choice to either convert into newly issued shares of Techpacific at HK$0.7665 per share or exchange for existing shares of Crosby owned by Techpacific at £0.9975 per share. As of 31 December 2007, US$55 million of the convertible bond had been converted into 556,666,011 new shares of Techpacific. No further Techpacific shares can be issued under the terms of the convertible bond. The maximum amount by which the Group's stake in Crosby could now be reduced if all remaining bondholders elect to exchange for Crosby shares is 4.72%, or 11,453,287 shares, leaving the Group with a majority stake of at least 77.61% at 31 December 2007.

At 31 December 2007, the Group had no other debt.

Details of the Group's risk management policy and exposure to capital risk are set out in Note 39(d) to the financial statements.

Commitments

At 31 December 2007, the Group had no significant commitments, other than under operating leases for the rental of its office premises, and no contingent liabilities, including pension obligations, as set out in Note 33 to the financial statements.

Equity Structure

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.

During the year ended 31 December 2007, the issued ordinary share capital of the Company increased from 3,066,381,256 to 3,070,381,256 shares. The increase in ordinary share capital was due to the issue by the Company of 4,000,000 ordinary shares on exercise of share options under the Company's employee share option scheme. Details of the Company's share option scheme are set out in Note 31 to the financial statements.

At 31 December 2007, the number of deferred shares issued by the Company was 292,500,000 shares which remained unchanged during the year. The non-voting convertible deferred shares have the following rights and restrictions:

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

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

(iii) Each deferred share can be converted into one ordinary share upon 14 days prior written notice to the Company and there is no expiration date for the right of conversion; and

(iv) The deferred shares have no redemption rights.

Minority Interests

Minority interests in the balance sheet decreased to US$19.7 million at 31 December 2007 from US$46.3 million at the end of 2006. The balance at the end of 2007 is made up of US$11.3 million relating to the minority shareholders of Crosby representing 17.67% of its issued share capital and, within the Crosby Group, US$8.3 million consisting of the 43.86% minority shareholders interest in the Group's wealth management operating subsidiary.

EMPLOYEE INFORMATION

As at 31 December 2007, the Group had 138 full-time employees (2006: 57). Details of the Directors' remuneration and employees' emoluments during the year are provided in Note 13 to the financial statements.

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

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes is set out in Note 3(o)(ii) to the financial statements.

FOREIGN CURRENCY EXPOSURE

Details of the Group's foreign currency risk and exposure are set out in Note 39(b)(i) to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

Details of the Group's material acquisitions and disposals are set out in Notes 37 and 38 to the financial statements respectively.

Profiles of Directors

Ilyas Tariq Khan

Chairman
Ilyas, aged 45, founded Techpacific in December 1998 and is also responsible for the Merchant Banking activities of the 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.

Ilyas is an independent non-executive director of London listed Speymill Group PLC, a non-executive director of Australian listed White Energy Company Limited and a non-executive director of Conister Trust, a licensed bank in the Isle of Man.

Johnny Chan Kok Chung

Chief Executive Officer
Johnny, aged 48, 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 Corporation.

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 41, 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 52, 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 63, 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 Bloomberg News and the Sunday Times. Peter is a director of the Food Commission, a non-profit group concerned with food and health issues.

- **Joseph Tong Tze Kay**

Joseph, aged 45, 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 48, 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 Corporation.

Directors' Report

Corporate Governance Report

Independent 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 2007.

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 2007 are set out in Notes 40 and 16 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 33 to 122.

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 29 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 36 to 37 and 90 respectively.

DISTRIBUTABLE RESERVE

Distributable reserve of the Company at 31 December 2007 amounted to US$91,451,000 (2006: US$81,143,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 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 123.

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 31 to the financial statements.

DONATIONS

The Group made charitable and other donations during the year amounting to approximately US$74,000 (2006: US$46,000).

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. Ahmad S. Al-Khaled and Joseph Tong Tze Kay 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 13(a) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2007, 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 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, were as follows:

(i) Interests in the ordinary shares of the Company

Name of Directors	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)	82,494,076	–	418,282,794	500,776,870	16.31
Johnny Chan Kok Chung (Note 3)	151,553,205	16,097,387	–	167,650,592	5.46
Joseph Tong Tze Kay	5,000,000	–	–	5,000,000	0.16
Peter McIntyre Koenig	3,500,000	–	–	3,500,000	0.11
Daniel Yen Tzu Chen	2,000,000	–	–	2,000,000	0.07

Note 1: TW Indus Limited held 193,399,147 ordinary shares. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

Note 2: ECK & Partners Limited held 224,883,647 ordinary shares. ECK & Partners Limited was beneficially owned as 88.86% by Ilyas Tariq Khan. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, he is deemed to be interested in 224,883,647 ordinary shares owned by ECK & Partners Limited.

Note 3: 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.

(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.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(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 Directors	Date of grant	Subscription price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Ilyas Tariq Khan (Note 4)	26 April 2006	HK$0.770	60,000,000	1.95
Johnny Chan Kok Chung (Note 5)	26 April 2006	HK$0.770	60,000,000	1.95
Ahmad S. Al-Khaled	24 March 2006	HK$0.770	5,000,000	
(Note 3)	29 January 2007	HK$0.365	2,500,000	
			7,500,000	0.24
Daniel Yen Tzu Chen	24 March 2006	HK$0.770	5,000,000	
(Note 3)	29 January 2007	HK$0.365	2,500,000	
			7,500,000	0.24
Peter McIntyre Koenig	24 March 2006	HK$0.770	5,000,000	
(Notes 1 & 3)	29 January 2007	HK$0.365	2,500,000	
			7,500,000	0.24
Joseph Tong Tze Kay	24 March 2006	HK$0.770	5,000,000	
(Notes 2 & 3)	29 January 2007	HK$0.365	2,500,000	
			7,500,000	0.24

Note 1: Peter McIntyre Koenig exercised 2,000,000 share options on 10 September 2007.

Note 2: Joseph Tong Tze Kay exercised 2,000,000 share options on 3 September 2007.

Note 3: Ahmad S. Al-Khaled, Daniel Yen Tzu Chen, Peter McIntyre Koenig and Joseph Tong Tze Kay were each granted 5,000,000 options to subscribe for shares in the Company at an exercise price of HK$0.18 on 11 February 2008.

Note 4: Ilyas Tariq Khan was granted 25,000,000 options to subscribe for shares in the Company at an exercise price of HK$0.18 on 11 February 2008.

Note 5: Johnny Chan Kok Chung was granted 30,000,000 options to subscribe for shares in the Company at an exercise price of HK$0.18 on 11 February 2008.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(iv) Short positions

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

(v) Interests in the shares of an Associated Corporation

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

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

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

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2007, the following persons, other than the Directors or chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(i) Interests in the ordinary shares of the Company

Name	Number or approximate attributable number of ordinary shares	Aggregate long position in underlying shares of the Company	Approximate percentage or approximate attributable percentage holding of ordinary shares currently in issue and/or percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue
Deutsche Bank Aktiengesellschaft	–	432,874,006	14.10%
PMA Capital Management Limited (Note 1)	388,926,005	–	12.67%
TBV Holdings Limited (Note 2)	302,055,000	–	9.84%
ECK & Partners Limited (Note 3)	224,883,647	–	7.32%
PMA Prospect Fund (Note 1)	202,414,000	–	6.59%
TW Indus Limited (Note 4)	193,399,147	–	6.30%
Diversified Asian Strategies Fund (Note 1)	186,512,005	–	6.07%

Note 1: PMA Capital Management Limited is the investment advisor of PMA Prospect Fund and Diversified Asian Strategies Fund, which are Independent Third Parties. The interest of PMA Prospect Fund and Diversified Asian Strategies Fund in 202,414,000 ordinary shares and 186,512,005 ordinary shares respectively are included in the interest of PMA Capital Management Limited in 388,926,005 ordinary shares.

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

Note 3: Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, the interest of ECK & Partners Limited in 224,883,647 ordinary shares is duplicated in the 500,776,870 ordinary shares in which Ilyas Tariq Khan is interested as a Director.

Note 4: TW Indus Limited held a direct interest in 193,399,147 ordinary shares. Ilyas Tariq Khan is beneficially interested in 100% of the share capital of TW Indus Limited and, therefore, Ilyas Tariq Khan is also interested in these 193,399,147 ordinary shares which are duplicated within the 500,776,870 ordinary shares in which Ilyas Tariq Khan is interested as a Director.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

(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%

Note: Simon Jeremy Fry is the Chief Executive Officer of Crosby Capital Partners Inc., which is a 82.33% subsidiary of the Company as at 31 December 2007. 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 held a direct interest in 110,186,587 ordinary shares. Simon Jeremy Fry was also granted 60 million options to subscribe for the ordinary shares in the Company at an exercise price of HK$0.77 per share on 26 April 2006 and 30 million options at an exercise price of HK$0.18 per share on 11 February 2008 respectively.

(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 2007, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and Underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Save as disclosed above, as at 31 December 2007, no other person had interests which were 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.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

On 27 December 2007, Crosby Asset Management (Holdings) Limited, a wholly owned subsidiary of Crosby Capital Partners Inc., acquired 2,105 shares of Crosby Wealth Management (Asia) Limited ("CWMA"), representing 11.70% of its issued share capital, from Mr. Paul Giles at a price of US$400 per share, for total consideration of US$842,000. Mr. Paul Giles was a director of CWMA, until he resigned on 27 December 2007, and therefore he is a connected person of the Company under the GEM Listing Rules. The Company's announcement dated 27 December 2007 sets out further details of the above connected transaction.

Saved as disclosed above, the Group had no other 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 2007, 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 2007 which was 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 2007, of the Directors, initial management shareholders of the Company or their respective associates which was required to be disclosed under 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

13 March 2008

CORPORATE GOVERNANCE REPORT

(a) Corporate G overnance 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 GEM 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 GEM Listing Rules.

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

(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 12 and 13, and are posted on the Company's website (www.techpacific.com).

(ii) There have been six meetings of the Board during the financial 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	6
Johnny Chan Kok Chung	6
Ahmad S. Al-Khaled	5
Daniel Yen Tzu Chen	5
Peter McIntyre Koenig	5
Joseph Tong Tze Kay	5

(c) Board of Directors (continued)

(iv) The principal role of the Board is to provide strategic leadership to the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Group's strategic aims, oversees the allocation of financial and human resources and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to shareholders and others are met and understood. The Board meets at least quarterly to review and discuss the Group's performance, strategy and business opportunities available. The Board also reviews and approves the Quarterly, Interim and Annual Reports of the Company. The Board has delegated the day-to-day running of the Group to the Chief Executive Officer and the Group's management team. However, the Board retains responsibility for:

- Approving annual operating and capital expenditure budgets and any material changes to them;
- Approving the remuneration of the Directors (based on the recommendations of the Remuneration Committee);
- Approving the appointment of Directors (based on recommendations of the Nomination Committee);
- Approving the Interim and Annual Reports (based on recommendations of the Audit Committee);
- Approving any decision to cease to operate all or any material part of the business;
- Approving any changes relating to the Group's capital structure, including the reduction of capital, share issues and share buy backs; and
- Approval of dividend policy and declaration of interim and final dividends.

(v) The Company has complied with Rules 5.05(1) and (2) relating to the appointment of sufficient number of Independent Non-Executive Directors. 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) During the year, 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.

(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 and there is a clear division of responsibilities between them. 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 has the authority and responsibility of running the Group's business, and implementing the Group's strategy to achieve its overall commercial objectives.

(e) Non-Executive Directors

The Non-Executive Directors are appointed for a term of one year. This term is subject to curtailment upon that Director's retirement by rotation and re-election by shareholders. Every Director is subject to retirement by rotation at least once every three years. All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.

(f) Remuneration of Directors

(i) The Company established a Remuneration Committee on 11 August 2005. The Committee meets 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 Chairman, Executive Director and senior management (as determined by the Board), determining the specific remuneration packages of the Chairman, Executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Chairman, Executive Directors and senior management, ensuring no Director is involved in deciding his or her own remuneration, and approving the service contracts of Directors. The Remuneration Committee also fulfils the role of an Options Committee for the Employee Share Option Scheme and its main duty in this context is to approve the grant of options to relevant employees.

(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. However, Johnny Chan Kok Chung takes no part in setting his own remuneration and is not present when the Remuneration Committee discusses his remuneration.

(iii) There is no Remuneration Committee meeting during the year.

(iv) The Remuneration Committee determined the specific remuneration packages of all the Executive Directors 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 function of the Nomination Committee is the consideration and nomination of candidates to fill casual vacancies to the Board.

(ii) The Nomination Committee comprised 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 the Nomination Committee did not meet during the year.

(h) Auditors' Remuneration

Auditors' remuneration for the year ended 31 December 2007 was US$207,000 (2006: US$161,000). During the year, the Group has paid in aggregate to its external auditors fees of US$28,000 (2006: US$247,000) for non-audit related activities in respect of the review of the Quarterly and Interim Reports for 2007 of the Company and its 82.33% subsidiary, Crosby Capital Partners Inc., for taxation services of certain subsidiaries and corporate governance review of the Group.

(i) Audit Committee

(i) The Company established an Audit Committee on 31 March 2000 with the written terms of reference. The terms of reference are available on the Company's website (www.techpacific.com). 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 include: managing the relationship with the Group's external auditors, reviewing the financial information of the Company, and overseeing 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 met four times during the year ended 31 December 2007. The following table details the number of meetings attended by the members:

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

(iii) The Audit Committee has met with the Auditors and the Chief Financial Officer during the year to review the 2006 Annual Report and the Quarterly Report for the quarters ended 31 March 2007 and 30 September 2007, and the Interim Report for the six months ended 30 June 2007. 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.

(j) Internal Control

The Board is responsible for maintaining a strong system of internal control and risk management to safeguard shareholders' investments and the Group's assets. The definition of internal control applied by the Board is that, stated in "Internal Control – Integrated Framework", issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSCO") in the United States in 1992 as recommended by the Hong Kong Institute of Certified Public Accountants, of a process designed to provide reasonable assurance regarding the achievement of objectives in relation to the following:

(i) Effectiveness and efficiency of operations;

(ii) Reliability of financial reporting; and

(iii) Compliance with applicable laws and regulations.

The Group's system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, but not an absolute, assurance in this respect. In addition, it cannot guarantee against material misstatement or loss.

Through the Group's risk management framework, there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group, including business, financial, compliance, legal and operating risks. As part of this process, the Company conducted a review of the effectiveness of its system of internal control during the year ended 31 December 2007. The Board, based on recommendations of the Audit Committee, has concluded that the internal control systems are effective and adequate, and that there are no significant areas of concern which may affect shareholders. The review covered all material controls including financial, operational and compliance controls, and risk management. The criteria the Board use to assess the effectiveness of the system of internal control included:

(i) The nature and extent of the risks facing the Group;

(ii) The extent and categories of risk that the Board regards as acceptable for the Group to bear;

(iii) The likelihood of the risks materialising and the financial impact of the risks;

(iv) The Group's ability to reduce the incidence and impact on the business of risks that do materialise; and

(v) The costs of operating particular controls relative to the benefit thereby obtained.

The Board will review the risk management framework and the effectiveness of internal control on at least an annual basis.

The Board, based on the recommendations of the Audit Committee, has considered the need for an Internal Audit function during the year and has decided, after taking into account of the size of the Group, the scale, diversity and complexity of its activities, the number of employees, the level of external oversight that companies within the Group receive from regulatory bodies, as well as cost / benefit considerations, that an Internal Audit function is not yet justified. This decision will be reviewed annually.

(j) Internal Control (continued)

Price-Sensitive Information

With regard to procedures and internal controls for the handling and dissemination of price sensitive information, the Company:

(i) is aware of its obligations under the GEM Listing Rules and the overriding principle that information which is expected to be price-sensitive should be announced immediately;

(ii) conducts its affairs with close regard to the "Guide on Disclosure of Price-sensitive Information" issued by the Hong Kong Stock Exchange;

(iii) has implemented its own share dealing procedures that imposes a strict prohibition on the unauthorised use of confidential or insider information; and

(iv) has established and implemented procedures for responding to external enquiries about the Group's affairs.

(k) Share interests of senior management

The number of shares held by senior management are set out in the Directors' Report on pages 15 to 23.

(l) Shareholders

The Board recognises its responsibility to represent the interest of all shareholders and to maximise shareholder value and this section of the Corporate Governance Report details the Group's policies and actions in this respect.

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an Extraordinary General Meeting (EGM) to be convened, stating the objects of the meeting, and deposited with our Company Secretary at 2701 Citibank Tower, 3 Garden Road, Central, Hong Kong. The meeting shall be held within two months after the deposit of such requisition.

The procedures for shareholders to put forward proposals at an Annual General Meeting (AGM) or EGM require that a written notice of those proposals be submitted by the shareholders to the Company Secretary at 2701 Citibank Tower, 3 Garden Road, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution.

Enquiries to be put to the Board should be made in writing and directed to the Company Secretary at 2701 Citibank Tower, 3 Garden Road, Central, Hong Kong.

The most recent shareholders meetings were as follows:–

AGM held at 10:00 a.m. on 27 April 2007 at 2701, Citibank Tower, 3 Garden Road, Central, Hong Kong. The major items discussed were:

(i) Consider and adoption of the audited financial statements for the year ended 31 December 2006.

(I) Shareholders (continued)

(ii) Re-election of Daniel Yen Tzu Chen and Peter McIntyre Koenig as Directors, and authorise the Directors to fix the Directors' remuneration.

(iii) Re-appointment of Grant Thornton as the Auditors of the Company, and authorise the Directors to fix their remuneration.

(iv) Approval of the existing scheme mandate limit be refreshed and renewed, and authorise the grant of options under the Share Option Scheme up to the Renewed Scheme Mandate.

(v) Approval of the adoption of the Crosby Wealth Management (Asia) Limited Share Option Scheme.

All the above resolutions received sufficient votes to be duly carried.

The dates and prospective dates that are important to shareholders in the coming financial year are summarised as follows:–

25 April 2008	2007 Annual General Meeting
8 May 2008	1st Quarterly Result Announcement
7 August 2008	Interim Result Announcement
13 November 2008	3rd Quarterly Result Announcement

Details of dates that are important to shareholders can be found on the Company's website www.techpacific.com.

As at 31 December 2007, the public float capitalisation was approximately US$51,971,000 and the number of issued shares on the public float represents 57.65% of the outstanding issued share capital of the Company.

Grant Thornton
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Grant Thornton
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

T +852 2218 3000
F +852 3748 2000

www.gthk.com.hk

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

We have audited the consolidated financial statements of Techpacific Capital Limited (the "Company") set out on pages 33 to 122, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Grant Thornton
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton

Grant Thornton
Certified Public Accountants
Hong Kong

13 March 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 US$'000	2006 US$'000
Turnover/Revenue	6	**41,534**	9,169
Loss on financial assets at fair value through profit or loss	23(b)	**(15,100)**	(22,101)
Gain on financial liabilities at fair value through profit or loss	27(i)	**1,377**	3,254
Impairment of interest in oil and gas exploration prospects	19	**(27,500)**	–
Other income	7	**2,550**	4,696
Administrative expenses		**(48,024)**	(57,582)
Distribution expenses		**(260)**	(49)
Other operating expenses		**(8,872)**	(5,460)
Loss from operations		**(54,295)**	(68,073)
Finance costs	8	**(1,241)**	(2,052)
Amortisation of intangible assets		**(123)**	–
Excess over the cost of acquisition of a subsidiary	37	**409**	959
Share of (losses)/profits of associates	16	**(119)**	78
Share of loss of a jointly controlled entity	17	**–**	(25)
Loss before taxation	9	**(55,369)**	(69,113)
Taxation	10(a)	**(2,439)**	(176)
Loss for the year		**(57,808)**	(69,289)
Attributable to:			
Equity holders of the Company	11	**(64,651)**	(60,700)
Minority interests		**6,843**	(8,589)
Loss for the year		**(57,808)**	(69,289)
Loss per share attributable to equity holders of the Company	12	**US cents**	US cents
– Basic		**(1.92)**	(1.93)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 US$'000	2006 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,025**	520
Interests in associates	16	**314**	653
Interest in a jointly controlled entity	17	**81**	135
Available-for-sale investments	18	**5,845**	516
Interest in oil and gas exploration prospects	19	**15,000**	42,500
Loan receivable	20	**463**	–
Intangible assets	21	**9,567**	488
		32,295	44,812
Current assets			
Loans to and amounts due from investee and related companies	32(c)	**4,550**	7,989
Trade and other receivables	22	**8,778**	4,588
Tax recoverable		**75**	–
Financial assets at fair value through profit or loss	23	**54,108**	131,245
Cash and cash equivalents	24	**25,096**	25,611
		92,607	169,433
Current liabilities			
Other payables and accrued charges	25	**22,154**	17,210
Provision for taxation		**2,425**	99
Current portion of obligations under a finance lease	26	**–**	5
Financial liabilities at fair value through profit or loss	27	**400**	11,406
		24,979	28,720
Net current assets		**67,628**	140,713
Total assets less current liabilities		**99,923**	185,525
Non-current liabilities			
Convertible bond	28	**18,644**	17,403
Net assets		**81,279**	168,122
EQUITY			
Share capital	29	**3,363**	3,359
Reserves	30	**58,253**	118,465
Equity attributable to equity holders of the Company		**61,616**	121,824
Minority interests		**19,663**	46,298
Total equity		**81,279**	168,122

Johnny Chan Kok Chung
Director

Ilyas Tariq Khan
Director

BALANCE SHEET

As at 31 December 2007

	Notes	2007 US$'000	2006 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2**	–
Interests in subsidiaries	15	**170,681**	217,152
		170,683	217,152
Current assets			
Other receivables		**2,761**	1,624
Cash and cash equivalents		**3,872**	15,360
		6,633	16,984
Current liabilities			
Other payables		**113**	365
Financial liabilities at fair value through profit or loss	27	**400**	2,220
		513	2,585
Net current assets		**6,120**	14,399
Total assets less current liabilities		**176,803**	231,551
Non-current liabilities			
Convertible bond	28	**18,644**	17,403
Net assets		**158,159**	214,148
EQUITY			
Share capital	29	**3,363**	3,359
Reserves	30	**154,796**	210,789
Equity attributable to equity holders of the Company		**158,159**	214,148

Johnny Chan Kok Chung
Director

Ilyas Tariq Khan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Equity 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	Convertible bond reserve	Retained profits	Total		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2006	2,803	52,852	9,240	11	779	36	(187)	–	62,129	127,663	46,495	174,158
Surplus on revaluation	–	–	–	–	–	137	–	–	–	137	–	137
Exchange differences on consolidation	–	–	–	–	–	–	217	–	–	217	114	331
Net income recognised directly in equity	–	–	–	–	–	137	217	–	–	354	114	468
Loss for the year	–	–	–	–	–	–	–	–	(60,700)	(60,700)	(8,589)	(69,289)
Total recognised income and expenses for the year	–	–	–	–	–	137	217	–	(60,700)	(60,346)	(8,475)	(68,821)
Issue of convertible bond	–	–	–	–	–	–	–	4,793	–	4,793	–	4,793
Issue of new shares upon conversion of convertible bond	557	54,443	(4,368)	–	–	–	–	(4,793)	–	45,839	–	45,839
Issue of new shares upon exercise of share options	8	41	–	–	(12)	–	–	–	–	37	–	37
Effect on issue of redeemable preference shares of a subsidiary	–	–	–	–	–	–	–	–	–	–	10,461	10,461
Effect on exercising share options of a subsidiary	–	–	–	–	(313)	–	–	–	–	(313)	233	(80)
Effect on disposal of shares of a subsidiary to staff	–	–	–	–	(228)	–	–	–	–	(228)	230	2
Repurchase of own shares for cancellation	(9)	(461)	–	9	–	–	–	–	(9)	(470)	–	(470)
Repurchase of subsidiary's own shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	(125)	(125)
Employee share-based compensation	–	–	–	–	4,849	–	–	–	–	4,849	323	5,172
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	1,704	1,704
Transfer to financial assets at fair value through profit or loss (Note 23(b))	–	–	–	–	–	–	–	–	–	–	(5,141)	(5,141)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	437	437
Deemed contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	156	156
At 31 December 2006	**3,359**	**106,875**	**4,872**	**20**	**5,075**	**173**	**30**	**–**	**1,420**	**121,824**	**46,298**	**168,122**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Equity 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	Convertible bond reserve	Retained profits/ (Accumulated losses)	Total		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2007	3,359	106,875	4,872	20	5,075	173	30	–	1,420	121,824	46,298	168,122
Surplus on revaluation	–	–	–	–	–	139	–	–	–	139	29	168
Exchange differences on consolidation	–	–	–	–	–	–	70	–	–	70	21	91
Net income recognised directly in equity	–	–	–	–	–	139	70	–	–	209	50	259
(Loss)/Profit for the year	–	–	–	–	–	–	–	–	(64,651)	(64,651)	6,843	(57,808)
Total recognised income and expenses for the year	–	–	–	–	–	139	70	–	(64,651)	(64,442)	6,893	(57,549)
Issue of new shares upon exercise of share options	4	20	–	–	(5)	–	–	–	–	19	–	19
Effect on exercising share options of a subsidiary	–	–	–	–	(62)	–	–	–	–	(62)	(14)	(76)
Employee share-based compensation	–	–	–	–	4,277	–	–	–	–	4,277	205	4,482
Additional investments in subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,003)	(2,003)
Deemed disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(12,360)	(12,360)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(19,356)	(19,356)
At 31 December 2007	**3,363**	**106,895**	**4,872**	**20**	**9,285**	**312**	**100**	**–**	**(63,231)**	**61,616**	**19,663**	**81,279**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 US$'000	2006 US$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	35	**40,905**	(21,296)
Tax paid		**(264)**	(174)
Tax refund		**76**	13
Interest paid		**–**	(497)
Net cash inflow/(outflow) from operating activities		**40,717**	(21,954)
Cash flows from investing activities			
Acquisition of available-for-sale investments		**(5,175)**	(17)
Acquisition of additional interests in subsidiaries	37	**(2,023)**	–
Acquisition of the Forsyth Business	37	**(7,320)**	–
Acquisition of a subsidiary, net of cash acquired	37	**–**	(8)
Acquisition of trademark		**(1)**	(7)
Interest received		**1,080**	2,470
Loans to investee and related companies, net		**(8,313)**	(6,733)
Cash at date of deemed disposal of a subsidiary	38	**(12,250)**	–
Net repayment from other receivables		**91**	74
Payments for interest in oil and gas exploration prospects	19	**–**	(42,500)
Proceeds from disposal of available-for-sale investments		**43**	7
Proceeds from disposal of partial interests in subsidiaries		**275**	22
Proceeds from disposal of property, plant and equipment		**2**	2
Purchase of property, plant and equipment		**(821)**	(197)
Repayment from investee and related companies		**6,765**	9,500
Net cash outflow from investing activities		**(27,647)**	(37,387)
Cash flows from financing activities			
Capital contributions from minority shareholders		**–**	130
Dividend paid to minority shareholders		**(13,832)**	–
Drawdowns of other loans (secured)		**–**	5,000
Issue of new shares upon exercise of share options		**19**	38
Net proceeds from convertible bond issued		**–**	72,750
Proceeds from exercise of share options of a subsidiary		**250**	1,242
Proceeds from issue of redeemable preference shares of a subsidiary		**–**	10,790
Repayment of finance lease obligations		**(5)**	(5)
Repayment of other loans		**–**	(19,460)
Repurchase of own shares		**–**	(470)
Repurchase of subsidiary's own shares by a subsidiary		**–**	(294)
Net cash (outflow)/inflow from financing activities		**(13,568)**	69,721
Net (decrease)/increase in cash and cash equivalents		**(498)**	10,380
Effect of exchange rate fluctuations, net		**(17)**	(9)
Cash and cash equivalents as at 1 January		**25,611**	15,240
Cash and cash equivalents as at 31 December		**25,096**	25,611

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is 2701, Citibank Tower, 3 Garden Road, Central, Hong Kong. The Company's shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000.

The Company acts as the holding company of the Group. The Group is principally engaged in the business of merchant banking, asset management, venture capital fund management and direct investment. Details of principal activities of its principal subsidiaries are set out in Note 40 to the financial statements.

The financial statements on pages 33 to 122 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The financial statements for the year ended 31 December 2007 were approved by the Board of Directors on 13 March 2008.

2. ADOPTION OF NEW OR AMENDED IFRS

(a) During the year, the Group has applied, for the first time, the following new standards, amendment and interpretations, which are effective for the Group's accounting periods beginning on 1 January 2007 :

IAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
IFRS 7	Financial Instruments : Disclosures
IFRIC – Int 8	Scope of IFRS 2
IFRIC – Int 9	Reassessment of Embedded Derivatives
IFRIC – Int 10	Interim Financial Reporting and Impairment

The adoption of these new and amended IFRSs did not result in significant changes to the Group's accounting policies but gave rise to additional disclosures.

(i) IAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures

In accordance with IAS 1 (Amendment), the Group now reports on its capital management objectives, policies and procedures for managing capital. The new disclosures that become necessary due to this change are detailed in Note 39 to the financial statements.

(ii) IFRS 7 – Financial Instruments: Disclosures

In accordance with IFRS 7, the financial statements included expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial Instruments : Disclosure and Presentation. These disclosures are provided throughout these financial statements, in particular in Note 39 to the financial statements.

Both IAS 1 (Amendment) and IFRS 7 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

For the year ended 31 December 2007

2. ADOPTION OF NEW OR AMENDED IFRS (continued)

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

The Group has not early adopted the following IFRSs that have been issued but are not yet effective for the year ended 31 December 2007. The directors of the Company anticipate that the adoption of these IFRSs will not result in significant changes to the Group's accounting policies.

IAS 1 (Revised)	Presentation of Financial Statements [1]
IAS 23 (Revised)	Borrowing Costs [1]
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 [2]
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3 [2]
IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 [2]
IAS 32	Financial Instruments : Presentation – Amendments relating to puttable instruments and obligations arising on liquidation [1]
IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations [1]
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method [2]
IFRS 8	Operating Segments [1]
IFRIC – Int 11	IFRS 2 – Group and Treasury Share Transactions [3]
IFRIC – Int 12	Service Concession Arrangements [4]
IFRIC – Int 13	Customer Loyalty Programmes [5]
IFRIC – Int 14	IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction [4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared under historical cost basis except for certain financial instruments, which are measured at fair value. The measurement bases are fully described in the accounting policies 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 and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in Note 4 to the financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. Material intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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) Subsidiaries

Subsidiaries are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries (continued)

Acquired subsidiaries (other than for combining entities under common control) are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets in the consolidated balance sheet. If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

In the Company's balance sheet, investments in subsidiaries are classified as available-for-sale investments under IAS 39 "Financial Instruments: Recognition and Measurement" and are stated at fair value. For investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are stated at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. Details of the accounting policies in subsequent measurement of available-for-sale investments are set out in Note 3(h)(i) to the financial statements.

(d) Associates and jointly controlled entities

An associate is an entity over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which is neither a subsidiary nor jointly controlled entity. Where the Group has a shareholding of between 20% and 50% but the holding is in an entity which arises from a merchant banking transaction, the Group takes advantage of the exemption in IAS 28 'Investments in Associates' available for venture capital or similar organizations and accounts for the holdings in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' as detailed in Note 3(h)(i) to the financial statements below. Except for the above, all the other associates are recognised on the basis as described in this note below.

A jointly controlled entity is an entity which operates under a contractual arrangement whereby the Group and other 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.

In the consolidated financial statements, the Group's interests in associates or jointly controlled entities are initially recognised at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the results and movements of reserves of the associates or jointly controlled entities. The consolidated financial statements include the Group's share of the post-acquisition, post-tax results for the year, including any impairment loss on goodwill relating to the interests in associates or jointly controlled entities and movements of reserves of the associates or jointly controlled entities on an equity accounting basis. Any goodwill or fair value adjustment attributable to the share in the associates or jointly controlled entities is included in the amount recognised as interests in associates or jointly controlled entities.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and jointly controlled entities (continued)

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the interests. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interests in its associates or jointly controlled entities. At each balance sheet date, the Group determines whether there is any objective evidence that the interests in associates or jointly controlled entities are impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates or jointly controlled entities and its carrying amount.

Unrealised gains arising from transactions with associates or jointly controlled entities are eliminated to the extent of the Group's interests in the associates or 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 or jointly controlled entities equals or exceeds its interests in the associates or jointly controlled entities, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates or jointly controlled entities. For this purpose, the Group's interests in associates or jointly controlled entities are the carrying amounts of the investments under the equity method together with the Group's long-term interests that in substance form part of the Group's net investments in the associates or jointly controlled entities.

In the Company's balance sheet, the investments in associates or jointly controlled entities are stated at cost less any impairment losses. The results of associates or jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(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 only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the period in which they are incurred.

When assets are sold, 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.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

(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, whichever is shorter
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) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases (continued)

(ii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(g) Foreign currencies

The financial statements are presented in United States Dollars, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries, associates and a jointly controlled entity, originally presented in a currency different from the Group's presentation currency, have been converted into United States Dollars. Assets and liabilities have been translated into United States dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the United States dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with in foreign exchange reserve 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 rates.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income as part of the gain or loss on sale.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

Financial assets and financial liabilities are recognised when and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

(i) Financial assets

The Group classifies its financial assets into one of the following categories: financial assets at fair value through profit or loss, available-for-sale investments and loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. The accounting policies adopted for each category are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale investments

Available-for-sale investments 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. Gain or loss arising from a change in fair value is recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in the income statement. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

When a decline in the fair value of an available-for-sale investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised. Impairment losses previously recognised on equity instruments will not be reversed to the income statement in subsequent periods. Impairment losses previously recognised in the income statement on debt securities are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 income statement 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 loss will not reverse in subsequent periods.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Impairment losses on loans and receivables are provided for 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 the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables (continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include embedded derivatives which have been separated from their host contracts and financial liabilities that are designated by the Group to be carried at fair value through profit or loss upon initial recognition.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or

– the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

– the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial liabilities included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be reclassified.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible bond

Convertible bond is regarded as a compound instrument, consisting of a liability component and an equity component, or in the case that the conversion options are not settled by the exchange of a fixed amount for a fixed number of equity instrument of the issuer (i.e. the Company), the issuer recognises the compound financial instrument in the form of a financial liability with an embedded derivative. Derivatives embedded in a financial instrument are treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. At the date of issue, both the conversion option derivative and liability component are recognised at fair value and the difference between the proceeds of the bond issue and the total fair value assigned to the financial liability with embedded derivatives, representing the embedded call option for the bond holder to convert the bond into equity, is included in convertible bond reserve in equity.

In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Any notional non-cash interest charged on the liability component, calculated by applying the original effective interest rate, is added to the carrying amount of the liability component. The conversion option derivative is subsequently measured at fair value at each balance sheet date. The equity component will remain in convertible bond reserve until the embedded call option is exercised (in which case the balance stated in convertible bond reserve will be transferred to other reserves). Where the option remains unexercised at the expiry date, the balance stated in convertible bond reserve will be released to accumulated losses or retained profits. No gain or loss is recognised in the income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of the bond are allocated amongst the liability and equity components and the conversion option derivative in proportion to the allocation of the proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the bond using the effective interest method. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the conversion option derivative are expensed as incurred.

Other financial liabilities

Other financial liabilities include other payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

For financial liabilities, they are removed from the balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(i) Cash and cash equivalents

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 are subject to an insignificant risk of changes in value and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance if the advances form part of the Group's cash management.

(j) Intangible assets

(i) Goodwill

Goodwill arising on acquisition prior to 31 March 2004

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 31 March 2004 represents the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

Such goodwill is stated after any accumulated amortisation and impairment and is amortised using the straight-line method over a period of three years. Under the transitional provisions in IFRS 3 "Business Combinations", the goodwill can only be amortised up to 31 December 2004 and the accumulated amortisation and impairment as at 1 January 2005 has been eliminated with a corresponding decrease in the cost of respective goodwill and, since then, any carrying amount of the goodwill is tested at each balance sheet date for impairment as well as when there are indications of impairment.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets (continued)

(i) Goodwill (continued)

Goodwill arising on acquisition on or after 31 March 2004

Goodwill arising on acquisition of a subsidiary for which the agreement date is on or after 31 March 2004 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Such goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

On subsequent disposal of the subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

Excess of an acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with IFRS 3, any excess of an acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement in the period in which the acquisition takes place.

(ii) Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. An independent valuation is undertaken in order to assess the fair value of intangible assets acquired in a business combination. The fair value is then amortised over the economic life of the asset. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair values of the complimentary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

(iii) Customer base

The fair value of acquired customer base is capitalised and, subject to impairment reviews, amortised over the useful life of the customer base acquired. The amortisation is calculated so as to write off the fair value of the customer base less its estimated residual values, over its estimated useful life of 15 years. An impairment review of customer base is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets (continued)

(iv) Trademarks

Expenditure on acquired trademarks, which is principally over the Crosby name, 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.

(k) Impairment of assets

Property, plant and equipment, interests in subsidiaries, associates and a jointly controlled entity, interest in oil and gas exploration prospects, goodwill and other 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 inflows (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 the goodwill is monitored for internal management purpose.

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, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately 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 except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

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 favourable 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.

(l) Interest in oil and gas exploration prospects

The interest in oil and gas exploration prospects is measured at cost less impairment.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

(n) Revenue recognition

Revenue, which is the fair value of consideration received or receivable, is recognised when it is probable that economic benefits will flow to the Group and when the revenue can be measured reliably and on the following bases:

– Fees from corporate finance and other advisory services are recognised when the services have been rendered, which is either on completion of the transactions for contingent arrangements or as the services are provided for other services.

– Fund management fee income is recognised in accordance with the substance of the relevant agreements.

– Wealth management services fee income is recognised when the wealth management services have been rendered, which is normally as the services are provided.

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

– Management fee income, included in other income, is recognised as the services are provided.

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

The policies on financial assets at fair value through profit or loss are dealt with in Note 3(h)(i) to the financial statements.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to long service payment and annual leave are recognised when they accrue to employees. Provision is made for the estimated liabilities for long service payment and 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) Retirement benefit schemes

The Group participates in the following retirement benefit schemes and pays contributions to independently administered funds on a mandatory or contractual basis. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they fall due.

Hong Kong

All eligible employees have participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). Under the MPF Scheme, the eligible employees are required to contribute 5% of their monthly basic salaries with a maximum monthly contribution of HK$1,000 whereas the Group's contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000. There is no voluntary contribution from the Group nor the employees and there are no other legal or constructive obligations to the Group.

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 employee must make contributions at the applicable rates.

United Kingdom

The Group has agreed to contribute 7% of basic salaries to the pension schemes of certain employees based in United Kingdom who were hired during the year as a result of the acquisition of the Forsyth business (further details of which are provided in Note 37 to the financial statements).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(iii) Share-based employee compensation

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 compensation plans to remunerate its employees and directors.

All employee services received in exchange for the grant of any share-based compensation 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.

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to employee share-based compensation reserve in equity. 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 to expense recognised in prior periods is made if fewer share options ultimately are exercised than vested.

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 and the amount previously recognised in employee share-based compensation reserve will be transferred out with any excess being recorded as share premium.

When the share options have vested and then lapsed, the amount previously recognised in the employee share-based compensation reserve is transferred to the retained profits or accumulated losses.

(iv) Bonus plans

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

(p) Related parties

Parties are considered to be related 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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Related parties (continued)

(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.

(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 economic environment (geographical segment), which is subject to risks and returns that are different from those of other economic environments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical accounting estimates and assumptions

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

Fair values of financial instruments

Financial instruments such as available-for-sale investments, financial assets and liabilities at fair value through profit or loss and convertible bond are initially measured at fair value. Certain financial instruments as described in Note 3(h) to the financial statements are remeasured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgement by management, which may result in different fair values and results. The assumptions with regard to the fair value of available-for-sale investments, financial assets and liabilities at fair value through profit or loss and convertible bond, detailed in Notes 18, 23, 27 and 28 to the financial statements respectively, are those that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year.

For the year ended 31 December 2007

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

Fair values of financial instruments (continued)

The only significant financial assets at fair value through profit or loss not valued at quoted market prices are as follows:

– Investment in Sunov Petroleum (Pakistan) Limited (US$5,107,000), which was valued on the basis of discounted cash flow;

– Options to subscribe for shares in White Energy Company Limited and Pocketmail Group Limited, currently known as Adavale Resources Limited (totaling US$1,134,000), which were valued based on option pricing model; and

– Preference shares of ESK Limited (US$1,875,000) valued by reference to a recent subscription by third parties.

Intangible assets acquired on a business combination

The Group acquired the right to be appointed manager of the funds managed by Forsyth Partners and hired Forsyth Partner's investment management, research and distribution team, as detailed in Note 37. The Directors, who with the assistance of external valuers, considered the only intangible assets acquired with that business was a customer base. In assessing the fair value of the customer base the Directors used a discounted cash flow method. This methodology used assumptions which are the Directors' best estimate of future outcomes which may not equal the actual results.

Valuations of share options granted

The fair value of share options granted was calculated using the Binomial option pricing model which requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors of the Company, the existing model will not always necessarily provide a reliable single measure of the fair value of the share options. Details of the inputs are set out in Note 31 to the financial statements.

Valuation of Oil and Gas Exploration Prospects

The Oil and Gas Exploration Prospects are subject to significant risk and uncertainty which may adversely affect the value of the investment made by the Group. If any of the Oil and Gas Exploration Prospects fails to commence commercial production after completion of the exploratory drilling and subsequent evaluation of the well then the Group will need to make a provision for impairment against the relevant investments which would negatively impact the Group's financial performance.

For the year ended 31 December 2007

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

Impairment of assets

The Group conducts impairment reviews of assets when events of changes in circumstances indicate that their carrying amounts may not be recoverable annually in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price or the value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Details of the key assumptions in respect of the impairment review of intangible assets are disclosed in Note 21 to the financial statements.

Impairment of receivables

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

Current taxation and deferred taxation

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

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

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

Management in applying the accounting policies, which are described in Note 3 to the financial statements, considers that the most significant judgement they have had to make, on an ongoing basis, is the designation of financial assets at fair value through profit or loss which affect the amount recognised in the financial statements. However, the judgement that had the most significant impact on the current year's profit and loss is related to the recognition of the impairment losses on the oil and gas exploration prospects.

For the year ended 31 December 2007

5. SEGMENTAL INFORMATION

a) Primary reporting format – business segment:

	Merchant banking		Asset management		Direct investment		Unallocated		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Turnover / Revenue	**2,046**	1,545	**39,488**	7,624	**–**	–	**–**	–	**41,534**	9,169
Segment results	**(26,291)**	(44,803)	**14,479**	(1,512)	**(29,119)**	5,146	**–**	–	**(40,931)**	(41,169)
Unallocated operating loss	**–**	–	**–**	–	**–**	–	**(13,364)**	(26,904)	**(13,364)**	(26,904)
Loss from operations									**(54,295)**	(68,073)
Finance costs									**(1,241)**	(2,052)
Amortisation of intangible assets									**(123)**	–
Excess over the cost of acquisition of a subsidiary									**409**	959
Share of (losses)/profits of associates									**(119)**	78
Share of loss of a jointly controlled entity									**–**	(25)
Loss before taxation									**(55,369)**	(69,113)
Taxation									**(2,439)**	(176)
Loss for the year									**(57,808)**	(69,289)
Segment assets	**51,923**	137,325	**29,845**	5,056	**33,499**	68,438	**–**	–	**115,267**	210,819
Unallocated assets	**–**	–	**–**	–	**–**	–	**9,635**	3,426	**9,635**	3,426
Total assets	**51,923**	137,325	**29,845**	5,056	**33,499**	68,438	**9,635**	3,426	**124,902**	214,245
Segment liabilities	**4,589**	16,488	**8,185**	593	**19,200**	19,988	**–**	–	**31,974**	37,069
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**11,649**	9,054	**11,649**	9,054
Total liabilities	**4,589**	16,488	**8,185**	593	**19,200**	19,988	**11,649**	9,054	**43,623**	46,123
Other information										
Capital expenditure	**39**	11	**265**	46	**3**	–	**514**	140	**821**	197
Acquisition of the Forsyth Business (Note 37)	**–**	–	**8,491**	–	**–**	–	**–**	–	**8,491**	–
Depreciation	**73**	66	**70**	61	**–**	–	**312**	186	**455**	313
Amortisation of intangible assets	**–**	–	**123**	–	**–**	–	**–**	–	**123**	–
Impairment of goodwill	**–**	–	**–**	237	**–**	–	**–**	–	**–**	237
Impairment of receivables	**–**	221	**–**	–	**–**	–	**–**	–	**–**	221

For the year ended 31 December 2007

5. SEGMENTAL INFORMATION (continued)

a) Primary reporting format – business segment: (continued)

Notes:

- Merchant banking – provision of corporate finance and other advisory services and the changes in fair value of financial assets and liabilities through profit or loss arising from the Group's merchant banking activities.
- Asset management – provision of venture capital fund management, asset management and wealth management services.
- Direct investment – holding of investments in the oil and gas exploration prospects, available-for-sale investments (excluding investments in funds managed by the Group), loans to investee and related companies and financial assets at fair value through profit or loss (excluding those arising from the Group's merchant banking activities).
- Unallocated – primarily items related to corporate offices.

b) Secondary reporting format – geographical segment:

With regard to the newly acquired asset management business, mainly operated through the Group's key operating subsidiary in the United Kingdom, as detailed in Note 37, the Group defines geographical segment with reference to those revenue-producing assets and transactions that arise from customers domiciled worldwide. Due to the nature of the business, precise segregation of geographical activities would be arbitrary and therefore considered not appropriate. The Group's remaining activities during the year ended 31 December 2007 are mainly operated or carried out in Asia.

The Group's activities during the year ended 31 December 2006 were mainly operated or carried out in Asia.

6. TURNOVER / REVENUE

	2007	2006
	US$'000	US$'000
Corporate finance and other advisory fees	**2,046**	1,545
Fund management fee income	**10,584**	1,186
Wealth management services fee	**28,904**	6,438
	41,534	9,169

For the year ended 31 December 2007

7. OTHER INCOME

	2007	2006
	US$'000	US$'000
Bad debts recovery	**67**	22
Bank interest income	**973**	1,836
Fee on redemption and arrangement of loans	**525**	1,430
Gain on deemed disposal of a subsidiary	**101**	329
Gain on deemed disposal of an associate	**–**	75
Gain on disposal of an associate	**236**	–
Gain on disposal of available-for-sale investments	**30**	–
Management fee income	**180**	234
Other interest income	**346**	608
Others	**92**	162
	2,550	4,696

8. FINANCE COSTS

	2007	2006
	US$'000	US$'000
Effective interest expense on convertible bond – wholly repayable within five years (Note 28)	**1,241**	1,604
Other interest expense – wholly repayable within five years	**–**	448
	1,241	2,052

For the year ended 31 December 2007

9. LOSS BEFORE TAXATION

	2007	2006
	US$'000	US$'000
Loss before taxation is arrived at after charging:		
Auditors' remuneration:		
– audit services	**207**	161
– corporate governance review	**–**	104
– other services	**28**	143
Amortisation of intangible assets (Note 21)	**123**	–
Depreciation:		
– owned assets	**455**	299
– assets held under finance leases	**–**	14
Employee benefit expense (including directors' remuneration) (Note 13(c))	**43,298**	52,758
Foreign exchange losses, net	**115**	318
Impairment of goodwill (Note 21)	–	237
Impairment of receivables	**–**	221
Loss on deemed disposal of a subsidiary (Note 38)	**449**	382
Loss on disposal of available-for-sale investments	**1**	8
Operating leases charges in respect of rented land and buildings	**1,152**	737

All the gains and losses on financial assets and liabilities at fair value through profit or loss relate to instruments designated as such at initial recognition.

10(a). TAXATION

	2007	2006
	US$'000	US$'000
Current tax		
– Hong Kong	**2,267**	80
– Overseas	**172**	96
	2,439	176

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2007. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the year.

For the year ended 31 December 2007

10(a). TAXATION (continued)

Reconciliation between tax expense and accounting loss at applicable rates:

	2007		2006	
	US$'000	%	US$'000	%
Loss before taxation	(55,369)		(69,113)	
Less: Adjustments:				
– Share of losses/(profits) of associates	119		(78)	
– Share of loss of a jointly controlled entity	–		25	
Adjusted loss before taxation	(55,250)		(69,166)	
Tax at the domestic income tax rates	(9,669)	17.50	(12,104)	17.50
Effect of overseas tax rate differences	(129)	0.24	(42)	0.06
Tax effect of non-taxable income	(1)	–	(681)	0.98
Tax effect of non-deductible expenses	11,228	(20.32)	12,734	(18.41)
Tax effect of unrecognised temporary differences	12	(0.02)	15	(0.02)
Tax effect of unrecognised tax losses	1,486	(2.69)	432	(0.62)
Utilisation of previously unrecognised tax losses	(488)	0.88	(178)	0.26
Tax charge at the Group's effective tax rate	2,439	(4.41)	176	(0.25)

10(b). DEFERRED TAXATION

Group

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

	Decelerated tax depreciation	Unutilised tax losses*	Convertible bond	Total
	US$'000	US$'000	US$'000	US$'000
At 31 December 2007	110	4,192	(167)	4,135
At 31 December 2006	86	4,364	–	4,450

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

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

For the year ended 31 December 2007

10(b). DEFERRED TAXATION (continued)

Company

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

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company, a profit of US$10,289,000 (2006: a loss of US$11,577,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic

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

	2007	2006
(US$'000)		
Consolidated loss attributable to equity holders of the Company	**(64,651)**	(60,700)
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (Note)	**3,360,196,324**	3,147,679,739
Basic loss per share (US cents per share)	**(1.92)**	(1.93)

Note:

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

No diluted loss per share is shown for 2006 and 2007 as the outstanding share options were anti-dilutive.

13. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees	Salaries and allowances	Discretionary bonuses	Retirement fund contributions	Benefits in kind	Share-based compensation expense (Note)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2007							
Executive Director:							
Johnny Chan Kok Chung	**–**	**1,004**	**1,200**	**3**	**21**	**906**	**3,134**
Non-executive Directors:							
Ilyas Tariq Khan	**–**	**1,150**	**1,800**	**3**	**17**	**906**	**3,876**
Ahmad S. Al-Khaled	**40**	**–**	**–**	**–**	**–**	**105**	**145**
Independent Non-executive Directors:							
Daniel Yen Tzu Chen	**40**	**–**	**–**	**–**	**–**	**104**	**144**
Peter McIntyre Koenig	**40**	**–**	**–**	**–**	**–**	**104**	**144**
Joseph Tong Tze Kay	**40**	**–**	**–**	**–**	**–**	**104**	**144**
	160	**2,154**	**3,000**	**6**	**38**	**2,229**	**7,587**
2006							
Executive Director:							
Johnny Chan Kok Chung	–	900	6,039	3	20	905	7,867
Non-executive Directors:							
Ilyas Tariq Khan	–	1,050	9,829	3	17	905	11,804
Ahmad S. Al-Khaled	28	–	–	–	–	93	121
Independent Non-executive Directors:							
Daniel Yen Tzu Chen	28	–	–	–	–	92	120
Peter McIntyre Koenig	28	–	–	–	–	92	120
Joseph Tong Tze Kay	28	–	–	–	–	92	120
	112	1,950	15,868	6	37	2,179	20,152

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13. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' remuneration (continued)

Note: The amount of equity-settled share-based compensation expenses is measured according to the Group's accounting policies for share-based employee compensation transactions as set out in Note 3(o)(iii) to the financial statements. Particulars of share options granted to the Directors under the Company's share option scheme are set out in Note 31 to the financial statements.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: three) individuals during the year are as follows:

	2007	2006
	US$'000	US$'000
Salaries, allowances and benefits in kind	**1,809**	1,717
Commission paid and payable	**8,030**	1,757
Bonus paid and payable	**2,659**	11,056
Retirement fund contributions	**3**	1
Share-based compensation expense	**1,054**	1,253
Social security costs	**19**	40
	13,574	15,824

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Emolument bands		
US$1,473,001 to US$1,537,000	**1**	–
US$1,601,001 to US$1,665,000	**–**	1
US$2,305,001 to US$2,369,000	**–**	1
US$3,905,001 to US$3,969,000	**1**	–
US$8,129,001 to US$8,193,000	**1**	–
US$11,841,001 to US$11,905,000	**–**	1

For the year ended 31 December 2007

13. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(b) Five highest paid individuals (continued)

During the year ended 31 December 2007, no emoluments were paid by the Group to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2007 and 2006.

(c) Employee benefit expense (including directors' remuneration)

	2007	2006
	US$'000	US$'000
Fees	**160**	112
Salaries, allowances and benefits in kind	**14,551**	10,218
Commission paid and payable	**11,006**	2,758
Bonus paid and payable *	**12,170**	34,216
Retirement fund contributions **	**517**	89
Share-based compensation expense	**4,482**	5,172
Social security costs	**412**	193
	43,298	52,758

* The bonus paid and payable of US$12,170,000 charged to the consolidated income statement during the year ended 31 December 2007 was bonus award wholly attributable to the year ended 31 December 2007.

The bonus award attributable to the year ended 31 December 2006 was US$8,704,000 which was charged as an expense during the year ended at 31 December 2006. Included in the bonus paid and payable charged to the consolidated income statement during the year ended 31 December 2006 was US$23,750,000 and US$1,762,000 of deferred charges in respect of bonuses awarded for the years ended 31 December 2005 and 2004 respectively which only became an obligation and liability of the Group during the year ended 31 December 2006. Accordingly, the total charge for bonus paid and payable for the year ended 31 December 2006 was US$34,216,000.

** There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2007 and 2006.

For the year ended 31 December 2007

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Computer hardware and software	**Furniture and fixtures**	**Leasehold improvements**	**Motor vehicles**	**Office equipment**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2006						
Cost	342	201	714	55	205	1,517
Accumulated depreciation	(199)	(114)	(391)	(16)	(167)	(887)
Net book amount	143	87	323	39	38	630
Year ended 31 December 2006						
Opening net book amount	143	87	323	39	38	630
Additions	140	40	12	–	5	197
Disposals	(2)	–	–	–	–	(2)
Exchange differences	2	3	3	–	–	8
Depreciation	(96)	(37)	(144)	(14)	(22)	(313)
Closing net book amount	187	93	194	25	21	520
At 31 December 2006						
Cost	472	246	732	55	210	1,715
Accumulated depreciation	(285)	(153)	(538)	(30)	(189)	(1,195)
Net book amount	187	93	194	25	21	520
Year ended 31 December 2007						
Opening net book amount	187	93	194	25	21	520
Additions	204	82	498	–	37	821
Acquisition of the Forsyth Business (Note 37)	96	–	29	–	14	139
Disposals	(2)	–	–	–	–	(2)
Exchange differences	–	1	–	–	1	2
Depreciation	(146)	(51)	(219)	(14)	(25)	(455)
Closing net book amount	339	125	502	11	48	1,025
At 31 December 2007						
Cost	**767**	**334**	**1,263**	**54**	**244**	**2,662**
Accumulated depreciation	**(428)**	**(209)**	**(761)**	**(43)**	**(196)**	**(1,637)**
Net book amount	**339**	**125**	**502**	**11**	**48**	**1,025**

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15. INTERESTS IN SUBSIDIARIES

Company

		2007	2006
	Notes	**US$'000**	US$'000
Investments at fair value			
– Listed shares, outside Hong Kong		**100,013**	168,148
Investments at cost			
– Unlisted shares, outside Hong Kong		**110,045**	110,044
Less: Impairment losses		**(49,261)**	(60,983)
		60,784	49,061
Amounts due from subsidiaries	(i)	**12,946**	128
Amounts due to subsidiaries	(i)	**(3,062)**	(185)
		170,681	217,152

Notes:

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

(ii) Details of principal subsidiaries are set out in Note 40 to the financial statements.

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16. INTERESTS IN ASSOCIATES

Group

	2007	2006
	US$'000	US$'000
Share of net assets other than goodwill	**288**	631
Goodwill	**68**	68
	356	699
Less: Impairment losses	**(54)**	(54)
	302	645
Amount due from an associate	**12**	10
Amount due to an associate	**–**	(2)
	314	653

Amount due from/(to) an associate is interest-free, unsecured and has no fixed repayment terms.

For the year ended 31 December 2007

16. INTERESTS IN ASSOCIATES (continued)

Particulars of principal associates as at 31 December 2007 are as follows:

Name	Place of incorporation	Issued/ Paid-up share capital	Percentage of interest held by the Company indirectly 2007	2006	Principal activities and places of operation	Notes
Crosby Asset Management South Asia Limited ("CAMSAL")	British Virgin Islands	1 ordinary share at US$1 each	**100%**	100%	Investment holding in British Virgin Islands	(i)
Crosby Asset Management (Pakistan) Limited ("CAMPL")	Pakistan	3,000,000 ordinary shares at Rupee 10 each	**100%**	100%	Provision of investment advisory and asset management services in Pakistan	(ii)
Crosby Securities Pakistan (Private) Limited ("CSPL")	Pakistan	2,500,000 ordinary shares at Rupee 10 each	**100%**	100%	Securities dealing in Pakistan	(ii)
SBI CROSBY (Holdings) Limited ("SBICHL")	British Virgin Islands	22,455 ordinary shares at US$1 each	–	26.72%	Investment holding in British Virgin Islands	(iii)
SBI E2-Capital Partners Limited (formerly known as SBI CROSBY Limited ("SBIE2")	Hong Kong	10,000,000 ordinary shares at HK$1 each	–	26.72%	Provision of corporate finance advisory services in Hong Kong	(iii)

All of the above associates are limited liability companies.

Notes:

(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 2007, 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 2007. Knightsbridge Fund Services Limited, a subsidiary of CAMSAL since 10 September 2007, is considered as a subsidiary of the Group (Note 40 to the financial statements) as the Directors have full management control of the company.

(iii) SBIE2 is a wholly owned subsidiary of SBICHL. In May 2006, the Group's equity interest in SBICHL was reduced from 50% to 26.72% following a placement in which the Group did not participate. Accordingly, the Group's equity interest in SBIE2 was reduced to 26.72%. In August 2007, the Group disposed of the entire equity interests in SBICHL for a consideration of US$455,000 settled by issue of promissory note (Note 20 to the financial statements), resulting in a gain of US$236,000.

For the year ended 31 December 2007

16. INTERESTS IN ASSOCIATES (continued)

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

	Assets	Liabilities	Equity	Revenue	(Loss)/Profit
	US$'000	US$'000	US$'000	US$'000	US$'000
2007					
100 per cent	**3,621**	**(2,178)**	**1,443**	**1,441**	**556**
Group's effective interest	**724**	**(436)**	**288**	**288**	**(119)**
2006					
100 per cent	3,470	(882)	2,588	3,973	650
Group's effective interest	841	(210)	631	984	78

The financial information above is based on the unaudited management accounts for each of the two years ended 31 December 2007 and 2006.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

Group

	2007	2006
	US$'000	US$'000
Share of net assets	**–**	–
Amount due from a jointly controlled entity	**81**	135
	81	135

Amount due from a jointly controlled entity is interest-free, unsecured and has no fixed repayment terms.

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17. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Particulars of the jointly controlled entity as at 31 December 2007 are as follows:

Name	Place of incorporation	Issued/ Paid-up share capital	Percentage of interest held by the Company indirectly 2007	2006	Principal activities and place of operation
JAIC-CROSBY Investment Management Company Limited	Cayman Islands	100 ordinary shares at US$1 each	**50%**	50%	Provision of fund management services in Cayman Islands

The jointly controlled entity is a limited liability company.

Summarised financial information in respect of the Group's jointly controlled entity is set out below:

	Assets	Liabilities	Equity	Revenue	Loss
	US$'000	US$'000	US$'000	US$'000	US$'000
2007					
100 per cent	**157**	**(157)**	**–**	**173**	**–**
Group's effective interest	**79**	**(79)**	**–**	**87**	**–**
2006					
100 per cent	221	(221)	–	136	(51)
Group's effective interest	111	(111)	–	68	(25)

The financial information above is based on the unaudited management accounts for each of the two years ended 31 December 2007 and 2006.

18. AVAILABLE-FOR-SALE INVESTMENTS

Group

	2007	2006
	US$'000	US$'000
Unlisted investments, at cost or fair value		
Equity securities	**6,570**	1,812
Less: Impairment losses	**(1,047)**	(1,614)
	5,523	198
Listed investments, at fair value		
Equity securities, listed in Hong Kong	**32**	50
Equity securities, listed outside Hong Kong	**290**	268
	322	318
	5,845	516

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

	2007	2006
	US$'000	US$'000
At 1 January	**516**	389
Additions	**5,175**	18
Disposals	**(14)**	–
Change in fair value recognised directly in equity	**168**	137
Impairment	**–**	(28)
At 31 December	**5,845**	516

The investments included above represent investments that offer the Group the opportunities for return through dividend income and fair value gains. The fair values of the investments are based on Group's share of the underlying net asset of the fund which are valued at fair value, which is a quoted market price.

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19. INTEREST IN OIL AND GAS EXPLORATION PROSPECTS

Group

	2007	2006
	US$'000	US$'000
Carrying amount at 1 January	**42,500**	–
Acquisition	**–**	42,500
Impairment	**(27,500)**	–
Carrying amount at 31 December	**15,000**	42,500

On 9 March 2006, Coniston International Capital Limited ("Coniston", a wholly-owned subsidiary of the Company) entered into the Exploration Funding Agreement with Lodore Delaware Petroleum LLC ("Lodore"), which was the surviving entity following a merger with Lodore Resources Inc. in August 2006 to acquire a 35% working interest in three oil and gas prospects, namely Big Mouth Bayou, Endeavor and North West Kaplan, located in Cameron Parish and Vermilion Parish in Louisiana in the United States (the "Exploration Prospects"), for total cash consideration of US$42,500,000.

Lodore has a 75% working interest in the Exploration Prospects pursuant to agreements with Pel-Tex Oil Company L.L.C. ("Pel-Tex"), the operator of the Exploration Prospects. Lodore bears 100% of the drilling costs in relation to the Exploration Prospects up to the proposed total depth of the respective wells drilled on the Exploration Prospects and 75% of the costs in respect of the activities associated with completing a drilled well in order to establish the flow of hydrocarbons and the construction of any surface facilities that may be required to enable any such hydrocarbons to be sold. Pel-Tex is responsible for all operational functions relating to the Exploration Prospects. Lodore is responsible for obtaining financing and providing technical expertise in relation to the exploration of the Exploration Prospects.

The Big Mouth Bayou well was completed as a discovery but failed to flow at commercial rates. Currently the well is plugged pending a decision on further exploration drilling within the leases which would require further capital. As a consequence of these events and circumstances, the Group has provided for impairment in full in the amount of US$15,000,000 against the proportion of its funding related to the exploration costs of this well.

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19. INTEREST IN OIL AND GAS EXPLORATION PROSPECTS (continued)

At the Endeavor prospect, drilling encountered challenging conditions with progress being delayed on three separate occasions due to well control events caused by high pressure kicks which necessitated the drilling of sidetracks. By the end of November 2007, the well had reached a true vertical depth of 19,003 feet. Analysis of the data obtained down to that depth led the joint venture to decide to deepen the well to a true vertical depth of 20,000 feet. However, the joint venture was unable to deepen the well due to the unexpected withdrawal of insurance coverage by the joint venture's insurers at that time. The joint venture has so far been unable to negotiate with the existing insurers to continue to provide coverage under the existing policy with respect to deepening the well. While continuing its efforts to obtain insurance coverage, the joint venture has taken legal advice concerning the existing insurers' refusal to provide coverage for the planned deeper drilling operations under the policy that was in place at the time of drilling, and as a consequence of this advice the joint venture has filed proceedings for damages that have resulted from the well being suspended. Due to the above situation, the well remains suspended and it remains unknown whether it will be possible to resume drilling. As a consequence of these events and circumstances, the Group has provided for impairment in full in the amount of US$12,500,000 against the proportion of its funding related to the exploration costs of this well.

The delays at Endeavor had a knock-on effect of delaying the commencement of drilling at North West Kaplan which is now scheduled to commence in the first quarter of 2008. In the event the drilling at North West Kaplan does not proceed, Coniston is entitled to receive the return of the proportion of funding allocated to this prospect. As at 31 December 2007, there was no indication of impairment in respect of the proportion of funding allocated to the North West Kaplan prospect totaling US$15,000,000 and the Directors do not consider that any provision for impairment is necessary at 31 December 2007.

20. LOAN RECEIVABLE

The loan receivable represents the proceeds from the disposal of the entire interests in an associate, SBI CROSBY (Holdings) Limited ("SBICHL"), as detailed in Note 16 to the financial statements. It is unsecured, interest bearing at 5% per annum and repayable after a fixed term of 5 years or earlier as a result from dividends and other proceeds received by SBICHL.

For the year ended 31 December 2007

21. INTANGIBLE ASSETS

Group

	Customer base	**Trademark**	**Goodwill**	**Total**
	US$'000	US$'000	US$'000	US$'000
Carrying amount at 1 January 2006	–	481	81	562
Acquisition of trademark in 2006	–	7	–	7
Additional investment in a subsidiary	–	–	156	156
Impairment (Note 9)	–	–	(237)	(237)
Carrying amount at 31 December 2006 and 1 January 2007	–	488	–	488
Acquisition of trademark in 2007	–	1	–	1
Additional investment in a subsidiary (Note 37)	–	–	849	849
Acquisition of the Forsyth Business (Note 37)	8,352	–	–	8,352
Amortisation (Note 9)	(123)	–	–	(123)
Carrying amount at 31 December 2007	**8,229**	**489**	**849**	**9,567**

The customer base arising on acquisition of the Forsyth Business during the year, as detailed in Note 37 to the financial statements, has been valued using a multi period excess earnings approach using the following key assumptions:

- Return on equity of 10.25% calculated using the weighted average cost;
- Customers which have established business relationships with the Forsyth Business at the time of the acquisition are lost on a straight line basis over 15 years;
- Fair value of the assembled workforce is assumed to be 25% of the salary and bonus for the year;
- Tax rate 28% which gives rise to an amortisation benefit; and
- Fixed asset and working capital to support the Forsyth Business are negligible.

The customer base is being amortised over its expected useful life of 15 years.

At 31 December 2007, the trademark represents the "Crosby" brand name for the provision of financial services in Europe. Based on the impairment testing of the trademark at 31 December 2007, in the opinion of Directors of the Company, no further impairment is considered necessary for the balance of the Group's trademark. The reasons for non-amortisation of trademark is given in Note 3(j)(iv) to the financial statements.

For the year ended 31 December 2007

22. TRADE AND OTHER RECEIVABLES

Group

		2007	2006
	Notes	**US$'000**	US$'000
Trade receivables – gross		**3,575**	930
Less: Impairment losses		**(166)**	(221)
Trade receivables – net	(i)	**3,409**	709
Other receivables – gross		**1,264**	3,164
Less: Impairment losses		**(594)**	(594)
Other receivables – net	(ii)	**670**	2,570
Deposits and prepayments		**4,699**	1,309
		8,778	4,588

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

Notes:

(i) At 31 December 2007, the ageing analysis of trade receivables based on invoice date and net of impairment losses, is as follows:

	2007	2006
	US$'000	US$'000
0 – 30 days	**3,064**	630
31 – 60 days	**345**	79
	3,409	709

The Group allows a credit period ranging from 15 to 45 days (2006: 15 to 45 days) to its asset management clients.

None of the above trade receivables net of impairment losses is past due as at 31 December 2007 and 2006.

(ii) Included in other receivables are staff loans and advances of US$66,000 (2006: US$154,000). Such loans and advances were granted at the discretion of the management.

(iii) The Group has provided impairment on material trade and other receivables as at 31 December 2007 and 2006 which have been past due.

For the year ended 31 December 2007

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Group

		2007	2006
	Notes	**US$'000**	US$'000
Held for trading			
Listed securities:			
– Equity securities – Australia	(1) – (4)	**10,811**	15,786
– Equity securities – Japan	(5)	**31,672**	65,388
– Equity securities – United Kingdom	(6) – (11)	**3,509**	42,064
Fair value of listed securities		**45,992**	123,238
Unlisted securities:			
– Equity securities – Australia	(12) & (13)	**1,134**	2,800
– Equity securities – British Virgin Islands	(14) & (15)	**6,982**	5,107
Fair value of unlisted securities		**8,116**	7,907
Sub-total		**54,108**	131,145
Designated as financial assets at fair value through profit or loss on initial recognition			
Unlisted securities:			
– Equity securities – United Kingdom		**–**	100
Total		**54,108**	131,245

Notes:

1. At 31 December 2007, the Group held a total of 2,659,824 shares in White Energy Company Limited ("White Energy"), listed on the Australian Stock Exchange and representing 1.08% of its issued share capital, of which 1,356,296 shares were held through a 82.33% subsidiary, Crosby Investment Holdings Limited ("CIH", currently known as Crosby Special Situations Fund Limited), 780,000 shares were held through a 100% subsidiary, techpacific.com Investments Limited ("tp.com") and 523,528 shares were held through a 100% subsidiary, techpacific.com Digital Limited, which are valued in total at US$6,902,000, arrived at on the basis of their quoted market price at 31 December 2007 of A$2.96 per share. At 31 December 2006, the Group held a total of 623,528 shares of White Energy which were valued in the consolidated balance sheet at a total valuation of US$861,000 arrived at on the basis of their quoted market at 31 December 2006 of A$1.75 per share. The Group, as detailed in Note 12 below, acquired 2,036,296 shares of White Energy from the exercise of options in June 2007.

2. At 31 December 2007, the Group held 3,996,836 shares of Fermiscan Holdings Limited ("Fermiscan"), a company listed on the Australian Stock Exchange and representing 2.79% of its issued share capital, through a 100% subsidiary, Dragon Fund Inc.. The shares of Fermiscan held by the Group are valued at US$3,504,000 arrived at the basis of their quoted market price at 31 December 2007 of A$1.00 per share.

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

Notes: (continued)

3. At 31 December 2007, the Group held 207,000 shares of Herald Resources Limited ("Herald"), a company listed on the Australian Stock Exchange and representing 0.10% of its issued share capital, through a 100% subsidiary, tp.com. The shares of Herald held by the Group are valued at US$405,000 arrived at the basis of their quoted market price at 31 December 2007 of A$2.23 per share. The shares were acquired during the year.

4. At 31 December 2006, the Group held a total of 23,785,039 shares in Orchard Petroleum Limited ("Orchard"), an oil and gas company with a portfolio of interests in California that was previously listed on the Australian Stock Exchange and representing 11.86% of its issued share capital, through its subsidiaries, Crosby Orchard Fund Pty Limited ("COF", formerly known as Crosby Orchard Fund Inc.) and Eskdale Petroleum Pty Limited ("Eskdale"), which were valued at US$14,925,000, arrived at on the basis of their quoted market price at 31 December 2006 of A$0.795 per share. COF and Eskdale are 100% owned subsidiaries of ESK Limited ("ESK"). As at 31 December 2006, the investments of ESK had been financed through the issue of redeemable preference shares, which did not carry voting rights and had no right to appoint directors, whilst the Group through a 81.24% subsidiary, CIH, held 100% of the ordinary voting share capital of ESK which represented 30% of its total issued share capital. Accordingly, ESK was consolidated as a subsidiary at 31 December 2006. In March 2007, Eskdale completed the acquisition of Orchard, for consideration of A$0.81 per share which valued Orchard at approximately US$130,000,000. As part of the financing to acquire Orchard, additional redeemable preference shares were issued by ESK and their terms were amended to carry voting rights and the right to appoint directors. As a result of this capital restructuring, ESK was no longer a subsidiary of the Group and therefore is not consolidated at 31 December 2007. The treatment of this financial asset at 31 December 2007 is detailed in Note 15 below.

5. At 31 December 2007, the Group held a total of 86,700,000 shares of IB Daiwa Corporation, a JASDAQ listed Japanese company and representing 20.33% of its issued share capital, through a 82.33% owned subsidiaries, Crosby Capital Partners Limited and Sunov Crosby (Holdings) Limited ("SCH"), which are valued at US$31,672,000, arrived at on the basis of their quoted market price at 31 December 2007 of ¥41 per share. At 31 December 2006, the Group held a total of 102,425,000 shares of IB Daiwa which were valued in the consolidated balance sheet at a total valuation of US$65,388,000 arrived at on the basis of their quoted market at 31 December 2006 of ¥76 per share. The Group disposed of 15,725,000 shares to a third party for total consideration of US$4,479,000 during the year ended 31 December 2007.

6. At 31 December 2007, the Group held 50,000 shares of Thwaites (Daniel) plc, a company quoted on PLUS Markets plc in London and representing 0.08% of its issued share capital, through a 82.33% subsidiary, CIH. The shares of Thwaites held by the Group are valued at US$330,000 arrived at on the basis of their quoted market price at 31 December 2007 of £3.30 per share. The shares were acquired during the year.

7. At 31 December 2007, the Group held 1,218,118 shares of Indago Petroleum Limited ("Indago"), a company listed on the AIM market of the London Stock Exchange and representing 2.28% of its issued share capital, through a 100% subsidiary tp.com. The shares held by the Group were valued at US$1,679,000 arrived at on the basis of their quoted market price at 31 December 2007 of £0.69 per share. At 31 December 2006, the Group held 35,000,000 shares of Indago representing 13.12% of its issued share capital, through its 56.6% subsidiary Silk Route Petroleum Limited ("Silk Route"). Indago paid a special dividend of £0.60 per share in April 2007 resulting in a total dividend received by Silk Route of approximately US$42,040,000. Silk Route used the cash received from the dividend from Indago to settle its share of the original financing for the purchase of the underlying assets of Indago in the amount of US$9,629,000 and then, from the balance of the proceeds, paid its own cash dividend of which the share of the Group, through a 82.33% subsidiary SCH was approximately US$17,471,000. Once Silk Route had settled its share of the acquisition financing, the existing pledge over its Indago shares was released. Following this release, Silk Route sold 550,000 Indago shares realising proceeds of US$1,157,000 which were also distributed to its shareholders of which the share of SCH was US$738,000. The remaining holding of shares in Indago were distributed to its shareholders in June 2007 and, accordingly, SCH received 3,422,374 shares of Indago. SCH disposed of 2,012,824 shares to third parties through the stock market for total consideration of US$2,736,000 during the year ended 31 December 2007. In December 2007, SCH disposed of its remaining holding of 1,409,550 shares to tp.com at market value.

For the year ended 31 December 2007

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

Notes: (continued)

8. At 31 December 2007, the Group held 20,276,384 shares of Upstream Marketing and Communications Inc. ("Upstream"), a company listed on the AIM of the London Stock Exchange and representing 14.85% of its issued share capital, through a 100% subsidiary techpacific.com (BVI) Investment Limited. The shares of Upstream held by the Group are valued at US$810,000 arrived at the basis of their quoted market price at 31 December 2007 of £0.02 per share.

9. At 31 December 2007, the Group held 665,625 shares of Real Office Group PLC ("Real Office"), a company listed on the AIM market of the London Stock Exchange and representing 3.8% of its issued share capital, through a 100% subsidiary, tp.com. The shares of Real Office held by the Group were valued at US$379,000 arrived at on the basis of their quoted market price at 31 December 2007 of £0.29 per share. The shares were acquired during the year.

10. At 31 December 2007, the Group held 349,414 shares of Leed Petroleum PLC ("Leed"), a company listed on the AIM market of the London Stock Exchange and representing 0.14% of its issued share capital, through a 100% subsidiary, Coniston International Capital Limited. The shares of Leed held by the Group were valued at US$232,000 arrived at on the basis of their quoted market price at 31 December 2007 of £0.33 per share. The shares were acquired during the year from the exercise of options.

11. At 31 December 2007, the Group held 131,873 shares of Music Copyright Solutions Limited ("MCS"), a company listed on the AIM market of the London Stock Exchange and representing 0.22% of its issued share capital, through a 100% subsidiary, tp.com. The shares of MCS held by the Group are valued at US$79,000 arrived at on the basis of their quoted market price at 31 December 2007 of £0.30 per share. The shares were acquired during the year.

12. At 31 December 2007, the Group, through a 82.33% owned subsidiary, CIH, held a total of 1,250,000 options to subscribe for shares in White Energy, with an exercise price of A$2.50 per share, which once exercised would represent 0.70% of its enlarged share capital. The options were valued in the consolidated balance sheet at a total valuation of US$998,000 by an independent valuer using the binomial option pricing model. The key assumptions used were a risk free interest rate of 6.9%, volatility of 57.4%, zero dividend yield and the market price at 31 December 2007 of A$3.00 per share. These options were received during the year as consideration for arranging a placement for White Energy and were valued on initial recognition at US$607,000. At 31 December 2006, the Group held a total of 2,036,296 options to subscribe for shares in White Energy, with an exercise price of A$0.01 per share, expiring in 2011. The options were valued in the consolidated balance sheet at a total valuation of US$2,800,000 which represented the difference between the quoted market price of A$1.75 per share as at 31 December 2006 and the exercise price of the options of A$0.01 per share. These options were exercised during the year ended 31 December 2007.

13. At 31 December 2007, the Group, through a 82.33% subsidiary, CIH, held a total of 10,000,000 options to subscribe for shares in Pocketmail Group Limited ("Pocketmail", currently known as Adavale Resources Limited) of which 5,000,000 options have an exercise price of A$0.06 per share, and another 5,000,000 options have an exercise price of A$0.065 per share, which once exercised would represent 1.86% of its enlarged share capital. The options were valued in the consolidated balance sheet at a total valuation of US$136,000 by an independent valuer using the binomial option pricing model. The key assumptions used were a risk free interest rate of 6.82%, volatility of 92.49%, zero dividend yield and the market price at 31 December 2007 of A$0.05 per share. The options were received during the year as consideration for arranging a placement for Pocketmail during the year and were valued on initial recognition at US$272,000.

14. At 31 December 2007, the Group, through a 82.33% subsidiary, SCH, owns 38.98% of Sunov Petroleum (Pakistan) Limited ("SPP") which is classified as a financial asset at fair value through profit or loss. SPP owns 100% of Eastern Petroleum Limited, a company incorporated in Mauritius, which in turn owns 100% of the issued share capital of Spud Energy Pty Limited ("Spud"), a company registered in Australia, which owns a 40% interest in the Bolan Concession and a 7.9% interest in the Badar Mining Lease, both gas fields located onshore in Pakistan. At 31 December 2007, the investment in SPP is valued at US$5,107,000 based on the conversion value of a US$2,500,000 convertible note issued by SPP on 30 September 2006 which is convertible into equity at its option. The conversion value is based on a pre-money valuation of Spud of US$13,100,000. This valuation has been supported by an independent valuation of the Group's expected discounted cashflows. On conversion of the US$2,500,000 convertible note, the shareholding of SCH in SPP will be further reduced to 32.7%.

For the year ended 31 December 2007

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

Notes: (continued)

15. At 31 December 2007, the Group, through a 82.33% subsidiary, CIH, owns 12.5% of ESK, a company incorporated in the British Virgin Islands, which is classified as a financial asset at fair value through profit or loss. Following the repayment of acquisition finance, the Group's direct equity interest in ESK will be increased from 12.5% to 22.23%. ESK, through its wholly owned subsidiaries, COF and Eskdale, owns 100% of Orchard, an oil and gas company with a portfolio of interests in California. During the year, the Group purchased, together with a number of other subscribers, redeemable preference shares in ESK for an amount of US$1,875,000. The preference shares at 31 December 2007 are valued at US$1,875,000 based on the latest subscription price of the preference shares which is the only recent market transaction in that asset. The 12.5% interest via the ordinary shares of ESK is valued at US$Nil at 31 December 2007 given the uncertainty of receiving any remaining fair value in ESK once bank debt amounting to US$50,000,000 has been repaid and the preference shares amounting to US$112,000,000 have been redeemed, given the current stage of development of the underlying oil and gas properties.

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

		2007	2006
	Notes	**US$'000**	US$'000
At 1 January		**131,245**	157,464
Additions	(1)	**15,933**	31,038
Transfer from disposal of a subsidiary (Note 38)		**320**	–
Disposal of a subsidiary (Note 38)		**(15,540)**	–
Other disposals	(2)	**(20,596)**	(30,015)
Transfer from minority interests		**–**	(5,141)
Dividend received (Note 35)		**(42,154)**	–
Loss on financial assets at fair value through profit or loss		**(15,100)**	(22,101)
At 31 December		**54,108**	131,245

Notes:

(1) The additions to financial assets at fair value through profit or loss are analysed as follows:

	2007	2006
	US$'000	US$'000
Acquisition by cash (Note 35)	**14,979**	21,613
Acquired as part of the acquisition of COF (Note 37)	**–**	7,861
Received in settlement of corporate finance fee (Note 35)	**954**	1,545
Transfer from associate	**–**	19
	15,933	31,038

For the year ended 31 December 2007

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

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

Notes: (continued)

(2) The disposals of financial assets at fair value through profit or loss are analysed as follows:

	2007	2006
	US$'000	US$'000
Disposals for cash	**14,846**	26,015
Disposals included in receivables	**226**	2,145
Dividend paid to minority shareholders by means of distribution of shares	**5,524**	–
Offset against creditors due	**–**	1,855
	20,596	30,015

(3) The proceeds from sale of financial assets at fair value through profit or loss in cash flow (Note 35) are analysed as follows:

	2007	2006
	US$'000	US$'000
Disposals for cash, as above	**14,846**	26,015
Receipt from receivables	**2,145**	8,716
	16,991	34,731

For the year ended 31 December 2007

24. CASH AND CASH EQUIVALENTS

	2007	2006
	US$'000	US$'000
Bank and cash balances	**20,956**	5,433
Short-term bank deposits	**4,140**	20,178
	25,096	25,611
Average effective interest rates of short-term bank deposits	**3.70% – 6.15%**	3.70% – 5.2625%

The short-term bank deposits have maturity periods ranging from 1 to 31 days (2006: 1 to 33 days) and are eligible for immediate cancellation without receiving any interest for the last deposit period.

25. OTHER PAYABLES AND ACCRUED CHARGES

Included in the Group's other payables and accrued charges are provisions for bonus of US$14,214,000 (2006: US$15,494,000) to directors and staff.

26. OBLIGATIONS UNDER A FINANCE LEASE

The Group has no obligations under a finance lease as at 31 December 2007 (2006: US$5,000).

For the year ended 31 December 2007

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Derivative embedded in the convertible bond issued in 2006:				
Balance at 1 January	**2,220**	–	**2,220**	–
Initial recognition (Note 28)	**–**	6,320	**–**	6,320
Gain on financial liabilities at fair value through profit or loss (Note (i))	**(1,820)**	(4,100)	**(1,820)**	(4,100)
Balance at 31 December (Note (ii))	**400**	2,220	**400**	2,220
Share of a loan by the Group:				
Balance at 1 January	**9,186**	8,340	**–**	–
Loss on financial liabilities at fair value through profit or loss (Note (i))	**443**	846	**–**	–
Repayment (Note 35)	**(9,629)**	–	**–**	–
Balance at 31 December (Note (iii))	**–**	9,186	**–**	–
	400	11,406	**400**	2,220

Notes:

(i) Net gain on financial liabilities at fair value through profit or loss recognised in the 2007 consolidated income statements was US$1,377,000 (2006: US$3,254,000).

(ii) The fair value was calculated using the Binomial model. The inputs into the model were as follows:

	2007	2006
Share price	**US$5.15 million**	US$9.76 million
Exercise price	**US$20 million**	US$20 million
Expected volatility	**60%**	59%
Expected life	**3.19 years**	4.19 years
Risk-free rate	**4.38%**	5.04%
Expected dividend yield	**5%**	5%

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

For the year ended 31 December 2007

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(iii) This financial liability at fair value through profit or loss at 31 December 2006 represented the Group's share of a loan payable by the founder shareholders of Indago. It was deemed a financial liability at fair value through profit or loss as the Group's share of the loan is limited to the value of the shares it held in Indago and was therefore a derivative financial liability. The loan was settled in the year ended 31 December 2007 for an amount of US$9,629,000 with the increase from 31 December 2006 of US$443,000 disclosed as a loss on financial liabilities through profit or loss in the consolidated income statement.

28. CONVERTIBLE BOND

Group and Company

In March 2006, the Company issued US$75,000,000 Zero Coupon 5 year Convertible Bond (the "Convertible Bond"). The cash proceeds from the issue were received on 8 March 2006 and the net proceeds of approximately US$72,750,000 are used by the Group for general working capital and investment purposes. In particular, US$42,500,000 of the proceeds were invested by the Group in the oil and gas exploration prospects, which are further described in Note 19 to the financial statements.

The Convertible Bond is unlisted and was convertible at the option of the bondholder(s), at any time on or after 13 March 2006 and up to and including 4 February 2011, into either new shares of the Company at a price of HK$0.7665 per share or exchangeable into existing shares of Crosby Capital Partners Inc. ("Crosby"), a 81.24% subsidiary of the Company at 31 December 2006, owned by the Company at a price of £0.9975 per share. The bondholder(s) were not able to exercise their conversion rights in respect of new shares of the Company once 556,666,011 new shares of the Company had been issued. The Convertible Bond that remains outstanding on 4 February 2011 is redeemable at 116.1% of its principal amount.

The Company has provided a negative pledge to the bondholder(s), that so long as any of the Convertible Bond remains outstanding and except in certain limited circumstances, that the Group will not secure any of its assets or future revenues against any indebtedness of the Group unless the outstanding Convertible Bond is also secured.

The Company has also undertaken, that so long as any of the Convertible Bond remains outstanding, that it will not sell any shares of Crosby, any substantial line of its business or the interests in the oil and gas exploration prospects without the approval of the bondholder(s). However, the Company may dispose of shares of Crosby and the equity interests in the oil and gas exploration prospects, provided that: the Company shall, immediately after such disposal, set aside such money equal to the aggregate principal amount of the Convertible Bond then outstanding, multiplied by 116.1% and as long as the Company's shareholding in Crosby shall not fall below 50% after such disposal.

For the year ended 31 December 2007

28. CONVERTIBLE BOND (continued)

The Convertible Bond recognised in the balance sheet is calculated as follows:

	US$'000
Face value of Convertible Bond issued	75,000
Discount	(2,250)
Financial liabilities at fair value through profit or loss (Note 27)	(6,320)
Equity component	(4,793)
Liability component on initial recognition upon issuance of Convertible Bond on 8 March 2006	61,637

	2007	2006
	US$'000	US$'000
Liability component at 1 January	**17,403**	–
Initial recognition	**–**	61,637
Effective interest expense (Note 8)	**1,241**	1,604
Conversion of Convertible Bond *	**–**	(45,838)
Liability component at 31 December	**18,644**	17,403

* During the year ended 31 December 2006, US$55,000,000 of the Convertible Bond was converted into 556,666,011 new shares of the Company, representing 16.55% of the Company's enlarged issued share capital of 3,362,743,256 shares (including 292,500,000 non-voting convertible deferred shares) at that time. The balance of the Convertible Bond of US$20,000,000 is therefore only exchangeable into a maximum of 11,453,287 existing shares of Crosby owned by the Company, but no exchange had occurred up to 31 December 2007. On the basis that the balance of the Convertible Bond of US$20,000,000 is fully exchanged into existing shares of Crosby, the holding of the Company in Crosby would be reduced from 82.33% to 77.61% as at 31 December 2007.

The interest expense of Convertible Bond for the year ended 31 December 2007 is calculated by applying an effective interest rate of 7.15% (2006: 7.15%) to the liability component.

The Directors of the Company estimate the fair value of the liability component of the Convertible Bond at US$18,644,000 (2006: US$17,403,000). The fair value has been calculated by discounting the future cash flows at the prevailing market rate of 6.5%, increased to 7.15% to adjust for the amortisation of the discount of US$2,250,000. The aforementioned discount rate of 6.5% has been determined by reference to the yield on non-callable bonds issued in US dollars by a corporate with a credit rating of BB, with maturity of 5 years.

29. SHARE CAPITAL

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of non-voting convertible deferred shares	Value
				US$'000
Authorised (par value of US$0.001 each)				
At 1 January 2006, 31 December 2006 and 31 December 2007	20,000,000,000	1,000,000	*(Note (a))* –	20,001
Issued and fully paid (par value of US$0.001 each)			*(Note (b))*	
At 1 January 2006	2,510,077,245	–	292,500,000	2,803
Issue of new shares upon conversion on convertible bond (Note (d))	556,666,011	–	–	557
Issue of new shares upon exercise of share options (Note (c))	8,500,000	–	–	8
Repurchase of own shares for cancellation (Note (e))	(8,862,000)	–	–	(9)
At 31 December 2006 and 1 January 2007	3,066,381,256	–	292,500,000	3,359
Issue of new shares upon exercise of share options (Note (c))	4,000,000	–	–	4
At 31 December 2007	**3,070,381,256**	**–**	**292,500,000**	**3,363**

Notes:

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

(b) The non-voting convertible deferred shares have the following rights and restrictions:

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

(ii) The deferred shares rank pari passu with ordinary shares in respect of all distributions; and

(iii) Each deferred share can be converted into one ordinary share commencing three months from the date of issue (i.e. 24 May 2004) and can be converted upon 14 days prior written notice to the Company. There is no expiration date for the right of conversion. The deferred shares have no redemption rights.

(c) The increase in share capital in 2007 and 2006 represented the ordinary shares issued on exercise of share options, granted under the Company's Share Option Scheme. Further details are set out in Note 31(a) to the financial statements.

(d) 556,666,011 ordinary shares were issued during the year ended 31 December 2006 upon conversion of convertible bond. Further details are set out in Note 28 to the financial statements.

For the year ended 31 December 2007

29. SHARE CAPITAL (continued)

Notes: (continued)

(e) During the year ended 31 December 2006, the Company repurchased on the Stock Exchange a total of 8,862,000 of its own ordinary shares at a price range of HK$0.310 to HK$0.455 per share for a total consideration, before expenses, of HK$3,638,000 (equivalent to approximately US$466,000). The repurchased shares were duly cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserve. Details of which are set out below:

Month of purchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid (before expenses)
		Highest	Lowest	
	HK$	HK$	HK$'000	
September 2006	5,662,000	0.455	0.430	2,510
November 2006	750,000	0.450	0.450	338
December 2006	2,450,000	0.330	0.310	790
	8,862,000			3,638

30. RESERVES

Group

	2007	2006
	US$'000	US$'000
Share premium	**106,895**	106,875
Capital reserve	**4,872**	4,872
Capital redemption reserve	**20**	20
Employee share-based compensation reserve	**9,285**	5,075
Investment revaluation reserve	**312**	173
Foreign exchange reserve	**100**	30
(Accumulated losses)/Retained profits	**(63,231)**	1,420
	58,253	118,465

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 36 and 37.

For the year ended 31 December 2007

30. RESERVES (continued)

Company

	Share premium	Capital redemption reserve	Capital reserve	Employee share-based compensation reserve	Investment revaluation reserve	Convertible bond reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2006	52,853	11	4,639	10	236,356	–	(14,418)	279,451
Issue of convertible bond	–	–	–	–	–	4,793	–	4,793
Issue of new shares upon conversion of convertible bond	54,443	–	(4,368)	–	–	(4,793)	–	45,282
Issue of new shares upon exercise of share options	41	–	–	(11)	–	–	–	30
Repurchase of own shares for cancellation	(461)	9	–	–	–	–	(9)	(461)
Deficit on revaluation	–	–	–	–	(110,179)	–	–	(110,179)
Employee share-based compensation	–	–	–	3,450	–	–	–	3,450
Loss for the year	–	–	–	–	–	–	(11,577)	(11,577)
At 31 December 2006 and at 1 January 2007	106,876	20	271	3,449	126,177	–	(26,004)	210,789
Issue of new shares upon exercise of share options	19	–	–	(5)	–	–	–	14
Deficit on revaluation	–	–	–	–	(69,736)	–	–	(69,736)
Employee share-based compensation	–	–	–	3,440	–	–	–	3,440
Profit for the year	–	–	–	–	–	–	10,289	10,289
At 31 December 2007	**106,895**	**20**	**271**	**6,884**	**56,441**	**–**	**(15,715)**	**154,796**

31. SHARE OPTION SCHEMES

(a) Share Option Scheme of the Company

The Company adopted an employee share option scheme on 27 March 2002 (the "Company's Share Option Scheme") in order to incentivise key management and staff.

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

31. SHARE OPTION SCHEMES (continued)

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

The total number of shares available for issue under options granted pursuant to the Company's Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date of the approval of the Company's Share Option Scheme (the "Scheme Mandate Limit"), unless shareholders' approval of the Company has been obtained. Options lapsed in accordance with the terms of the Company's 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 Company's 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% 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 in 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$5,000,000 then the proposed grant must be subject to the approval of shareholders of the Company.

Share options granted under the Company's 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.

Details of the share options granted under the Company's Share Option Scheme are as follows:

Share option type	Date of grant	Options granted	Options exercise price per share	Options lapsed since grant	Options exercisable as at 31 December 2007	Contractual life
2002	27 March 2002	248,244,700	HK$0.0704	(247,944,700)	300,000	10 years
2003(a)	18 March 2003	54,000,000	HK$0.0350	(54,000,000)	–	10 years
2003(b)	14 May 2003	15,000,000	HK$0.0350	(10,000,000)	–	10 years
2003(c)	18 June 2003	26,064,000	HK$0.0350	(26,064,000)	–	10 years
2003(d)	11 July 2003	312,000,000	HK$0.0350	(312,000,000)	–	10 years
2003(e)	1 December 2003	21,000,000	HK$0.0350	(21,000,000)	–	10 years
2004	20 August 2004	15,000,000	HK$0.0350	–	–	10 years
2006(a)	24 March 2006	40,000,000	HK$0.7700	–	12,000,000	10 years
2006(b)	26 April 2006	180,000,000	HK$0.7700	–	54,000,000	10 years
2007	29 January 2007	10,000,000	HK$0.3650	–	–	10 years
		921,308,700		(671,008,700)	66,300,000	

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31. SHARE OPTION SCHEMES (continued)

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

The following table discloses movements in the outstanding options granted under the Company's Share Option Scheme during the year:

			Number of share options					
Year	Grantees	Share option type	Outstanding at 1 January	Granted during the year	Exercised during the year	Outstanding at 31 December	Weighted average exercise price	Notes
2007	Directors	2004	4,000,000	–	(4,000,000)	–	HK$0.0350	1
		2006(a)	20,000,000	–	–	20,000,000	HK$0.7700	
		2006(b)	120,000,000	–	–	120,000,000	HK$0.7700	
		2007	–	10,000,000	–	10,000,000	HK$0.3650	2
			144,000,000	10,000,000	(4,000,000)	150,000,000	HK$0.7430	
	Employees	2002	300,000	–	–	300,000	HK$0.0704	
		2006(a)	20,000,000	–	–	20,000,000	HK$0.7700	
		2006(b)	60,000,000	–	–	60,000,000	HK$0.7700	
			80,300,000	–	–	80,300,000	HK$0.7674	
			224,300,000	**10,000,000**	**(4,000,000)**	**230,300,000**	**HK$0.7515**	
2006	Directors	2003(b)	2,000,000	–	(2,000,000)	–	HK$0.0350	3
		2004	10,500,000	–	(6,500,000)	4,000,000	HK$0.0350	3
		2006(a)	–	20,000,000	–	20,000,000	HK$0.7700	4
		2006(b)	–	120,000,000	–	120,000,000	HK$0.7700	4
			12,500,000	140,000,000	(8,500,000)	144,000,000	HK$0.7496	
	Employees	2002	300,000	–	–	300,000	HK$0.0704	
		2006(a)	–	20,000,000	–	20,000,000	HK$0.7700	4
		2006(b)	–	60,000,000	–	60,000,000	HK$0.7700	4
			300,000	80,000,000	–	80,300,000	HK$0.7674	
	Total		12,800,000	220,000,000	(8,500,000)	224,300,000	HK$0.7559	

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31. SHARE OPTION SCHEMES (continued)

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

Notes:

1. The closing price of the shares of the Company quoted on the Stock Exchange on 31 August 2007 and 7 September 2007, being the business date immediately before the date on which share options were exercised, was HK$0.25 and HK$0.23 respectively.

2. The closing price of the shares of the Company quoted on the Stock Exchange on 26 January 2007, being the business date immediately before the date on which share options were granted, was HK$0.355.

3. The closing price of the shares of the Company quoted on the Stock Exchange on 8 March 2006, 24 August 2006, 1 September and 13 November 2006, being the business date immediately before the date on which share options were exercised, was HK$0.77, HK$0.69, HK$0.66 and HK$0.475, respectively.

4. The closing price of the shares of the Company quoted on the Stock Exchange on 23 March 2006 and 25 April 2006, being the business date immediately before the date on which share options were granted, was HK$0.79 and HK$0.72, respectively.

The fair value of the options granted during the year ended 31 December 2007, measured at the dates of grant, totalled approximately US$219,000 (2006: US$8,880,000).

In total, approximately US$3,440,000 (2006: US$3,450,000) of employee share-based compensation expense is included in the consolidated income statement for the year ended 31 December 2007 and approximately US$112,000 (2006: US$3,445,000) of which was in respect of the options granted during the year ended 31 December 2007.

Subsequent to 31 December 2007, the Company had further granted 117,500,000 options to the directors and employees of the Company under the Company's Share Option Scheme at an exercise price of HK$0.18 on 11 February 2008.

There are 128,918,324 ordinary shares, which represent 4.20% of the issued share capital of the Company, available for issue under the Company's Share Option Scheme at the date of this annual report.

The following significant assumptions were used for each of the two years ended 31 December 2007 and 2006 to derive the fair value, using the Binomial option pricing model:

(i) an expected constant volatility of 60% throughout the option life (2006: 70% in the first year and trending down to 30% over a 7 year period for the share options);

(ii) nil dividend yield;

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

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

(v) 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.

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31. SHARE OPTION SCHEMES (continued)

(b) Share Option Scheme of the Subsidiary

(i) Crosby Capital Partners Inc. ("Crosby")

Crosby, a 82.33% subsidiary of the Company at 31 December 2007, adopted an employee share option scheme on 4 March 2005 ("Crosby Share Option Scheme") in order to incentivise key management and staff of Crosby. Pursuant to the Crosby 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 is payable by the grantee.

The total number of shares available for issue under options granted pursuant to the Crosby 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 on 4 March 2005 (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. 60,818,750 options as of 31 December 2007). Options lapsed in accordance with the terms of the Crosby Share Option Scheme, prior to their exercise dates, 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 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% 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 and having an aggregate value in excess of HK$5,000,000 then the proposed grant must be subject to the approval of shareholders of the Company.

Share options granted under the Crosby 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.

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31. SHARE OPTION SCHEMES (continued)

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

(i) Crosby Capital Partners Inc. ("Crosby") (continued)

Details of the share options granted under the Crosby Share Option Scheme are as follows:

Share option type	Date of grant	Options granted	Options exercise price per share	Options lapsed since grant	Options exercisable as at 31 December 2007	Contractual life
			(pence)			
2005(a)	11 January 2005	14,150,000	21.15	(625,000)	4,240,000	10 years
2005(b)	15 September 2005	150,000	84.50	–	90,000	10 years
2005(c)	21 November 2005	1,117,318	89.50	(1,117,318)	–	10 years
2005(d)	30 December 2005	1,000,000	82.65	–	600,000	10 years
2006(a)	23 March 2006	3,650,000	95.20	(1,000,000)	795,000	10 years
2006(b)	19 May 2006	1,500,000	91.50	(1,500,000)	–	10 years
2007(a)	23 March 2007	300,000	32.65	–	–	10 years
2007(b)	21 June 2007	1,400,000	43.50	–	–	10 years
2007(c)	4 December 2007	2,000,000	16.75	–	–	10 years
		25,267,318		(4,242,318)	5,725,000	

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31. SHARE OPTION SCHEMES (continued)

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

(i) Crosby Capital Partners Inc. ("Crosby") (continued)

The following table discloses movements in the outstanding options granted under the Crosby Share Option Scheme during the year:

			Number of share options						
Year	Grantees	Share option type	Outstanding at 1 January	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December	Weighted average exercise price	
								(pence)	Notes
2007	Directors of Crosby	2005(a)	1,000,000	–	–	–	1,000,000	21.15	
		2006(a)	150,000	–	–	–	150,000	95.20	
		2007(a)	–	300,000	–	–	300,000	32.65	1
			1,150,000	300,000	–	–	1,450,000	31.19	
	Employees of Crosby	2005(a)	9,825,000	–	(625,000)	(600,000)	8,600,000	21.15	2
		2005(b)	150,000	–	–	–	150,000	84.50	
		2005(d)	1,000,000	–	–	–	1,000,000	82.65	
		2006(a)	2,500,000	–	–	–	2,500,000	95.20	
		2007(b)	–	1,400,000	–	–	1,400,000	43.50	1
		2007(c)	–	2,000,000	–	–	2,000,000	16.75	1
			13,475,000	3,400,000	(625,000)	(600,000)	15,650,000	38.95	
		Total	**14,625,000**	**3,700,000**	**(625,000)**	**(600,000)**	**17,100,000**	**38.29**	
2006	Directors of Crosby	2005(a)	1,000,000	–	–	–	1,000,000	21.15	
		2006(a)	–	150,000	–	–	150,000	95.20	4
			1,000,000	150,000	–	–	1,150,000	30.81	
	Employees of Crosby	2005(a)	13,150,000	–	–	(3,325,000)	9,825,000	21.15	3
		2005(b)	150,000	–	–	–	150,000	84.50	
		2005(c)	1,117,318	–	(1,117,318)	–	–	89.50	
		2005(d)	1,000,000	–	–	–	1,000,000	82.65	
		2006(a)	–	3,500,000	(1,000,000)	–	2,500,000	95.20	4
		2006(b)	–	1,500,000	(1,500,000)	–	–	91.50	4
			15,417,318	5,000,000	(3,617,318)	(3,325,000)	13,475,000	40.16	
		Total	16,417,318	5,150,000	(3,617,318)	(3,325,000)	14,625,000	39.42	

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31. SHARE OPTION SCHEMES (continued)

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

(i) Crosby Capital Partners Inc. ("Crosby") (continued)

Notes:

1. The closing price of the shares of Crosby quoted on AIM on 24 January 2007, being the business date immediately before the date on which share options were exercised, was £0.3775.

2. The closing price of the shares of Crosby quoted on AIM on 22 March 2007, 20 June 2007 and 3 December 2007, being the business date immediately before the date on which share options were granted, were £0.3225, £0.435 and £0.1625, respectively.

3. The closing price of the shares of Crosby quoted on AIM on 10 January 2006, being the business date immediately before the date on which share options were exercised, was £0.895.

4. The closing price of the shares of Crosby quoted on AIM on 22 March 2006 and 18 May 2006, being the business date immediately before the date on which share options were granted, was £0.94 and £0.87, respectively.

The fair value of the options granted by Crosby during the year ended 31 December 2007, measured at the dates of grant, totalled approximately US$875,000 (2006: US$2,559,000).

In total, approximately US$1,018,000 (2006: US$1,722,000) of employee share-based compensation expense is included in the consolidated income statement of the Group for the year ended 31 December 2007 and approximately US$216,000 (2006: US$564,000) of which was in respect of the options granted during the year ended 31 December 2007.

Subsequent to 31 December 2007, Crosby had further granted 15,870,000 options to the directors and employees of Crosly under the Crosby Share Option Scheme at an exercise price of £0.2225 on 11 January 2008.

The following significant assumptions were used for the year ended 31 December 2007 and 2006 to derive the fair value, using the Binomial option pricing model:

(i) an expected constant volatility, between 60% to 65% throughout the option life (2006: 60% in the first year and trending down over the remaining period to 20%);

(ii) 5% dividend yield;

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

(iv) the risk free rates are based on the yields on United Kingdom Government Bonds; and

(v) 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. The option will be exercised at the end of the contractual term if these prices are not achieved.

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31. SHARE OPTION SCHEMES (continued)

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

(ii) Crosby Wealth Management (Asia) Limited ("CWMA")

CWMA, a 46.22% subsidiary of the Company at 31 December 2007, adopted an employee share option scheme on 27 April 2007 ("CWMA Share Option Scheme") in order to incentivise key management and staff of CWMA. Pursuant to the CWMA Share Option Scheme, a duly authorised committee of the board of directors of CWMA may, at its discretion, grant options to eligible employees, including directors, of CWMA or any of its subsidiaries to subscribe for shares in CWMA at a price at least the highest of: (a) the nominal value of a CWMA share on the date of grant; (b) the fair value of a CWMA share as determined by the CWMA director from time to time, initially fixed at US$500, on the date of grant; and (c) where applicable, in relation to the options granted after the parent company has resolved to seek a separate listing of CWMA on any stock exchange and up to the listing date of CWMA, the new issue price. On each grant of options US$1 is payable by the grantee.

The total number of shares available for issue under options granted pursuant to the CWMA Share Option Scheme must not in aggregate exceed 10% of the total number of CWMA's shares in issue at the date of last approval on 27 April 2007 (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 CWMA's issued share capital (i.e. 4,500 options as of 31 December 2007). Options lapsed in accordance with the terms of the CWMA Share Option Scheme, prior to their exercise dates, are available for re-use.

The total number of CWMA's shares issued and to be issued upon exercise of options granted (whether or not cancelled) and to be granted under the CWMA 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% of CWMA'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 CWMA and having an aggregate value in excess of HK$5,000,000 then the proposed grant must be subject to the approval of shareholders of the Company.

Share options granted under CWMA Share Option Scheme are exercisable between the third and tenth anniversary of the date grant.

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31. SHARE OPTION SCHEMES (continued)

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

(ii) Crosby Wealth Management (Asia) Limited ("CWMA") (continued)

Details of the share options granted under the CWMA Share Option Scheme are as follows:

Share option type	Date of grant	Options granted	Options exercise price per share	Options lapsed since grant	Options exercisable as at 31 December 2007	Contractual life
			(US$)			
2007(a)	1 June 2007	180	500	–	–	10 years
2007(b)	12 June 2007	180	500	–	–	10 years
		360		–	–	

The following table discloses movements in the outstanding options granted under the CWMA Share Option Scheme during the year:

			Number of share options					
Year	Grantees	Share option type	Outstanding at 1 January	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December	Weighted average exercise price
								(US$)
2007	Directors of CWMA	2007(a)	–	180	–	–	180	500
	Employees of CWMA	2007(b)	–	180	–	–	180	500
		Total	**–**	**360**	**–**	**–**	**360**	**500**

The fair value of the options granted by CWMA during the year ended 31 December 2007, measured at the dates of grant, totalled approximately US$128,000 which was derived with reference to the net asset value per share of CWMA and its subsidiary.

In total, approximately US$24,000 of employee share-based compensation expense is included in the consolidated income statement of the Group for the year ended 31 December 2007.

32. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed in Notes 36 and 37 to the financial statements, details of the other significant transactions between the Group and other related parties during the year ended 31 December 2007 are disclosed as follows:

(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 13 to the financial statements is as follows:

	2007	2006
	US$'000	US$'000
Fees	**160**	112
Salaries, allowances and benefits in kind	**3,397**	3,103
Bonus paid and payable	**4,800**	25,697
Retirement fund contributions	**6**	6
Share-based compensation expense	**3,135**	3,084
Social security costs	**19**	40
	11,517	32,042

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32. MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

		2007	2006
	Notes	US$'000	US$'000
Corporate finance and other advisory fees from investee companies		**1,905**	–
Loan interest income received from an investee company, IB Daiwa Corporation ("IB Daiwa")	(ii)	**306**	474
Loan arrangement fee received from an investee company, IB Daiwa	(ii)	**415**	230
Management services fee received from a subsidiary of IB Daiwa, Lodore Delaware Petroleum LLC ("Lodore")*	(i)	**180**	180
Loan arrangement fee received from Lodore	(i)	**110**	–
Payment to an investee company, IB Daiwa, in respect of exercise of warrants	(ii)	**–**	17,110

* Lodore Resources Inc. merged with Lodore Delaware Petroleum LLC in August 2006 and Lodore Delaware Petroleum LLC was the surviving entity.

Notes:

(i) Lodore is a subsidiary of IB Daiwa and in which the Group can exercise significant influence in accordance with Note 3(d) to the financial statements, the Group accounts for the investment in IB Daiwa in accordance with IAS 39.

These transactions are based on the terms mutually agreed by the Group and the contracting parties in the ordinary course of the business.

(ii) Details of the relationship between the Group and IB Daiwa are set out in Note 23(a)(5) to the financial statements.

Details of the terms of the loans and the loan interest income received or receivable are described in Note 32(c) to the financial statements.

During the year ended 31 December 2006, the Group exercised the warrents ganted by IB Daiwa to subscribe for 64,600,000 at an exercise price of ¥31 per share for total consideration of US$17,110,000.

32. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) As at 31 December 2007, details of the loans to and amounts due from investee and related companies are set out below:

		2007	2006
	Notes	**US$'000**	US$'000
Loan to an investee company	(i)	**4,273**	6,765
Loan to a subsidiary of investee company	(ii)	**126**	–
Amounts due from investee companies	(iii)	**151**	1,224
		4,550	7,989

Notes:

(i) The loans are made by the Group to an investee company, IB Daiwa with interest bearing at 5.4% per annum. These loans are secured by the net revenues and equity interest of IB Daiwa's subsidiaries. The loans as at 31 December 2006 were repaid in full in February 2007.

(ii) The loan to a subsidiary of investee company, Lodore, is unsecured and with interest bearing at 10% per annum.

(ii) Amounts due from investee companies are unsecured, interest-free and repayable on demand. Included in the amounts due from investee companies are amounts due from IB Daiwa of US$Nil (2006: US$866,000). The amounts due from IB Daiwa at 31 December 2006 were repaid in full in February 2007.

(d) During the year ended 31 December 2006, the Group invested US$42,500,000 in the exploration oil and gas prospects through entering into the Exploration Funding Agreement with Lodore. Further details are set out in Note 19 to the financial statements. No further investment was made in the oil and gas exploration prospects during the year ended 31 December 2007.

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33. COMMITMENTS

(a) Operating leases

Group

As at 31 December 2007, the total future minimum lease payments of the Group under non-cancellable operating are payable as follows:

	2007 Land and buildings	2006 Land and buildings	**2007 Motor vehicles**	2006 Motor vehicles	**2007 Total**	2006 Total
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**1,520**	892	**–**	27	**1,520**	919
In the second to fifth years	**2,468**	1,090	**–**	–	**2,468**	1,090
	3,988	1,982	**–**	27	**3,988**	2,009

The Group leases a number of properties under operating leases in Hong Kong and overseas. The leases run for an initial period from 3 to 10 years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

Company

As at 31 December 2007, the Company had no commitments under non-cancellable operating leases (2006: Nil).

(b) Capital commitments

Group

At 31 December 2007, details of the Group's capital commitments are as follows:

	2007	2006
	US$'000	US$'000
Contracted but not provided for	**1,554**	131

Company

As at 31 December 2007, the Company had no capital commitments (2006: Nil).

34. CONTINGENCIES

As at 31 December 2007, the Group and the Company had no material contingent liabilities (2006: Nil).

For the year ended 31 December 2007

35. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM/(USED IN) OPERATIONS

	Notes	**2007** US$'000	2006 US$'000
Cash flows from operating activities			
Loss before taxation		**(55,369)**	(69,113)
Adjustments for:			
Amortisation of intangible assets		**123**	–
Bad debts recovery		**(67)**	(22)
Corporate finance advisory fee received in kind	23(b)(1)	**(954)**	(1,545)
Depreciation of property, plant and equipment		**455**	313
Excess over the cost of acquisition of a subsidiary	37	**(409)**	(959)
Foreign exchange losses, net		**115**	318
Employee share-based compensation expense	13(c)	**4,482**	5,172
(Gain)/Loss on disposal of available-for-sale investments, net		**(29)**	8
Gain on deemed disposal of an associate		**–**	(75)
Gain on disposal of an associate		**(236)**	–
Gain on deemed disposal of a subsidiary		**(101)**	(329)
Gain on financial liabilities at fair value through profit or loss		**(1,377)**	(3,254)
Impairment of available-for-sale investments		**–**	28
Impairment of goodwill	21	**–**	237
Impairment of interest in oil and gas exploration prospects		**27,500**	–
Impairment of receivables		**–**	221
Interest expenses		**1,241**	2,052
Interest income		**(1,319)**	(2,444)
Loss on deemed disposal of a subsidiary	38	**449**	382
Loss on financial assets at fair value through profit or loss		**15,100**	22,101
Share of losses/(profits) of associates		**119**	(78)
Share of loss of a jointly controlled entity		**–**	25
Operating loss before working capital changes		**(10,277)**	(46,962)
Acquisition of financial assets at fair value through profit or loss	23(b)(1)	**(14,979)**	(21,613)
Proceeds from disposal of financial assets at fair value through profit or loss	23(b)(3)	**16,991**	34,731
Dividend received from financial assets at fair value through profit or loss	23(b)	**42,154**	–
Repayment of financial liability at fair value through profit or loss	27	**(9,629)**	–
Increase in amounts due from associates		**(2)**	(2)
Decrease in amounts due to associates		**(2)**	–
Decrease/(Increase) in amount due from a jointly controlled entity		**54**	(101)
Decrease/(Increase) in amounts due from investee companies		**5,764**	(138)
Increase in trade and other receivables		**(6,131)**	(602)
Increase in other payables and accrued charges		**16,962**	13,391
Cash generated from/(used in) operations		**40,905**	(21,296)

36. MAJOR NON-CASH TRANSACTIONS

(a) On 23 January 2006, SCH acquired the beneficial interest in a loan in the amount of US$8,000,000 made by a third party to IB Daiwa in consideration for the cancellation and transfer of certain other receivables. The loan was repaid in full on 31 March 2006.

(b) During the year ended 31 December 2006, an indirect wholly owned subsidiary of the Company, Crosby Capital Partners (Singapore) Pte Limited, was granted 419,400 share options and 1,616,896 share options of White Energy Company Limited ("White Energy") on 12 May 2006 and 30 August 2006 respectively, in consideration for arranging a share placement for White Energy, at a total valuation of approximately US$1,545,000 on initial recognition and were classified under financial assets at fair value through profit or loss in the consolidated balance sheet (Notes 23(a)(1)).

(c) During the year ended 31 December 2007, two indirect wholly owned subsidiaries of the Company, Crosby Corporate Finance (Hong Kong) Limited and Crosby Capital Partners (Singapore) Pte Limited, were granted 131,873 shares of Music Copyright Solutions Limited ("MCS"), 10,000,000 share options of Pocketmail Group Limited ("Pocketmail", currently known as Advale Resources Limited) and 1,250,000 share options of White Energy, on 29 September 2007, 9 October 2007 and 15 October 2007 respectively, in consideration for providing advisory services to MCS and Pocketmail, and arranging a convertible bond placement of White Energy, at a total valuation of approximately US$954,000 on initial recognition and were classified under financial assets at fair value through profit or loss in the consolidated balance sheet (Note 23 (b)(1)).

(d) On 28 June 2007, an indirect 56.6% subsidiary of the Company, Silk Route Petroleum Limited ("Silk Route") declared a dividend of approximately US$5,524,000 to minority shareholders, the settlement of which was made by distribution of 2,694,292 shares in Indago Petroleum Limited owned by Silk Route (Note 23(b)(2)).

37. ACQUISITION OF THE FORSYTH BUSINESS AND SUBSIDIARY UNDERTAKINGS

The only significant acquisition in the year was in respect of the Forsyth Business.

On 27 September 2007, the Group entered into an agreement with the Administrators of Forsyth Partners Limited and Forsyth Partners (Europe) Limited (together the "Forsyth Business") which resulted in the Group being appointed as the manager of the Forsyth funds with assets under management of approximately US$1 billion and hiring the Forsyth Business's investment management, research and distribution team.

The acquisition has been accounted for using the purchase method of accounting. From the date of acquisition to 31 December 2007 the acquisition contributed revenue of US$6,054,000 and a loss for the period of US$678,000 to the Group. Due to the difficulties in obtaining date prior to the acquisition of the Forsyth Business from the Administrators a proforma profit or loss for the combined entity for the complete 2007 reporting period cannot be determined reliably.

No goodwill arising on the acquisition during the year is attributable to the anticipated future profitability of the Forsyth Business.

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37. ACQUISITION OF THE FORSYTH BUSINESS AND SUBSIDIARY UNDERTAKINGS (continued)

Details of the net assets acquired and goodwill are as follows:

	2007	2006
	US$'000	US$'000
Purchase consideration:		
Cash paid, including accrued costs	**(8,491)**	(8)
Total purchase consideration	**(8,491)**	(8)
Fair value of net assets acquired	**8,491**	967
Excess over the cost of acquisition of a subsidiary	**–**	959

The acquirees' fair value of assets and liabilities arising from the acquisition are as follows:

	2007	2006
	US$'000	US$'000
Fair value of net assets acquired:		
Property, plant and equipment (Note 14)	**139**	–
Intangible assets – customer base (Note 21)	**8,352**	–
Financial assets at fair value through profit or loss (Note 23(b))	**–**	7,861
Other receivables	**–**	10
Other payables	**–**	(772)
Other loan	**–**	(5,960)
Less: Minority interests	**–**	(172)
Fair value of net assets acquired	**8,491**	967

The directors of the Company consider the fair values of the net assets of the Forsyth Business are not materially different from the carrying amounts.

37. ACQUISITION OF THE FORSYTH BUSINESS AND SUBSIDIARY UNDERTAKINGS (continued)

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of the Forsyth Business is as follows:

	2007	2006
	US$'000	US$'000
Purchase consideration settled in cash	**(7,320)**	(8)
Purchase consideration included in other payables	**(1,171)**	–
	(8,491)	(8)

Apart from the acquisition of the Forsyth Business, the Group acquired additional interests in the following subsidiary undertakings during the year:

a) The Group acquired a further 11.70% equity interest in Crosby Wealth Management (Asia) Limited for a consideration of US$841,000 through a 82.33% subsidiary of the Group. The fair value of the net assets of Crosby Wealth Management (Asia) Limited at the date of acquisition were US$1,250,000 resulting in excess of the fair value of the net assets over the cost of acquired subsidiary of US$409,000 being released to the consolidated income statement. Of the purchase price US$420,000 was outstanding at 31 December 2007.

b) The Group acquired a further 1.29% equity interest in Crosby Capital Partners Inc. in stages for a total consideration of US$1,602,000, which exceeded the net assets of Crosby Capital Partners Inc. at the respective dates of acquisition resulting in total goodwill of US$849,000 arising.

The only significant acquisition of a subsidiary undertaking during the year ended 31 December 2006 was in respect of Crosby Orchard Fund Inc. ("COF").

On 29 May 2006, the Group acquired an 84.94% interest in COF, a special purpose fund established to subscribe for shares of Orchard Petroleum Limited from related parties.

In the year ended 31 December 2006, COF did not contribute any revenue and contributed a net profit of US$1,991,000 to the Group's profit for the year.

Had the acquisition been completed on 1 January 2006, the contributed revenue and net loss to the Group for the year would have been US$Nil and US$574,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006 nor is it intended to be a projection of future results.

On 30 May 2006, the remaining 15.06% interest in COF was repurchased by COF from an independent third party at a consideration of US$296,000, calculated based on fair value of net assets acquired.

Save as disclosed above, there were no other acquisitions during the years ended 31 December 2007 and 2006.

For the year ended 31 December 2007

38. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

The only significant deemed disposal of a subsidiary during the year ended 31 December 2007 was in respect of ESK Limited and its subsidiaries ("ESK group").

The disposal is a consequence of the Group no longer controlling the ESK group together with a reduction in the Group's shareholding, through a 82.33% subsidairy of the Group, from 30% to 12.5%. As the underlying investment of ESK group was treated at 31 December 2006 as a financial asset at fair value through profit or loss, this deemed disposal only results in a redesignation of the equity interest in ESK group to that same category of assets at 31 December 2007.

	2007
	US$'000
Net assets/(liabilities) disposed of:	
Trade and other receivables	**50,000**
Financial assets at fair value through profit or loss (Note 23(b))	**15,540**
Cash and cash equivalents	**12,250**
Amounts due to parent and related companies	**(743)**
Trade and other payables	**(13,692)**
Other loans	**(50,000)**
	13,355
Less: Minority interests	**(12,586)**
Transfer to financial assets at fair value through profit or loss (Note 23(b))	**(320)**
	449
Total consideration	**–**
Loss on deemed disposal (Note 9)	**(449)**

For the year ended 31 December 2007

38. DISPOSAL OF SUBSIDIARY UNDERTAKINGS (continued)

An analysis of net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary, which is included under net cash outflow from investing activities is as follows:

	2007
	US$'000
Cash consideration	**–**
Cash and cash balances disposed of	**(12,250)**
Net cash outflow on deemed disposal	**(12,250)**

In addition, during the year 2007, 0.20% out of the above 81.24% subsidiary of the Group was deemed disposed upon the exercise of share options, resulting in a gain on deemed disposal of US$101,000. Coupled with the 1.29% piecemeal acquisition as detailed in Note 37(b), the percentage holding increases to 82.33% as at 31 December 2007.

The only significant disposal of a subsidiary undertaking during the year ended 31 December 2006 was in respect of Sunov Petroleum (Pakistan) Limited ("SPP"). The disposal was a consequence of a reduction of the Group's shareholdings in SPP, through a 81.24% subsidairy of the Group, from 52.9% to 38.98%. As the underlying investment of SPP was treated at 31 December 2005 as an asset held at fair value through profit or loss, and this continued to be the case at 31 December 2006, this disposal only resulted in a redesignation of the equity interest in SPP to that same category of assets at 31 December 2006.

For the year ended 31 December 2007

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, as detailed below, which are managed through its Executive and Operations Committees in close cooperation with the Board of Directors:

(a) Credit risk

Generally, the Group's maximum exposure to credit risk, other than liquid funds, is limited to the carrying amounts of the following financial assets recognised at the balance sheet date, as summarised below:

	2007	2006
	US$'000	US$'000
Classes of financial assets – carrying amounts :		
Available-for-sale investments	**5,845**	516
Loan receivable	**463**	–
Loans to and amounts due from investee and related companies	**4,550**	7,989
Trade and other receivables	**8,778**	4,588
Financial assets at fair value through profit or loss	**54,108**	131,245
Cash and cash equivalents	**25,096**	25,611
	98,840	169,949

Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the carrying amounts of the above financial assets.

As at 31 December 2007, the Group's maximum exposure to credit risk of the above financial assets other than liquid funds, which may cause a financial loss to the Group due to the failure to have the loan receivable being repaid or the outstanding amount due or to recover the investments, is limited as the management of the Group closely monitors the credit worthiness of the counterparties so as to ensure full recovery, including scrutinising their financial position. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the Group only places deposits with leading financial institutions in Hong Kong, Singapore and United Kingdom.

For the year ended 31 December 2007

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

(i) Foreign currency risk management

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

Several subsidiaries of the Group have foreign currency revenue and costs, which expose the Group to foreign currency risk. The Group manages this risk by reserving sufficient revenue to settle the costs in the relevant foreign currency, subject to other operating requirements.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are subject to foreign exchange risk, at 31 December 2007 and 2006 are summarised as follows:

	2007					
	USD denominated	YEN denominated equivalent	AUD denominated equivalent	GBP denominated equivalent	Other currency equivalent	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS						
Available-for-sale investments	5,721	–	–	–	124	5,845
Trade and other receivables	4,509	–	51	1,409	2,809	8,778
Financial assets at fair value through profit or loss	6,982	31,672	11,945	3,509	–	54,108
Cash and cash equivalents	23,008	–	–	888	1,200	25,096
	40,220	31,672	11,996	5,806	4,133	93,827
LIABILITIES						
Other payables and accrued charges	(19,163)	–	–	(2,602)	(389)	(22,154)
NET TOTAL	21,057	31,672	11,996	3,204	3,744	71,673

For the year ended 31 December 2007

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(i) Foreign currency risk management (continued)

	2006					
	USD denominated	YEN denominated equivalent	AUD denominated equivalent	GBP denominated equivalent	Other currency equivalent	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS						
Available-for-sale investments	347	–	–	–	169	516
Trade and other receivables	3,980	–	–	245	363	4,588
Financial assets at fair value through profit or loss	5,207	65,388	18,586	42,064	–	131,245
Cash and cash equivalents	24,503	–	8	243	857	25,611
	34,037	65,388	18,594	42,552	1,389	161,960
LIABILITIES						
Other payables and accrued charges	(14,871)	–	–	(764)	(1,575)	(17,210)
Obligations under a finance lease	–	–	–	–	(5)	(5)
	(14,871)	–	–	(764)	(1,580)	(17,215)
NET TOTAL	19,166	65,388	18,594	41,788	(191)	144,745

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in YEN, AUD and GBP. The following table details the Group's sensitivity to a 10% increase and decrease in the US dollars against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US dollars strengthen 10% against the relevant currency. For a 10% weakening of the US dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

			2007		
Foreign Currency	**As at 31 December 2007**	**Increase in exchange rate**	**Effect on loss for the year and total equity**	**Decrease in exchange rate**	**Effect on loss for the year and total equity**
	US$'000		**US$'000**		**US$'000**
YEN	**31,672**	**10%**	**3,167**	**(10%)**	**(3,167)**
AUD	**11,996**	**10%**	**1,200**	**(10%)**	**(1,200)**
GBP	**3,204**	**10%**	**320**	**(10%)**	**(320)**
TOTAL	**46,872**		**4,687**		**(4,687)**

			2006		
Foreign Currency	As at 31 December 2006	Increase in exchange rate	Effect on loss for the year and total equity	Decrease in exchange rate	Effect on loss for the year and total equity
	US$'000		US$'000		US$'000
YEN	65,388	10%	6,539	(10%)	(6,539)
AUD	18,594	10%	1,859	(10%)	(1,859)
GBP	41,788	10%	4,179	(10%)	(4,179)
TOTAL	125,770		12,577		(12,577)

For the year ended 31 December 2007

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(ii) Interest rate risk management

The majority of the Group's financial assets are non-interest-bearing and the Group has no interest-bering financial liabilities. Interest-bearing assets including the loan receivable and bank deposits (with a maturity of less than one month) which mature and reprice at maturity. As a result, the Group is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

(iii) Equity price risk management

The Group is exposed to equity price risk through its holdings of listed equity securities. The majority of these listed equity securities have been generated, or made, as a consequence of the Group's merchant banking activities where the investment return is an integral part of those activities.

The carrying amounts of the listed equity securities recognised at 31 December 2007 and 2006, are summarised below:

	2007	2006
	US$'000	US$'000
Carrying amount of listed equity securities included in the following classes of financial assets:		
Available-for-sale investments (Note 18)	**322**	318
Financial assets at fair value through profit or loss (Note 23)	**45,992**	123,238
	46,314	123,556

As at 31 December 2007, the Group's equity risk was mainly concentrated on its holdings of IB Daiwa Corporation, which is quoted on the Japan Securities Dealers Association Quotation System ("JASDAQ"), the carrying amount as at 31 December 2007 is US$31,672,000 (2006: US$65,388,000).

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(iii) Equity price risk management (continued)

Sensitivity analysis

The sensitivity analysis and the table below have been determined based on the exposure to equity price risk at 31 December 2007 and 2006.

			2007		
Financial assets at fair value through profit or loss	**Market value as at 31 December 2007**	**Increase in market price of listed share**	**Effect on loss for the year and total equity**	**Decrease in market price of listed share**	**Effect on loss for the year and total equity**
	US$'000		**US$'000**		**US$'000**
IB Daiwa	**31,672**	**10%**	**3,167**	**(10%)**	**(3,167)**
Others	**14,320**	**10%**	**1,432**	**(10%)**	**(1,432)**
TOTAL	**45,992**		**4,599**		**(4,599)**

			2006		
Financial assets at fair value through profit or loss	Market value as at 31 December 2006	Increase in market price of listed share	Effect on loss for the year and total equity	Decrease in market price of listed share	Effect on loss for the year and total equity
	US$'000		US$'000		US$'000
IB Daiwa	65,388	10%	6,539	(10%)	(6,539)
Others	57,850	10%	5,785	(10%)	(5,785)
TOTAL	123,238		12,324		(12,324)

As at 31 December 2007, had the market price of available-for-sale investments increased or decreased by 10% with all other variables held constant, the Group's total equity would have increased or decreased by approximately US$32,000 (2006: US$32,000) respectively, with no effect on loss for the year.

The Group's sensitivity to equity prices has decreased during the current period mainly due to the reduction of the overall value of the holding of the portfolios.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(iv) Fair values

The Directors of the Company consider 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 Directors of the Company consider the fair values of non-current assets are not materially different from their carrying values and accordingly have not been separately disclosed in the notes to the financial statements.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2007, the Group had no facilities.

The following table details the Group's remaining contractual maturity for its financial liabilities as well as financial assets which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk.

	2007					
	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years	Total carrying amount as at 31 December 2007
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets:						
Loan receivable	–	–	–	463	–	463
Loans to and amounts due from investee and related companies	4,550	–	–	–	–	4,550
Trade and other receivables	6,834	807	199	434	504	8,778
Financial assets at fair value through profit or loss	–	54,108	–	–	–	54,108
Cash and cash equivalents	25,096	–	–	–	–	25,096
TOTAL	36,480	54,915	199	897	504	92,995
Financial liabilities:						
Other payables and accrued charges*	(4,615)	(5,904)	–	(51)	–	(10,570)
Financial liabilities at fair value through profit or loss	–	–	–	(400)	–	(400)
Convertible bond	–	–	–	(18,644)	–	(18,644)
TOTAL	(4,615)	(5,904)	–	(19,095)	–	(29,614)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

	2006					
	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years	Total carrying amount as at 31 December 2006
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets:						
Loans to and amounts due from investee and related companies	7,989	–	–	–	–	7,989
Trade and other receivables	3,872	79	154	483	–	4,588
Financial assets at fair value through profit or loss	–	131,245	–	–	–	131,245
Cash and cash equivalents	25,611	–	–	–	–	25,611
TOTAL	37,472	131,324	154	483	–	169,433
Financial liabilities:						
Other payables and accrued charges*	(1,735)	(4,677)	–	–	–	(6,412)
Obligations under a finance lease	–	(1)	(4)	–	–	(5)
Financial liabilities at fair value through profit or loss	–	–	(9,186)	(2,220)	–	(11,406)
Convertible bond	–	–	–	(17,403)	–	(17,403)
TOTAL	(1,735)	(4,678)	(9,190)	(19,623)	–	(35,226)

* Excluded from the other payables and accrued charges of US$10,570,000 (2006:US$6,412,000) are amounts of US$548,000 (2006: Nil) and US$11,036,000 (2006: US$10,798,000) representing provision for payments for long services and unconsumed leave, and provision for bonus respectively, the settlement of which will depend upon either the termination of services with the relevant staff and management discretion respectively, and therefore the liquidity terms cannot be reasonably ascertained.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Capital risk management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide capital for the purpose of potential mergers and acquisitions.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. Management regards total equity as capital and its reserves, for capital management purpose.

The Group is not subject to externally imposed capital requirements, except for six of its subsidiaries, namely Crosby Asset Management (Hong Kong) Limited, Crosby Capital Partners (Hong Kong) Limited, Crosby Wealth Management (Hong Kong) Limited, Crosby Capital Partners Limited, Crosby Capital Partners (Singapore) Pte Limited and Softech Investment Management Company Limited. These subsidiaries met their relevant paid up share capital and liquid capital requirements as stipulated by respective regulators throughout the year.

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40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2007 are as follows:

Name	Place of incorporation	Principal place of operation	Issued/Paid-up share capital	Percentage of issued/ paid-up share capital held by the Company		Principal activities
				2007	2006	
Coniston International Capital Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Dragon Fund Inc.	Cayman Islands	N/A	2 ordinary shares at US$1 each	**100%**	100%	Investment holding
Crosby Active Opportunities Investment Management Limited	Cayman Islands	N/A	1 ordinary share at US$0.01 each	**82.33%**	81.24%	Provision of investment advisory and fund administration services
Crosby Asset Management (Europe) Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	**82.33%**	81.24%	Investment holding
Crosby Asset Management (Holdings) Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	**82.33%**	81.24%	Investment holding
Crosby Asset Management (Hong Kong) Limited	Hong Kong	Hong Kong	9,993 ordinary shares at HK$1 each	**82.33%**	81.24%	Provision of investment advisory and fund administration services
Crosby Asset Management Limited	Cayman Islands	N/A	100,000 ordinary shares at US$0.001 each	**82.33% Note (i)**	81.24%	Investment holding
Crosby Asset Management (Singapore) Pte Limited	Singapore	Singapore	100,000 ordinary shares at no par value	**82.33%**	81.24%	Provision of investment advisory and fund administration services
Crosby Capital Management International Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	**82.33%**	–	Provision of fund management services

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40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation	Principal place of operation	Issued/Paid-up share capital	Percentage of issued/ paid-up share capital held by the Company 2007	2006	Principal activities
Crosby Capital Partners (Hong Kong) Limited	Hong Kong	Hong Kong	299,288,547 ordinary shares at US$0.01 each	**82.25%**	81.16%	Provision of financial advisory and corporate services
Crosby Capital Partners Inc.	Cayman Islands	United Kingdom	243,275,000 ordinary shares at US$0.01 each	**82.33% Note (ii)**	81.24%	Investment holding
Crosby Capital Partners Limited	British Virgin Islands	N/A	1 ordinary share at US$0.01 each	**82.33%**	81.24%	Investment holding
Crosby Capital Partners Limited	United Kingdom	United Kingdom	3,321,321 ordinary shares at £1 each	**82.33%**	81.24%	Provision of financial advisory services
Crosby Capital Partners (Singapore) Pte Limited	Singapore	Singapore	12,560,002 ordinary shares at no par value	**82.33%**	81.24%	Provision of financial advisory services
Crosby Corporate Finance (Holdings) Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	**82.33%**	81.24%	Investment holding
Crosby Corporate Finance (Hong Kong) Limited	Hong Kong	Hong Kong	200 ordinary shares at HK$0.01 each	**82.33%**	81.24%	Provision of financial advisory services
Crosby Investment Holdings Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	**82.33% Note (iii)**	81.24%	Investment holding
Crosby Wealth Management (Asia) Limited	Cayman Islands	N/A	18,000 ordinary shares at US$1 each	**46.22% Note (iv)**	36.10%	Investment holding
Crosby Wealth Management (Hong Kong) Limited	Hong Kong	Hong Kong	7,702 ordinary shares at HK$1 each	**46.22% Note (iv)**	36.10%	Provision of wealth management services

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40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation	Principal place of operation	Issued/Paid-up share capital	Percentage of issued/ paid-up share capital held by the Company		Principal activities
				2007	2006	
Knightsbridge Fund Services Limited	Cayman Islands	United Kingdom	1,000 ordinary shares at US$1 each	**82.33% Note (v)**	81.24%	Provision of coproate services
Softech Investment Management Company Limited	Hong Kong	Hong Kong	502 ordinary shares at HK$10 each	**50%**	50%	Provision of fund management services
Sunov Crosby (Holdings) Limited	British Virgin Islands	N/A	100 ordinary shares at US$1 each	**82.33%**	81.24%	Investment holding
Techpacific Capital (Hong Kong) Limited	Hong Kong	Hong Kong	1,001 ordinary shares at HK$1 each	**100%**	100%	Provision of corporate services
techpacific.com (BVI) Investments Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
techpacific.com Digital Limited	Cayman Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
techpacific.com Investments Limited	Cayman Islands	N/A	2 ordinary shares at US$1 each	**100%**	100%	Investment holding

Notes:

(i) Crosby Asset Management Limited changed its name to Crosby Asset Management (Asia) Limited on 5 February 2008.

(ii) As stated in Note 28 to the financial statements, at the option of the bondholder(s) of the convertible bond, the balance of the convertible bond of US$20,000,000 as at 31 December 2007 can be exchanged into a maximum of 11,453,287 existing shares of Crosby owned by the Company. On the basis that the balance of the Convertible Bond of US$20,000,000 is fully exchanged into existing shares of Crosby, the holding of the Company in Crosby would be reduced from 82.33% to 77.61% as at 31 December 2007.

(iii) Crosby Investment Holdings Limited changed its name to Crosby Special Situations Fund Limited on 5 February 2008.

(iv) Crosby Wealth Management (Hong Kong) Limited ("CWMHK") is a wholly owned subsidiary of Crosby Wealth Management (Asia) Limited ("CWMA"). In December 2007, the Group's equity interests in CWMA was increased from 36.10% to 46.22% following the acquisition of additional equity interest as detailed in Note 37(a) to the financial statements. Accordingly, the Group's interest in CWMHK was increased to 46.22%.

(v) Knightsbridge Fund Services Limited, a subsidiary of an associate (Note 16 to the financial statements), is considered as a subsidiary as the Directors have full management control of the Company.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

All of the above principal subsidiaries are limited liability companies and are indirectly held by the Company except for Crosby Capital Partners Inc. and Coniston International Capital Limited.

The directors of the Company 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.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

41. POST BALANCE SHEET EVENTS

On 4 March 2008, Coniston International Capital Limited ("Coniston"), a wholly owned subsidiary of the Group, entered into a loan agreement in the amount of US$10 million with IB Daiwa which is repayable on 4 March 2011 (the "Exchangeable Loan"). The Exchangeable Loan is subordinated, secured (subject to a first ranking charge), exchangeable and has a yield to maturity of 15% per annum (including arrangement fees, interest coupons and repayment premium). The Exchangeable Loan is secured through a second ranking charge over the shares of Leed Petroleum PLC ("Leed") owned by IB Daiwa and second ranking stock pledge over IB Daiwa's interest in Lodore US Holdings Inc.. At the option of Coniston, the Exchangeable Loan can be settled by exchanging into the shares owned by IB Daiwa of Leed. The exchange right is exercisable by Coniston after 15 August 2008 and when the shares of Leed owned by IB Daiwa are no longer encumbered by a first ranking charge. The exchange price per share of Leed will initially be 40.27 pence and be subject to annual resets with a cap at 53.69 pence and a floor at 26.85 pence.

APPENDIX I

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	2007	2006	2005	2004	2003
	US$'000	US$'000	US$'000	US$'000	US$'000
Financial results					
(Loss)/Profit attributable to equity holders of the Company	**(64,651)**	(60,700)	83,956	33,561	(4,369)
Assets and liabilities					
Total assets	**124,902**	214,245	196,012	59,148	10,171
Total liabilities	**(43,623)**	(46,123)	(21,854)	(2,347)	(1,568)
Total equity	**81,279**	168,122	174,158	56,801	8,603

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

Compliance Officer

Johnny Chan Kok Chung

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

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

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