

TECHPACIFIC CAPITAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8088

1 ST QUARTERLY REPORT

FOR THE
THREE MONTHS
ENDED
31 MARCH

2006

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

MANAGEMENT DISCUSSION AND ANALYSIS

The quarter ended 31 March 2006 was Techpacific's eighth consecutive profitable quarter and included two considerable milestones in the Group's history. During the quarter, Techpacific strategically diversified beyond its majority holding in Crosby with the purchase of a 35% working interest in three very attractive oil and gas prospects in Louisiana in the United States for US\$42.5 million. This purchase was made possible by the issue of a US\$75 million convertible bond to Goldman Sachs International during the same quarter. Please see below for a more detailed description of these significant developments.

Financial Results

Total income of the Group for the three months under review increased over four fold to US\$44.3 million compared with US\$8.3 million for the same period last year. This increase in total income is mainly attributable to the strength of Crosby's performance, in which the Group had an 81.24% interest at 31 March 2006.

Total operating expenses of the Group for the three months under review were US\$18.6 million compared with US\$3.8 million for the same period last year. This increase has arisen mainly from an increase in administrative expenses (including staff costs and costs related to the Group's wealth management business) to US\$16.5 million from US\$3.3 million for the same period last year. Other operating expenses have also increased to US\$2.0 million from US\$0.5 million for the same period last year. The increase was a consequence of additional project expenses being incurred on specific merchant banking projects, which are in various stages of progress, reflecting the growth in the scale and number of transactions that are being executed.

The charge to the consolidated income statement for minority interests during the three months under review of US\$4.7 million is mainly made up of the 18.76% minority shareholder's share of the profits of Crosby less, in the Crosby Group, the 43.4% minority shareholder's of Silk Route Petroleum Limited ("Silk Route") share of the fair value adjustment on Silk Route's holding in Indago Petroleum Limited.

As a result of the above factors, the Group's profit attributable to equity holders of the Company for the first quarter increased significantly to US\$20.6 million, compared with US\$4.2 million for the same period last year. The Group's retained profits have grown to US\$82.7 million at 31 March 2006.

New Capital Raised Through the Issue of a Convertible Bond

On 8 March 2006, Techpacific announced that it had sold a US\$75.0 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 bond holders with a premium on redemption in March 2011, or the ability, at their choice to convert into either newly issued shares of Techpacific at HK\$0.7665 per share or exchange for existing shares of AIM-quoted, Crosby owned by Techpacific at £0.9975 per share. The maximum number of Techpacific shares that may be issued on conversion of the convertible bonds was initially 559,000,000, equivalent to 16.62% of the Group's enlarged issued share capital. As of 31 March 2006, US\$5.0 million of the bond issue had been converted into Techpacific shares and notice has been received for a further US\$20.0 million of the bond issue to be converted into Techpacific shares as of the date of this report, resulting in the issue of a total of 253,030,005 new Techpacific shares. Following this conversion, the maximum additional new Techpacific shares that may be issued on conversion of the convertible bond is 305,969,995 shares or 9.09% of the enlarged share capital of 3,365,077,245 shares (including 292,500,000 non-voting convertible deferred shares). The maximum amount by which the Group's stake in Crosby could now be reduced if all remaining bond holders elect to exchange for Crosby shares is 11.80%, or 28,633,219 shares, leaving the Group with a majority stake of at least 69.44%. The balance of the net proceeds of US\$30.3 million from the bond issue will be used to pursue other investment opportunities and for general working capital purposes.

Divisional Review

The Techpacific Business

Techpacific Technology Venture Capital Management:

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

Techpacific Direct Investments:

Investment in Oil and Gas Assets

Using US\$42.5 million of proceeds from the bond issue, Techpacific, through its wholly owned subsidiary Coniston International Capital Limited ("Coniston") and with the approval of shareholders at an Extraordinary General Meeting held on 26 April 2006, secured a 35% working interest in a valuable, world class gas and oil exploration portfolio in Louisiana in the United States from Lodore Resources Inc., a 98.96% owned subsidiary of JASDAQ-listed IB Daiwa Corporation. Techpacific believe these three prospects, known as Big Mouth Bayou, North West Kaplan and Endeavor, are particularly attractive due to the following key characteristics:

- Gross unrisked mean reserves of 961 billion cubic feet of gas equivalent ("bcfe").
- Proximity of prospects to producing fields means that the probability of success is high – particularly at Endeavor.
- Impact of the portfolio is immediate – Big Mouth Bayou has commenced drilling and at the time of this report is at 16,200 feet. Spud dates for North West Kaplan and Endeavor are set for the second half of 2006.

Success at any of these three prospects has the potential to add very considerably to Techpacific's earnings. As announced on 4 May 2006, the drilling at Big Mouth Bayou was at 16,200 feet and is to progress to target depths of 17,000 feet and 19,000 feet. Testing has revealed oil bearing sands at approximately 7,100 feet and evidence of gas bearing sands at 15,100 feet and 15,400 feet. From the evident quality of these sands and the high pressure of the reservoirs, it is expected that they could flow gas at economic rates should it be decided to bring either, or both of these reservoirs, into production. Further evaluation of these shallower gas discoveries will be undertaken in due course. Big Mouth Bayou's primary targets are two prospective reservoirs at depth of approximately 17,000 feet and 19,000 feet and therefore no decision on when and how the existing discoveries will be bought into commercial production will be made until all hydrocarbon bearing sands have been evaluated.

Loan to IB Daiwa

Subsequent to the end of the quarter, IB Daiwa repaid its loan of US\$9.5 million to Coniston. The loan was advanced in December 2005 with an interest rate of 10% per annum and was repayable in full in June 2006. The financing for the loan which was provided by a group of investors, including US\$1 million from Techpacific, at an interest rate of 8% per annum, has also been repaid in advance of the June 2006 due date.

The Crosby Business

Crosby is a leading independent, deal-focused, Asia-oriented merchant banking and asset management group in which Techpacific held an 81.24% stake as of 31 March 2006.

Merchant Banking:

Progress at IB Daiwa

During the quarter, Crosby exercised all its remaining warrants, due to expire in July 2006, in IB Daiwa, one of the few listed Japanese natural resources pure-plays. Crosby also divested a small number of its IB Daiwa holdings to bring Crosby's total holding to 102,425,000 shares or 24.08% of the company.

In January 2006, IB Daiwa reported a gas discovery at the Kami well prospect. This new asset will begin to contribute to IB Daiwa's sales and earnings during IB Daiwa's 2006 Financial Year. Crosby management believe that recurring earnings from Kami and IB Daiwa-owned oil production company, Darcy Petroleum, and the exciting prospects of Big Mouth Bayou and its other mature, ready to drill prospects will be contributing factors to a significant re-rating of IB Daiwa in the Japanese stock market.

In May 2006, after the quarter under review, Darcy Petroleum acquired 100% working interests in two leases in the Gulf of Mexico off the coast of Louisiana, in the United States. These leases were formerly owned by ExxonMobil and BP.

Asset Management:

Crosby's asset management business, which includes fund management and wealth management, continued to grow well beyond US\$1 billion of assets under management during the quarter.

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 three months ended 31 March 2006 (the "Review Period"), together with the comparative unaudited figures of the corresponding period in 2005, as follows:

	<i>Notes</i>	Three Months Ended 31 March	
		2006 <i>US\$'000</i>	2005 <i>US\$'000</i>
Turnover	2	1,804	1,528
Gain on financial assets held at fair value through profit or loss		40,578	195
Other income	2	1,891	6,555
Total income		44,273	8,278
Administrative expenses		(16,504)	(3,314)
Distribution expenses		(29)	(18)
Other operating expenses		(2,012)	(467)
Profit from operations		25,728	4,479
Finance costs		(385)	–
Share of profit of a jointly controlled entity		14	–
Share of profits/(losses) of associates		(56)	219
Profit before taxation		25,301	4,698
Taxation expense	3	(26)	–
Profit for the period		25,275	4,698
Attributable to:			
Equity holders of the Company		20,606	4,151
Minority interests		4,669	547
Profit for the period		25,275	4,698
Earnings per share for profit attributable to the equity holders of the Company during the period	5	<i>US cents</i>	<i>US cents</i>
– Basic		0.73	0.15
– Diluted		0.63	N/A

NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

1. Basis of presentation

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

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

2. Turnover and other income

Turnover comprises fees for corporate finance and other advisory services, fund management fees and wealth management services fee.

Other revenue mainly comprises interest income, profits on disposal of investments and bad debt recoveries.

3. Taxation expenses

Hong Kong and overseas income tax for the three months ended 31 March 2006 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.

4. Movements in reserves

	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	Convertible bond reserve US\$'000	Retained profits/(accumulated losses) US\$'000
At 1 January 2006	52,853	9,241	11	779	36	(188)	-	62,129
Issue of new shares upon exercise of share options	16	-	-	(4)	-	-	-	-
Employee share-based compensation	-	-	-	(127)	-	-	-	-
Issue of convertible bond	-	-	-	-	-	-	23,173	-
Conversion on convertible bond	4,949	-	-	-	-	-	(885)	-
Surplus on revaluation	-	-	-	-	195	-	-	-
Exchange difference on consolidation	-	-	-	-	-	41	-	-
Profit for the period	-	-	-	-	-	-	-	20,606
At 31 March 2006	57,818	9,241	11	648	231	(147)	22,288	82,735
At 1 January 2005	52,817	9,228	11	-	165	(280)	-	(21,827)
Employee share-based compensation	-	-	-	196	-	-	-	-
Deficit on revaluation	-	-	-	-	(28)	-	-	-
Exchange difference on consolidation	-	-	-	-	-	58	-	-
Profit for the period	-	-	-	-	-	-	-	4,151
At 31 March 2005	52,817	9,228	11	196	137	(222)	-	(17,676)

5. Earnings per share

	Number of shares
Weighted average number of shares for calculating basic earnings per share	2,810,219,156
Effect of dilutive potential ordinary shares:	
Share options	8,845,784
Convertible bond	508,393,999
Weighted average number of shares for calculating diluted earnings per share	<u>3,327,458,939</u>

(a) Basic earnings per share

The calculation of the basic earnings per share for the three months ended 31 March 2006 is based on the profit attributable to equity holders of the Company of US\$20,605,739 (2005: US\$4,150,923) and the weighted average number of ordinary shares of 2,810,219,156 (2005: 2,795,077,245) in issue during the three months ended 31 March 2006.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 31 March 2006 is based on the profit attributable to equity holders of the Company of US\$20,605,739 and the weighted average number of ordinary shares in issue during the three months ended 31 March 2006 after adjusting the number of dilutive potential ordinary shares granted under the Company's share option scheme and converted on the convertible bond of 3,327,458,939. Interest expense of US\$215,191 related to dilutive shares is recognised in the consolidated income statement for the three months ended 31 March 2006.

No diluted earnings per share is shown for 2005, as the outstanding share options were anti-dilutive.

INTERIM DIVIDEND

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

DISCLOSURE OF INTERESTS

(a) Directors

As at 31 March 2006, the interests or short positions of the Directors or chief executive of the Company 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 Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

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

Name of Directors	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	-	413,091,794	493,085,870	19.23
Johnny Chan Kok Chung (Note 3)	174,212,205	16,097,387	-	190,309,592	7.42
Ahmad S. Al-Khaled	1,850,000	-	-	1,850,000	0.07
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: ECK & Partners Limited held 224,883,647 Techpacific 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 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 %
Ahmad S. Al-Khaled	24 March 2006	HK\$0.770	5,000,000	0.19
Daniel Yen Tzu Chen	14 May 2003 24 March 2006	HK\$0.035 HK\$0.770	2,000,000 5,000,000	
			<u>7,000,000</u>	0.27
Peter McIntyre Koenig	20 August 2004 24 March 2006	HK\$0.035 HK\$0.770	3,500,000 5,000,000	
			<u>8,500,000</u>	0.33
Joseph Tong Tze Kay	20 August 2004 24 March 2006	HK\$0.035 HK\$0.770	3,500,000 5,000,000	
			<u>8,500,000</u>	0.33

Ilyas Tariq Khan and Johnny Chan Kok Chung were each granted 60 million options to subscribe for shares in the Company at an exercise price of HK\$0.77 on 26 April 2006.

(iii) Short Positions

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

(iv) 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 (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 is beneficially wholly-owned by Ilyas Tariq Khan.

Save as disclosed herein, as at 31 March 2006, none of the Directors or chief executive of the Company had any interests or 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.

(b) Substantial Shareholders and Other Persons

So far as is known to any Director or the chief executive of the Company, as at 31 March 2006, the following persons, other than the Directors 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 and underlying shares of the Company

Name	Number or approximate attributable number of Techpacific Shares	Aggregate long position in underlying shares of the Company	Approximate percentage or approximate attributable percentage holding of Techpacific 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
TBV Holdings Limited (Note 1)	302,055,000	–	11.78%
Gandhara Master Fund Ltd	–	253,030,007	9.87%
ECK & Partners Limited (Note 2)	224,883,647	–	8.77%
New Star Asset Management Ltd	201,518,000	–	7.86%
TW Indus Limited (Note 3)	188,208,147	–	7.34%
Deutsche Bank Aktiengesellschaft	–	170,508,001	6.65%
Suzanna Tanojo (Note 4)	–	167,560,000	6.53%
DKR Soundshore Oasis Holding Fund Ltd (Note 5)	15,388,000	151,818,004	6.52%
PMA Prospect Fund	60,630,000	101,212,003	6.31%
Diversified Asian Strategies Fund	61,748,000	66,526,649	5.00%

- 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:* Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, ECK & Partners Limited interest in 224,883,647 ordinary shares is duplicated in the 493,085,870 ordinary shares in which Ilyas Tariq Khan is interested as a Director.
- Note 3:* TW Indus Limited held a direct interest in 188,208,147 ordinary shares of which 167,560,000 shares were charged to 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 493,085,870 ordinary shares in which Ilyas Tariq Khan was interested as a Director.
- Note 4:* Suzanna Tanojo has a charge over 167,560,000 shares owned by TW Indus Limited.
- Note 5:* DKR Soundshore Oasis Holding Fund Ltd is directly interested in 15,388,000 ordinary shares and 151,818,004 underlying shares respectively in the Company. By virtue of their controlling interest (either directly or indirectly) in DKR Oasis Management Co LP, DKR Capital Partners LP, DKR Capital Inc., Oasis Management Holdings LLC and DKR Management Co Inc. are also deemed to be interested in the same 15,388,000 ordinary shares and 151,818,004 underlying shares respectively in the Company.

(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 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 81.24% subsidiary of the Company as at 31 March 2006. 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 65,000,000 shares from the Company's Employee Share Ownership Plan and has committed to purchase a further 45,186,587 shares on deferred payment terms. Simon Fry was also granted 60 million options to subscribe for shares in the Company at an exercise price of HK\$0.77 per share on 26 April 2006.

(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 March 2006, 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 March 2006, no other person had interests which were 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 31 March 2006
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	-	7,000,000	-
24 March 2006	40,000,000	HK\$0.7700	-	40,000,000	-
	<u>731,308,700</u>		<u>671,008,700 ⁽¹⁾</u>	<u>49,300,000</u>	<u>300,000</u>

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

3,500,000 options granted under the Share Option Scheme had been exercised during the three months ended 31 March 2006.

The Company had further granted 180,000,000 options under the Share Option Scheme upon the approval of shareholders at the annual general meeting held on 26 April 2006.

(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 in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive directors, Messrs. Joseph Tong Tze Kay, Daniel Yen Tzu Chen and Peter McIntyre Koenig. The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control systems.

The audit committee meets at least quarterly with the most recent meeting held on 10 May 2006. The unaudited quarterly results of the Company for the three months ended 31 March 2006 have been reviewed by the audit committee.

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 months ended 31 March 2006 (2005: Nil).

By Order of the Board
Ilyas Tariq Khan
Chairman

Hong Kong, 12 May 2006

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*