



For the  
nine months  
ended  
30 September

2005

# 3rd Quarterly Report

**Techpacific Capital Limited**

(incorporated in the Cayman Islands with limited liability)

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

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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

*The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.*

*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 GEM of the 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.*

## ABOUT TECHPACIFIC CAPITAL LIMITED

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

The Group operates the following lines of business:

- (i) **The Techpacific Business** – a regional investment vehicle for early to late stage investments in the technology sector and the technology venture capital management business.
- (ii) **The Crosby Business** – Asia's leading independent investment banking and asset management business. These activities are carried out by Crosby Capital Partners Inc. ("Crosby") and its subsidiaries ("Crosby Group"). Crosby is listed on London's Alternative Investment Market (CSB LN).

## MANAGEMENT DISCUSSION AND ANALYSIS

The three months ended 30 September 2005 was another eventful quarter for the Group. The Group continues to make substantial progress having reported six consecutive quarters of profitability and, as a result, has now been transformed into a financial holding company of substance.

Total Revenue of the Group for the nine months under review increased to US\$93.1 million compared with US\$14.4 million for the same period last year. Total Revenue of the Group for the quarter under review increased to US\$37.4 million compared with US\$1.4 million for the same quarter last year. This increase in Total Revenue is mainly attributable to the Crosby Group in which the Group has an 82.37% interest at 30 September 2005. A more thorough analysis of the activities of Crosby giving rise to these results is contained in the section below entitled "Divisional Review." During the quarter under review, 1,521,000 shares of Crosby were placed by the Company raising gross proceeds of US\$1.7 million as part of a larger placement which was made at the request of the Group's UK based financial advisor, to a group of institutional investors, and undertaken to broaden and enhance the quality of Crosby's shareholder base.

Total Operating Expenses of the Group for the nine months under review increased to US\$26.0 million, an increase of US\$14.7 million compared with the same period last year. This increase in operating expenses has mainly arisen from the expansion of the Crosby Group during the later part of 2004 and 2005 and the continuing accrual of staff costs. Additionally, included in the administrative expenses for the quarter and nine months under review are accounting charges of US\$0.4 million and US\$0.8 million respectively in respect of the Company's and Crosby's outstanding share options in accordance with International Financial Reporting Standards.

Minority Interests of the Group for the quarter and nine months under review mainly arose from the minorities' share of the profit attributable to the Crosby Group.

As a result of the above factors, the Group's profit attributable to equity holders of the Company for the quarter and nine months under review increased to US\$13.6 million and US\$53.2 million respectively, compared with US\$0.3 million and US\$0.7 million respectively for the same periods last year. The Group had retained profits of US\$31.4 million at 30 September 2005.

## **Divisional Review**

### **THE TECHPACIFIC BUSINESS**

#### *Technology Venture Capital Management*

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

#### *Technology Propriety Investments*

The investment cost of earlier technology investments made by the Group was fully written off at the end of 2002 and therefore any proceeds received from such investments are credited directly to the income statement.

### **THE CROSBY BUSINESS**

#### *Investment Banking*

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

1. A Merchant Banking group that is active in pursuing management buyout and leveraged buyout transactions in the more developed Asian markets (Australia, Japan, Indonesia, Hong Kong and Singapore are current areas of focus). The Crosby Group benefits from these transactions because it has significant equity interests in the underlying transaction since it acts mostly as a principal and not an agent. Occasionally, the Crosby Group also receives advisory and success fees if it acts in partnership with a strategic or passive investor. The Merchant Banking activity provides opportunities for the Crosby Group to make investments opportunistically but prudently with a minimal direct use of its own capital or via interests acquired in the form of in-kind success-based commissions.
2. A small cross border corporate finance team that provides mergers and acquisitions, structured finance, fund raisings and financial advisory services for corporations in Asia.
3. A corporate finance advisory business focused on China and Greater China, concentrating primarily on mid-cap private sector companies in China. Since August 2004, the Crosby Group participates in this business through "SBI CROSBY", a 50:50 joint venture with SIIS XCapital Limited ("SIIS XCapital"). This partnership gives the China business of the Crosby Group significant access to distribution and research capabilities to serve the expanding market of high growth private enterprises located in China.

#### *Investment Banking activities in Q3 2005*

Further to the Company's announcement on 18 July 2005, the Crosby Group completed the re-organisation and financing of its interests in Middle East oil and gas assets resulting in the acquisition of 100% of the assets for consideration of US\$65 million through a co-investment with a prominent private equity firm. Following the completion of this transaction, the Crosby Group's net interests in these assets (organized in the form of a company by the name of Indago Petroleum Holdings Limited) is approximately 11%. In addition to providing the capital for the acquisition the private equity firm has provided US\$20 million in further loan financing to support the development and exploration programme.

Further to the Company's announcement on 9 September 2005, the Crosby Group placed 20,000,000 shares of IB Daiwa Corporation ("IBD"), which is listed in Tokyo on the Japan Securities Dealers Association Quotation System (Stock Code: 3587 JP), to institutional investors via an international placement. The Crosby Group currently holds 22,000,000 shares of IBD representing approximately 9.78% of its existing issued share capital. The Crosby Group also holds warrants to subscribe for 64,600,000 new shares of IBD that if fully exercised would increase the Crosby Group's shareholding to 86,600,000 shares of IBD representing approximately 30% of the issued share capital of IBD as enlarged for the exercise of the warrants. The board of IBD currently consists of 8 directors, 4 of which are also senior executives of Crosby.

Further to the Company's announcements on 30 June 2005 and 7 November 2005, Crosby, through its wholly owned subsidiary, Sunov Crosby (Holdings) Limited ("SCH"), unconditionally accepted the offer made by IBD in respect of SCH's holding of 214,666,667 shares of Lodore Resources Inc., representing 35.53% of its issued share capital. The offer is scheduled to close on 24 November 2005 and IBD is expected to deliver its new shares to the Lodore shareholders by 15 December 2005. As a result of this transaction, and assuming the offer by IBD is completed, the Crosby Group will hold an additional 34,325,000 shares of IBD.

#### *Asset Management*

Crosby Asset Management division comprising an institutional Fund Management business and a newly established Wealth Management business had over US\$900 million under management at 30 September 2005.

##### 1. Funds Management

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

The Crosby Group's current asset management activities continue to focus in Asia, where management see the greatest potential for rapid growth. Strategically, the asset management business is very important for the long term growth and development of the Crosby Group. Shortly after the period under review, the Crosby Asset Management appointed a senior executive, Mr. Robin Berrill to lead the development of the Crosby Group's asset management business in Europe.

##### 2. Wealth Management

Crosby Wealth Management continues to perform well and to attract new assets to manage. During the quarter under review, Crosby Wealth Management's assets under management increased to over US\$500 million at 30 September 2005.

## CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of Corporate Governance and follows the principles set out in the Code of Best Practice for GEM listed companies as set out in Appendix 15 of the Listing Rules (the "Code"). The Company meets and has no deviations from the code provisions set out in the Code.

## RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months and three months ended 30 September 2005 (the "Review Periods"), together with the comparative unaudited figures of the corresponding periods in 2004, as follows:

	Notes	Unaudited Nine Months Ended 30 September		Unaudited Three Months Ended 30 September	
		2005 US\$'000	2004 US\$'000	2005 US\$'000	2004 US\$'000
Turnover	3	6,186	11,306	2,796	322
Other revenue	3	86,948	3,072	34,636	1,052
<b>Total revenue</b>		<b>93,134</b>	<b>14,378</b>	<b>37,432</b>	<b>1,374</b>
Administrative expenses		(21,539)	(7,090)	(14,644)	(1,952)
Distribution expenses		(128)	(15)	(48)	(10)
Other operating expenses		(4,315)	(4,195)	(2,304)	(412)
<b>Profit/(loss) from operations</b>		<b>67,152</b>	<b>3,078</b>	<b>20,436</b>	<b>(1,000)</b>
Finance costs		(802)	-	(802)	-
Share of profit of jointly controlled entity		11	-	11	-
Share of profits of associates		348	109	177	122
<b>Profit/(loss) before taxation</b>		<b>66,709</b>	<b>3,187</b>	<b>19,822</b>	<b>(878)</b>
Taxation	4	(115)	-	(115)	-
<b>Profit/(loss) after taxation</b>		<b>66,594</b>	<b>3,187</b>	<b>19,707</b>	<b>(878)</b>
Minority interests		(13,413)	(2,440)	(6,113)	1,150
<b>Profit attributable to equity holders of the Company</b>		<b>53,181</b>	<b>747</b>	<b>13,594</b>	<b>272</b>
Earnings per share – Basic	5	USD1.90 cents	USD0.03 cent	USD0.49 cent	USD0.01 cent

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## **1. Basis of presentation**

The unaudited consolidated results of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

In 2005, the Group has adopted all new and revised IFRS which are effective for accounting periods beginning on or after 1 January 2005.

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

The effect on adopting IFRS 2 on the unaudited consolidated results for the three months and the nine months ended 30 September 2005 is to decrease the profit before taxation by US\$393,994 and US\$837,612 respectively. There is no significant impact to the unaudited consolidated results for the same quarter last year on the adoption of IFRS 2 and accordingly, no prior period adjustment of the same quarter last year has been made.

The unaudited consolidated results of the Group include the results of all companies now comprising the Group. All significant intra-group transactions and balances have been eliminated in preparing the unaudited consolidated financial statements.

## **2. Principal accounting policies**

The principal accounting policies adopted in the unaudited consolidated results are consistent with those followed in the annual financial statements for the year ended 31 December 2004, except that the Group has adopted IFRS 2.

All share-based payment arrangements are recognised in the consolidated financial statements. The Group operates equity-settled share-based remuneration plans for remuneration of its employees.

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

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

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

## **3. Turnover and other revenue**

Turnover comprises fees for corporate finance and other advisory services, fees from the placement of shares, fund management fees and wealth management services fee.

Other revenue mainly comprises interest income, profits on disposal of investments, fair value adjustments on financial assets at fair value through profit or loss and bad debt recoveries.

## **4. Taxation**

Hong Kong and overseas income tax for the nine months ended 30 September 2005 have been calculated at the rates prevailing in the relevant jurisdictions.

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

## 5. Earnings per share

The calculation of the Group's basic earnings per share for the nine months ended 30 September 2005 is based on the profit attributable to equity holders of the Company of US\$53,181,454 (2004: US\$74,483) and the weighted average number of shares of 2,796,566,256 (2004: 2,600,788,924).

The calculation of the Group's basic earnings per share for the three months ended 30 September 2005 is based on the profit attributable to equity holders of the Company of US\$13,594,185 (2004: US\$272,215) and the weighted average number of shares of 2,799,495,723 (2004: 2,795,077,245).

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

## 6. Movement in reserves – unaudited

	Share premium US\$'000	Capital reserve US\$'000	Capital redemption reserve US\$'000	Employee share-based compensation reserve US\$'000	Investment revaluation reserve US\$'000	Foreign exchange reserve US\$'000	Retained profits/ (accumulated losses) US\$'000
At 1 January 2005	52,817	9,228	11	-	165	(280)	(21,827)
Exercise of share options	36	-	-	(10)	-	-	-
Recognition of employee share options granted	-	-	-	586	-	-	-
Deficit on revaluation	-	-	-	-	(108)	-	-
Exchange difference on consolidation	-	-	-	-	-	92	-
Profit for the period	-	-	-	-	-	-	53,181
At 30 September 2005	<u>52,853</u>	<u>9,228</u>	<u>11</u>	<u>576</u>	<u>57</u>	<u>(188)</u>	<u>31,354</u>
At 1 January 2004	52,209	9,228	11	-	72	(109)	(55,388)
Surplus on revaluation	-	-	-	-	69	-	-
Exchange difference on consolidation	-	-	-	-	-	(60)	-
Issue of non-voting convertible deferred shares	608	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	747
At 30 September 2004	<u>52,817</u>	<u>9,228</u>	<u>11</u>	<u>-</u>	<u>141</u>	<u>(169)</u>	<u>(54,641)</u>



## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2005 (2004: Nil).

## DISCLOSURE OF INTERESTS

### (a) Directors

As at 30 September 2005, the interests and short positions of the Directors or any chief executive of the Company in the shares and underlying shares (within the meaning of the Securities and Futures Ordinance ("SFO")) of the Company and any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by directors of a listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

#### (i) Interests in the ordinary shares of the Company

Name of Director	Personal interest	Family interest	Corporate interest	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Ilyas Tariq Khan (Notes 1 & 2)	79,994,076	-	423,091,794	503,085,870	20.04
Johnny Chan Kok Chung (Note 3)	190,212,205	16,097,387	-	206,309,592	8.22
Peter McIntyre Koenig	1,500,000	-	-	1,500,000	0.06
Joseph Tong Tze Kay	1,500,000	-	-	1,500,000	0.06

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

*Note 2:* During the three months period under review, ECK & Partners Limited disposed 90,406,353 ordinary shares reducing its shareholding from 325,290,000 ordinary shares to 234,883,647 ordinary shares. Simultaneous with the disposals, Ilyas Tariq Khan increased his beneficial interest in the issued share capital of ECK & Partners Limited from 61.43% to 85.07% thereby leaving his beneficial interest unchanged. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, he is deemed to be interested in 234,883,647 ordinary shares owned by ECK & Partners Limited.

*Note 3:* During the three months period under review, Johnny Chan Kok Chung disposed 17,593,647 ordinary shares reducing his shareholding from 207,805,852 ordinary shares to 190,212,205 ordinary shares. Yuda Udomritthiruj held 16,097,387 ordinary shares. Yuda Udomritthiruj, an employee of a subsidiary of the Company, is the wife of Johnny Chan Kok Chung and, accordingly, he is deemed to have interests in her shares.

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

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

### **(iii) Interests in the underlying shares of the Company**

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

Name of Director	Date of grant	Subscription price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Daniel Yen Tzu Chen (Note 1)	14 May 2003	HK\$0.0350	2,000,000	0.08
Peter McIntyre Koenig (Note 2)	20 August 2004	HK\$0.0350	3,500,000	0.14
Ahmad S. Al-Khaled (Note 3)	20 August 2004	HK\$0.0350	3,500,000	0.14
Joseph Tong Tze Kay (Note 4)	20 August 2004	HK\$0.0350	3,500,000	0.14

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

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

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

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

### **(iv) Short Positions**

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

### **(v) Interests in the shares of an Associated Corporation**

Name of Director	Associated Corporation	Personal interest	Corporate interest	Aggregate long position in shares of the Associated Corporation	Percentage which the aggregate long position in shares of the Associated Corporation represents to the issued share capital of the Associated Corporation %
Ilyas Tariq Khan (Note 1)	Crosby Capital Partners (Hong Kong) Limited	1	110,001	110,002	0.04
Johnny Chan Kok Chung	Crosby Capital Partners (Hong Kong) Limited	30,000	-	30,000	0.01

Note 1: TW Indus Limited held 110,001 shares in Crosby Capital Partners (Hong Kong) Limited. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

Save as disclosed above, as at 30 September 2005, none of the Directors of the Company had interests and short positions in the shares and underlying Shares of the Company and any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by directors of a listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

As at 30 September 2005, the Company had not issued any debentures.

Save as disclosed herein, as at 30 September 2005, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or which were required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by Directors.

## (b) Substantial Shareholders and Other Persons

As at 30 September 2005, the following persons, other than the Directors of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### (i) Interests in the ordinary shares of the Company

Name	Number or approximate attributable number of ordinary shares	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue
TBV Holdings Limited ( <i>Note 1</i> )	302,055,000	12.03%
ECK & Partners Limited ( <i>Note 2</i> )	234,883,647	9.36%
TW Indus Limited ( <i>Note 3</i> )	188,208,147	7.50%
Suzanna Tanojo ( <i>Note 4</i> )	167,560,000	6.68%

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

*Note 2:* During the three months period under review, ECK & Partners Limited disposed of 90,406,353 ordinary shares reducing its shareholding from 325,290,000 ordinary shares to 234,883,647 ordinary shares. Simultaneous with the disposals, Ilyas Tariq Khan increased his beneficial interest in the issued share capital of ECK & Partners Limited from 61.43% to 85.07% thereby leaving his beneficial interest unchanged. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, ECK & Partners Limited interest in 234,883,647 ordinary shares is duplicated in the 503,085,870 ordinary shares in which Ilyas Tariq Khan is interested as a Director.

*Note 3:* TW Indus Limited held a direct interest in 188,208,147 ordinary shares of which 167,560,000 shares were charged to Ms. Suzanna Tanojo. Ilyas Tariq Khan was beneficially interested in 100% of the share capital of TW Indus Limited and, therefore, Ilyas Tariq Khan was also interested in these 188,208,147 ordinary shares which are duplicated within the 503,085,870 ordinary shares in which Ilyas Tariq Khan was interested as a Director.

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

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

<b>Name</b>	<b>Number or approximate attributable number of non-voting convertible deferred shares</b>	<b>Percentage which the aggregate long position in non-voting convertible deferred shares represents to the total non-voting convertible deferred shares currently in issue</b>
Simon Fry ( <i>Note 1</i> )	292,500,000	100%

*Note 1:* Simon Fry is the Chief Executive Officer of Crosby Capital Partners Inc., which is a 82.37% subsidiary of the Company as at 30 September 2005. Further to the Company's announcement dated 31 March 2004, 292,500,000 non-voting convertible Deferred Shares were allotted to Simon Fry. Simon Fry has also purchased 25,000,000 shares from the Company's Employee Share Ownership Plan and has committed to purchase a further 85,186,587 shares on deferred payment terms.

**(iii) Short Positions**

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

Save as disclosed above, as at 30 September 2005, 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 that was required to be recorded in the register required to be kept under Section 336 of the SFO.

**(c) Share Options**

Pursuant to the Company's Share Option Scheme, a duly authorised committee of the board of Directors of the Company may, at its discretion, grant options to eligible employees, including executive 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 Exchange on the date of grant of the particular option or (ii) the average of the closing prices of the Shares of the Company for the five trading days immediately preceding the date of the grant of the options or (iii) the nominal value of the shares.

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

- (a) the first thirty percent of the options between the first and tenth anniversary of the date of grant;
- (b) the next thirty percent of the options between the second and tenth anniversary of the date of grant; and
- (c) the remaining options between the third and tenth anniversary of the date of grant.

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

Date of options grant	Options granted	Options exercise price	Options lapsed since grant	Options outstanding	Options exercisable as at 30 September 2005
27 March 2002	248,244,700	HK\$0.0704	247,944,700	300,000	300,000
18 March 2003	54,000,000	HK\$0.0350	54,000,000	-	-
14 May 2003	15,000,000	HK\$0.0350	10,000,000	2,000,000	-
18 June 2003	26,064,000	HK\$0.0350	26,064,000	-	-
11 July 2003	312,000,000	HK\$0.0350	312,000,000	-	-
1 December 2003	21,000,000	HK\$0.0350	21,000,000	-	-
20 August 2004	15,000,000	HK\$0.0350	-	10,500,000	-
	<u>691,308,700</u>		<u>671,008,700 (1)</u>	<u>12,800,000</u>	<u>300,000</u>

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

7,500,000 options granted under the Share Option Scheme had been exercised as at 30 September 2005 and these were all exercised during the three months ended 30 September 2005.

#### (d) Competing Interests

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

## AUDIT COMMITTEE

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

The Audit Committee has met three times during the nine months period under review and the following table details the number of meetings attended by the members:

Name of Director	No. of Committee Meetings Attended
Joseph Tong Tze Kay	3
Daniel Yen Tzu Chen	3
Peter McIntyre Koenig	2

The Audit Committee has met with the Independent Auditors and the Chief Financial Officer during the nine months period under review to review the 2004 Annual Report, the Quarterly Report for the quarter ended 31 March 2005 and the Interim Report for the six months ended 30 June 2005. The Audit Committee has also met to review this Quarterly Report and was satisfied with the outcome of its review.

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company, or any of its subsidiaries, did not purchase, sell or redeem any of its listed securities during the three and nine months ended 30 September 2005 (2004: Nil).

By Order of the Board

**Ilyas Tariq Khan**

*Chairman*

Hong Kong, 14 November 2005

*As at the date of this report, the Directors of the Company are*

*Executive Director: Johnny Chan Kok Chung*

*Non-Executive Directors: Ilyas Tariq Khan, Ahmad S. Al-Khaled*

*Independent Non-Executive Directors: Daniel Yen Tzu Chen, Peter McIntyre Koenig  
and Joseph Tong Tze Kay*