



Convenience Retail Asia Limited

利亞零售有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8052



Member of Li & Fung Group



First Quarterly Report 2006



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK 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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This report, for which the Directors of Convenience Retail Asia Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to Convenience Retail Asia 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.



**FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2006**

		2006	2005
• Group Turnover	+13%	HK\$514,388,000	HK\$454,202,000
• Group Profit Attributable To Shareholders	+13%	HK\$10,073,000	HK\$8,914,000
• Earnings Per Share (Basic)	+15%	HK1.5 cents	HK1.3 cents

HIGHLIGHTS

- ☒ Strong sales growth supported by positive consumer sentiment in Hong Kong and the Chinese Mainland.
- ☒ Number of stores in Hong Kong increased by 5 to 235 during the quarter.
- ☒ Number of stores in Guangzhou increased by 1 to 41 during the quarter.
- ☒ Number of stores in Dongguan increased by 1 to 6 during the quarter.
- ☒ Number of stores in Zhuhai and Macau increased by 3 to 18 during the quarter.
- ☒ Approval obtained from Provincial Government on Dongguan Sun-High acquisition; completion of transaction expected by mid-year.
- ☒ Group maintains strong cash position with HK\$584.2 million and no bank borrowings as of 31 March 2006.



CHAIRMAN'S STATEMENT

Financial Review

I am pleased to report the unaudited results of Convenience Retail Asia Limited and its subsidiaries (the "Group") for the first quarter of 2006. During the three-month period ended 31 March 2006, the Group recorded satisfactory increases in turnover and profit, riding on the strong economies of Hong Kong and the Chinese Mainland.

During the first quarter of 2006, the Group's turnover was HK\$514.4 million, an increase of 13.3% when compared to the same period last year. Comparable store sales (stores in existence throughout the first quarter of 2005 and 2006) in Hong Kong and Guangzhou increased by 3.8% and 11.2% respectively over the first quarter of 2005. At the end of the first quarter of 2006, there were a total of 235 stores in Hong Kong, 41 stores in Guangzhou and 6 stores in Dongguan compared to 212 stores in Hong Kong and 22 stores in Guangzhou as of the end of the first quarter of 2005. Under the franchising arrangement, the total number of Circle K stores in Macau and Zhuhai increased to a total of 18 during the quarter.

Gross margin excluding interest rose from 30.2% in 2005 to 31.4% in 2006 for the first quarter. This was due to an increase of higher-margin food services categories in the sales mix and an increase in other income as a result of rising phone card and online games sales.

Store expenses increased from 23.8% to 24.9% of turnover for the first quarter when compared to 2005. This was mainly due to increases in staff costs, rental expenses, advertising and promotional expenses as well as an increase in store operation expenses in Guangzhou and Dongguan as a result of rapid store network expansion.

The combination of increases in turnover, gross margin percentage and store operating expenses as a percentage of turnover led to an increase in profit attributable to shareholders of 13% to HK\$10.1 million during the quarter over the 2005 level.



Review of Hong Kong Operations

The momentum generated by robust economic growth in 2005 was well sustained in the first quarter of 2006. Local consumption was the key driver, boosted by a falling unemployment rate and rising wages. Buoyancy in the equity and property markets further fueled positive consumer sentiment. With strong support from the Central Government, the outlook for the year was generally optimistic across all economic sectors.

Against this positive market background, the Group continued to report satisfactory growth in all aspects of its business performance.

During the first quarter, the Group accelerated the pace of its store network expansion with the opening of five new stores.

A highlight of the quarter was the successful launch of the Good Day Garfield promotion, which contributed to healthy growth in sales turnover with incremental customer transactions and value per transaction.

The Group also completed the installation of a new generation electronic point-of-sale system in the first quarter. An upgrade of the Headquarter's Pricebook System will be completed in the second quarter. This new system will provide higher efficiency in transaction speed, more flexibility in deploying promotions and improved accuracy in data management.

Review of Guangzhou Operations

The launch of a range of Chinese meal boxes in February provided an instant boost in sales, achieving double-digit growth in average daily store sales. There is every indication that once the new product range is established as exclusive to Circle K, it will generate repeat purchases as a value-for-money lunch option for the mass market.

There was little indication of significant growth in the convenience store market in Guangzhou in the first quarter. Other key players seemed to have slowed their frenetic pace of new store openings.

The general boom in the Guangzhou retail market has created an increased demand for prime retail space. The Group is anticipating pressure on retail rentals in the coming months, which might moderate the momentum of new store openings.

In Dongguan, our new stores have reported healthy double-digit growth since their launch in the last quarter of 2005. The "twin-store" model and its full range of bakery products proved to be effective in generating extra traffic while creating a favourable pricing perception through a value-for-money strategy.



Business Outlook

With a good start to the first quarter, the Group expects strong economic performances in Hong Kong and the Chinese Mainland to continue in the coming months.

The warmer weather ahead and the World Cup in June will provide the stimulus for further sales growth, especially in the categories of packaged drinks, beer, snack and ice cream products.

The cigarette price war that started in the middle of April in Hong Kong will have a negative effect on cigarette sales. Furthermore, the implementation of a 5-day workweek among civil servants will inevitably affect breakfast traffic on Saturday mornings for stores located in office building neighbourhoods. The impact could become even more significant if companies in the private sectors follow suit.

To counteract these latest developments, the Group will step up its promotional efforts to generate extra sales and traffic. However, an inflationary trend driven by high retail rentals and an increase in raw material costs could alleviate these negative effects on comparable store sales. Overall, we expect the Hong Kong market to perform better in 2006 than 2005.

The Group finally received Guangdong Provincial Government's approval for its acquisition of the Sun-High convenience store chain in Dongguan and we expect to complete the transaction and commence integration of the chain in the second quarter. This will add about 200 outlets (primarily franchised) to our store network in the Pearl River Delta area.

We will open our first Circle K store in Shenzhen in the second quarter, which will launch our initiative of strong store growth in the Pearl River Delta – the major goal for the Group in 2006.

The Group will continue to pursue acquisition opportunities and other options for non-organic growth, while at the same time proceeding with our multi-city expansion plan in the Pearl River Delta at full force as set out in the strategic plan for 2006.

Fung Kwok King, Victor

Chairman

Hong Kong, 2 May 2006

Executive Directors:

Yeung Lap Bun, Richard (*Chief Executive Officer*)

Li Kwok Ho, Bruno (*Chief Financial Officer*)

Non-Executive Directors:

Dr. Fung Kwok King, Victor (*Chairman*)

Dr. Fung Kwok Lun, William

Godfrey Ernest Scotchbrook

Jeremy Paul Egerton Hobbins

Wong Yuk Nor, Louisa

Independent Non-Executive Directors:

Dr. Ch'ien Kuo Fung, Raymond

Au Man Chung, Malcolm

Lo Kai Yiu, Anthony

Group Chief Compliance Officer:

Siu Kai Lau, James

Company Secretary:

Wong Wing Ha



RESULTS

The Board of Directors (“the Board”) is pleased to announce the unaudited results of the Group for the three months ended 31 March 2006, together with the comparative unaudited figures for the corresponding period ended 31 March 2005 as follows:

	<i>Note</i>	Three months ended 31 March	
		2006 HK\$'000	2005 HK\$'000
Turnover	2	514,388	454,202
Cost of sales		<u>(393,069)</u>	<u>(350,456)</u>
Gross profit		121,319	103,746
Other revenues	2	44,539	36,202
Store expenses		(128,157)	(108,203)
Distribution costs		(8,736)	(7,703)
Administrative expenses		<u>(18,724)</u>	<u>(14,643)</u>
Profit before income tax		10,241	9,399
Income tax expenses	3	<u>(2,003)</u>	<u>(1,777)</u>
Profit for the period		<u><u>8,238</u></u>	<u><u>7,622</u></u>
Profit attributable to:			
Shareholders of the Company		10,073	8,914
Minority interests		<u>(1,835)</u>	<u>(1,292)</u>
		<u><u>8,238</u></u>	<u><u>7,622</u></u>
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	5	<u><u>HK1.5 cents</u></u>	<u><u>HK1.3 cents</u></u>



Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong (“the GEM Listing Rules”).

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2005 except that the Group has changed certain of its accounting policies following its adoption of revised Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods commencing on or after 1 January 2006.

In 2006, the Group adopted HKAS 21 Amendment “The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation”, which is relevant to its operations.

The adoption of HKAS 21 Amendment has resulted in a change in the accounting policy for the treatment of exchange differences arising on a monetary item that forms part of the net investment in a foreign operation of the Company. Effective on 1 January 2006, the revised standard allows the Company to include inter-company loans as part of the Company’s net investment in foreign operation. Exchange differences arising from these inter-company loans are taken to equity in the consolidated accounts. In prior years, such exchange differences were recognised in the consolidated profit and loss account. HKAS 21 Amendment has been applied retrospectively and its effect is insignificant to the Group’s results.

The Group has not early adopted the following new/revised standards that have been issued but are not effective. The Group is in the process of making an assessment of what the impact of these new/revised standards is expected over the Group’s results of operations and financial position in the period of initial adoption.

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures



2. Turnover and other revenues

The Group is principally engaged in the operation of a chain of convenience stores. Revenues recognised during the three months ended 31 March 2006 are as follows:

	(Unaudited)	
	Three months ended	
	31 March	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Merchandise sales revenue	514,388	454,202
Other revenues		
Supplier rebate and promotion fees	31,621	26,742
Service items and miscellaneous income	8,487	6,613
Interest income	4,431	2,847
	<u>44,539</u>	<u>36,202</u>
Total revenues	<u>558,927</u>	<u>490,404</u>

Revenue comprises the fair value for the sales of goods and services, net of discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (i) Sales of goods are recognised when a product is sold to the customer.
- (ii) Supplier rebate and promotion fees are recognised when the rights to receive payments are established in accordance with the terms of agreements with the vendors.
- (iii) Sales of services are recognised in the accounting period in which the services are rendered.
- (iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.



3. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the three months ended 31 March 2006 and 2005. No provision for overseas profits tax has been made as the Group has no overseas estimated assessable profit for the three months ended 31 March 2006 and 2005.

The amount of income tax expenses charged to the consolidated profit and loss account represents:

	(Unaudited)	
	Three months ended	
	31 March	
	2006	2005
	HK\$'000	HK\$'000
Current income tax – Hong Kong profits tax	193	615
Deferred income tax	1,810	1,162
	2,003	1,777
	2,003	1,777

4. Dividend

The Board does not recommend payment of an interim dividend for the three months ended 31 March 2006 (2005: Nil).

5. Earnings per share

The calculation of the Group's basic earnings per share for the three months ended 31 March 2006 is based on the unaudited consolidated profit attributable to shareholders of HK\$10,073,000 (2005: HK\$8,914,000).

The basic earnings per share is based on the weighted average of 675,281,379 (2005: 672,147,378) shares of HK\$0.10 each (the "Shares") in issue during the three months ended 31 March 2006.

Diluted earnings per share for the three months ended 31 March 2006 and 2005 are not shown as there is no dilutive effect arising from the share options granted by the Company.

6. Loss attributable to shareholders from Chinese Mainland operations

Included in profit attributable to shareholders of the Company, there is a loss of HK\$4,114,000 (2005: HK\$2,280,000) from the Group's Chinese Mainland operations.



7. Reserves

Movement in reserves of the Group during the three months ended 31 March 2006 is as follows:

(Unaudited)								
Three months ended 31 March								
	2006							2005
	Share premium	Merger reserve	Capital reserve	Employee share-based compensation reserve	Exchange reserve	Retained earnings	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	119,457	177,087	13,433	2,466	123	104,564	417,130	375,303
Issue of new shares	1,711	–	–	–	–	–	1,711	330
Employee share option benefits	89	–	–	679	–	6	774	275
Exchange differences	–	–	–	–	218	–	218	31
Profit attributable to shareholders	–	–	–	–	–	10,073	10,073	8,914
At 31 March	121,257	177,087	13,433	3,145	341	114,643	429,906	384,853
Representing:								
Reserves							399,507	359,637
Final dividend							30,399	25,216
							429,906	384,853

COMPETING INTERESTS

During the period under review, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed or might compete with the business of the Group.



INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND CERTAIN MAJOR ASSOCIATED CORPORATIONS

As at 31 March 2006, the interests and short positions of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and certain of its major associated corporations (*Note 1*) (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as required to be recorded in the register maintained by the Company pursuant to section 352 of SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the Directors under the GEM Listing Rules and/or the Code of Conduct for dealings in securities adopted by the Company, were as follows:

The Company

Long positions in Shares and the underlying Shares of equity derivatives

Name of Directors	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
	(i) Shares	(ii) underlying Shares		
Dr. Fung Kwok King, Victor	373,692,000	–	Corporate (<i>Note 2</i>)	55.32%
Dr. Fung Kwok Lun, William	373,692,000	–	Corporate (<i>Note 2</i>)	55.32%
Mr. Yeung Lap Bun, Richard	17,896,000	1,300,000 (<i>Note 3</i>)	Personal/ beneficiary	2.84%
Mr. Li Kwok Ho, Bruno	2,676,000	250,000 (<i>Note 4</i>)	Personal/ beneficiary	0.43%
Ms. Wong Yuk Nor, Louisa	1,338,000	250,000 (<i>Note 5</i>)	Personal/ beneficiary	0.24%
Dr. Ch’ien Kuo Fung, Raymond	1,000,000	–	Personal/ beneficiary	0.15%
Mr. Jeremy Paul Egerton Hobbins	180,000	–	Personal/ beneficiary	0.03%



Major associated corporations

Long positions in shares and the underlying shares of equity derivatives

Name of Directors	Name of associated corporations	Class of shares	Number of		Nature of interests/ Holding capacity	Approximate percentage of interests
			(i) shares	(ii) underlying shares		
Dr. Fung Kwok King, Victor	Li & Fung (Gemini) Limited	Ordinary shares	5,222,807	–	Corporate (Note 6)	
			602,631	–	Corporate (Notes 2 & 7)	84.80%
	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate (Note 8)	100%
	Integrated Distribution Services Group Limited	Ordinary shares	157,960,917	–	Corporate (Note 9)	
2,405,509			–	Personal/ beneficiary	51.90%	
Dr. Fung Kwok Lun, William	Li & Fung (Gemini) Limited	Ordinary shares	5,222,807	–	Corporate (Note 6)	76.02%
	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	–	Corporate (Note 8)	100%
	Integrated Distribution Services Group Limited	Ordinary shares	157,960,917	–	Corporate (Note 9)	51.12%
Mr. Jeremy Paul Egerton Hobbins	Li & Fung (Gemini) Limited	Ordinary shares	462,018	–	Corporate (Note 10)	6.73%
	Integrated Distribution Services Group Limited	Ordinary shares	1,202,754	–	Personal/ beneficiary	0.39%
Mr. Li Kwok Ho, Bruno	Integrated Distribution Services Group Limited	Ordinary shares	4,000	–	Other (Note 11)	0.00%



Notes:

1. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William, by virtue of their interests in King Lun Holdings Limited ("King Lun") and the Company are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under SFO. A waiver from full compliance from Rule 18.69 of the GEM Listing Rules for the disclosure of Directors' interests in the shares and underlying shares of the associated corporations has been granted by the Stock Exchange on 25 April 2006. Accordingly, the companies under the section headed "Interests and Short Positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations" are only the major associated corporations of the Company and are not intended to be exhaustive.
2. King Lun through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited ("LFR") (a wholly owned subsidiary of Li & Fung (1937) Limited ("LF (1937)")) held 373,692,000 Shares in the Company. 1,332,840 shares in King Lun, representing 50% of its issued share capital, are owned by J.P. Morgan Trust Company (Jersey) Limited, the trustee of a trust established for the benefit of the family members of Dr. Fung Kwok King, Victor. The remaining 50% of King Lun is owned by Dr. Fung Kwok Lun, William.
3. On 24 May 2002, Mr. Yeung Lap Bun, Richard was granted share options to subscribe for 1,300,000 Shares pursuant to the Share Option Scheme of the Company. The options are exercisable at a subscription price of HK\$2.785 per Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.
4. On 24 May 2002, Mr. Li Kwok Ho, Bruno was granted share options to subscribe for 250,000 Shares pursuant to the Share Option Scheme of the Company. The options are exercisable at a subscription price of HK\$2.785 per Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.
5. On 24 May 2002, Ms. Wong Yuk Nor, Louisa was granted share options to subscribe for 250,000 Shares pursuant to the Share Option Scheme of the Company. The options are exercisable at a subscription price of HK\$2.785 per Share during the period from 24 May 2003 to 23 May 2007. No relevant share options have been exercised.
6. King Lun through its wholly owned subsidiary, LF (1937) held 5,222,807 shares in Li & Fung (Gemini) Limited ("LFG"). Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) as set out in note (2) above.
7. 602,631 shares in LFG are owned by a company which is held by J.P. Morgan Trust Company (Jersey) Limited.
8. Out of the total 13,800,000 shares, LFG holds 6,800,000 shares and LF (1937) holds 7,000,000 shares. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun and LF (1937) and indirect interests in LFG as set out in notes (2) and (6) above.
9. Dr. Fung Kwok King, Victor and Dr. Fung Kwok Lun, William are deemed to have interests in these shares through their respective interests in King Lun, LF (1937), LFG and Li & Fung (Distribution) Limited as set out in notes (2), (6) and (8) above.
10. 462,018 shares in LFG are held by Martinville Holdings Limited which is owned by Mr. Jeremy Paul Egerton Hobbins.
11. 4,000 shares in Integrated Distribution Services Group Limited are jointly held by Mr. Li Kwok Ho, Bruno and his wife, Sandra Maria Li Ng.

Save as disclosed above, as at 31 March 2006, none of the Directors, chief executives and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.



INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2006, the interests and short positions of the substantial shareholders in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of SFO were as follows:

Long positions in Shares

Name	Number of Shares	Nature of interests/ Holding capacity	Approximate percentage of interests
King Lun Holdings Limited	373,692,000	Corporate (Note 1)	55.32%
Commonwealth Bank of Australia	53,660,000	Corporate (Note 2)	7.94%
Aberdeen Asset Management Plc and its Associates	68,050,000	Other (Note 3)	10.07%
Overlook Investments (BVI) Limited	35,260,000	Other (Note 4)	5.22%
Arisaig Greater China Fund Limited ("Arisaig China")	42,504,000	Corporate	6.29%
Arisaig Partners (Mauritius) Limited ("Arisaig Partners")	42,504,000	Other (Note 5)	6.29%
Cooper Lindsay William Ernest ("Mr Cooper")	42,504,000	Corporate (Note 6)	6.29%

Notes:

1. These shares are held by Li & Fung (Retailing) Limited (“LFR”). King Lun Holdings Limited (“King Lun”) indirectly owns 100% interests in LFR through its wholly owned subsidiary, Li & Fung (1937) Limited (“LF (1937)”). All of King Lun, LFR and LF (1937) are taken to be interested in the shares. Please refer to Note (2) in the above section headed “Interests and Short Positions of Directors in the shares, underlying shares and debentures of the Company and certain major associated corporations”.
2. These shares are indirectly held by Commonwealth Bank of Australia through a chain of 100% owned companies, namely Colonial Ltd, Colonial Holding Company Limited, Colonial Holding Company (No. 2) Pty Limited, Commonwealth Insurance Holdings Limited, The Colonial Mutual Life Assurance Society Ltd, Colonial First State Group Ltd, First State Investment (UK Holdings) Limited, SI Holdings Limited, First State Investment Management (UK) Limited and First State Investment International Ltd.
3. Aberdeen Asset Management Plc and its Associates (together “the Aberdeen Group”) on behalf of accounts managed by the Aberdeen Group.
4. These shares are held by Overlook Investments (BVI) Limited, as general partner for Overlook Investments L.P., the general partner of The Overlook Partners Fund L.P. Overlook Investments (BVI) Limited is jointly owned by Richard Hurd Lawrence, Jr. and Dee Macleod Lawrence, all of whom are taken to be interested in such shares under SFO.
5. These shares are held by Arisaig China of which Arisaig Partners is the fund manager.
6. These shares are held by Arisaig China. Arisaig Partners, which is indirectly owned as to 33.33% by Mr Cooper through a chain of companies, namely Madelene Ltd. (100%), Arisaig Partners (Holdings) Ltd. (33.33%) and Arisaig Partners (BVI) Limited (100%), is the fund manager of Arisaig China.

Save as disclosed above, as at 31 March 2006, the Company had not been notified of any substantial shareholders’ interests or short positions which are required to be kept under section 336 of SFO.

AUDIT COMMITTEE

The Audit Committee has been established since January 2001 with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the GEM Listing Rules, to review the Group’s financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the Board.

The Audit Committee comprises three independent non-executive Directors, namely Dr. Ch’ien Kuo Fung, Raymond (Chairman of the Committee), Mr. Au Man Chung, Malcolm, Mr. Lo Kai Yiu, Anthony, and two non-executive Directors, namely Mr. Godfrey Ernest Scotchbrook and Mr. Jeremy Paul Egerton Hobbins. All Committee members possess appropriate industry and financial experience to advise on the Company’s strategy and other matters.

The Audit Committee has reviewed with management this unaudited quarterly report for the three months ended 31 March 2006 before recommending it to the Board for approval.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.