TECHPACIFIC CAPITAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8088

FOR THE SIX MONTHS
ENDED 30 JUNE

2006
INTERIM REPORT

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

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

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

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

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 merchant banking and asset management group listed on the Hong Kong Stock Exchange's GEM board (HK GEM 8088), with offices in China, Singapore, the United Kingdom and representation in other parts of Asia.

The Group is engaged in the businesses of merchant banking, asset management, venture capital fund management and direct investments. Its subsidiary, Crosby Capital Partners Inc. ("Crosby"), which carries out the Group's merchant banking and asset management business, is quoted on London's Alternative Investment Market (CSB LN).

MANAGEMENT DISCUSSION AND ANALYSIS

The six months ended 30 June 2006 marked the beginning of an exciting new growth phase at Techpacific as the Group began the strategic diversification of its operations with a direct investment in the United States oil and gas market.

In March 2006, Techpacific issued a US$75 million convertible bond to finance this strategic diversification of the Group's holdings through the purchase, for US$42.5 million, of a 35% working interest in a portfolio of three high-impact deep oil and gas prospects in Louisiana in the United States. 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 as the oil and gas properties are developed.

In May 2006, Techpacific announced that drilling at the first of the prospects in the portfolio, Big Mouth Bayou, had encountered commercially exploitable oil-bearing sands at approximately 7,100 feet and more substantial gas-bearing sands (known as the "CR sands") between 14,664 – 16,200 feet. It is estimated that the CR sands contain between 10 bcfe and in excess of 100 bcfe of gas and should be brought into production by the first quarter of 2007 with an initial flow rate estimated at 20 mmcfe per day. We currently estimate that cash flow will be received from gas sales at this well during Q1 2007.

A preliminary analysis of the data from the drilling at this first well on the Big Mouth Bayou lease area has provided evidence of further oil and gas bearing sands at levels below the CR sands and the possibility that additional CR sands may be present elsewhere within the prospect acreage. Consequently, pending a detailed analysis of the data gathered during the drilling of the well, a further production well or wells will be drilled.

Drilling at the two remaining prospects in the portfolio (North West Kaplan and Endeavor), is expected to commence by the end of 2006.

Post the interim reporting period, the Company announced in July 2006 its intention, subject to the relevant approvals, to migrate the listing of its shares to the Main board of the Hong Kong Stock Exchange. This follows a number of important milestones, including the Company's admission as a constituent of the MSCI Hong Kong Small Cap Index and the Company's shares becoming one of the most actively traded stocks on the Hong Kong Stock Exchange's GEM board.

In addition to the important strategic developments noted above, the Crosby business continued to perform strongly during the period and led to Q2 2006 being Techpacific's ninth consecutive profitable quarter.

Financial Highlights

The total income of the Group for the six months under review increased by 58% for the same period last year to US$87.8 million. The strength of the Group's total income is mainly attributable to the performance of Crosby, in which the Group had an 81.24% interest as at 30 June 2006. The majority of Crosby's total income consisted of gains arising from its investment in IB Daiwa.

Total operating expenses (excluding financing costs) for the six months under review were US$38.3 million compared with US$9.0 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$35.6 million from US$6.9 million in the same period last year. These costs are closely linked to the financial performance of the business and a large proportion of them can be considered as variable costs. Additionally, the increase in administrative expenses is also attributable to the banking, legal and professional fees associated with the issuance of the convertible bond during the period and the planned migration to the Main board of the Hong Kong Stock Exchange. Other operating costs have also increased to US$2.6 million from US$2.0 million for the same period last year. This increase is in a large part due to additional project expenses incurred within the merchant banking business. These projects are at various stages of progress, and the increase reflects the growth in the scale and number of transactions that are being undertaken.

The charge to the consolidated income statement for minority interests during the six months under review of US$9.3 million is mainly made up of the 18.76% minority shareholders' share of the profits of Crosby less, in the Crosby Group, the 43.4% minority shareholder's share of Silk Route Petroleum Limited ("Silk Route") which reflects the change in the underlying fair value of Silk Route's investment in Indago Petroleum Limited.

The Group's profit attributable to equity holders of the Company for the first six months was US$39.1 million which is broadly in line with the US$39.6 million reported for the same period last year.

Equity attributable to equity holders in Techpacific increased by 71% to US$218.8 million. This significant strengthening of the Group's balance sheet was mainly due to the profit for the period US$39.1 million and the US$75 million convertible bond issued during the quarter, US$55 million of which had been converted into equity capital of Techpacific by 30 June 2006.

As at 30 June 2006, the Group had cash and bank and receivable balances of US$88.0 million and net current assets of US$291.3 million increased from US$36.4 million and US$172.0 million respectively at 31 December 2005. The Group maintains a strong focus on maintaining a healthy liquidity position to enable it to take advantage of investment opportunities, to facilitate business development objectives, to support operational and corporate requirements, and to fulfill the regulatory capital requirements of its operating subsidiaries.

In addition to the issue of the Convertible Bond in March 2006 (further details below), Crosby Orchard Fund Inc., a newly acquired 100% subsidiary, borrowed US$5 million from independent third parties to partially re-finance the repayment of an existing loan. This additional borrowing has been guaranteed by a subsidiary.

As at 30 June 2006, the Group had capital commitments of US$11.0 million in respect of the balance of the US$42.5 million funding yet to be paid pursuant to acquisition the working interest in the three US oil and gas prospects. The Group had no contingent liabilities, including pension obligations, at 30 June 2006.

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

New Capital Raised Through the Issue of the Convertible Bond

As mentioned briefly above, on 8 March 2006, Techpacific announced that it had sold the US$75 million zero coupon convertible bond to Goldman Sachs International, raising net proceeds of US$72.8 million for the Group after expenses. The convertible bond has a five-year term and provides bondholders with a premium on redemption in March 2011, or the ability, at their choice to either convert into newly issued shares of Techpacific at HK$0.7765 per share or exchange for existing shares of Crosby owned by Techpacific at £0.9975 per share.

Also as mentioned above, as of 30 June 2006, US$55 million of the convertible bond had been converted into shares in Techpacific. This resulted in the issuance of 556,666,011 new Techpacific shares, equivalent to 16.55% of the Group's enlarged issued share capital. This represents the maximum number of Techpacific shares that can be issued under the terms of the convertible bond.

The maximum amount by which the Group's stake in Crosby could now be reduced if all remaining bondholders elect to exchange for Crosby shares is 4.72%, or 11,453,287 shares, leaving the Group with a majority stake of at least 76.52% (assuming no further exercise of employee share options).

Application to List on the Main Board of the Hong Kong Stock Exchange

In July 2006, Techpacific announced that it proposed, subject to regulatory and shareholder approval, to list its shares on the Main board of the Hong Kong Stock Exchange by way of introduction, and to voluntarily withdraw the listing of its shares from the GEM board. The proposed migration is designed to provide Techpacific with even greater financial flexibility and further strengthen its ability to grow its direct investment business. The move is also aimed at further enhancing the overall understanding and corporate profile of Techpacific which we expect, in turn, will generate a greater interest from institutional investors and the equity research community, thus allowing a far broader audience to invest in the stock.

Divisional Review

Technology Venture Capital Management

Techpacific manages the Hong Kong SAR government's Applied Research Fund ("ARF") through the Softech Investment Management Company Limited ("Softech"), which is a 50:50 joint venture with Softbank China Venture Investments Limited. The ARF is a HK$750 million fund whose purpose is to provide funding support to Hong Kong-based technology ventures, and research and development projects that have commercial potential. Softech 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.

Direct Investments

In March 2006, using US$42.5 million of the proceeds from the convertible bond issue, Techpacific purchased a 35% working interest in an oil and gas exploration portfolio in Louisiana in the United States from Lodore Resources Inc. ("Lodore"), a 100% owned subsidiary of JASDAQ-listed IB Daiwa Corporation ("IB Daiwa"). The portfolio consists of three prospects: Big Mouth Bayou, North West Kaplan and Endeavor. All three prospects are located on-shore and are operated by Pel-Tex Oil Company, LLC ("Pel-Tex"). Pel-Tex owns a 25% working interest in the three prospects and IB Daiwa owns the remaining 40%. As described in detail above, the first well that has been drilled on these prospects, at the Big Month Bayou lease area, was successful, and plans are underway to both develop this exciting field as well as continuing with the drilling programme at North West Kaplan and Endeavor.

Merchant Banking

The first half of 2006 was another period of success for the Crosby's merchant banking arm. Significant progress was made both at IB Daiwa and a number of transactions within the pipeline of future deals advanced towards the final stages of their execution.

Progress at IB Daiwa

Crosby, through two wholly owned subsidiaries, owns 102,425,000 shares of IB Daiwa as at 30 June 2006 or 24.02% of its issued share capital. Crosby remains firmly committed to IB Daiwa and is convinced that the hard work and substantial management and operating changes over the last twelve months have created the potential for a further significant re-rating as its share price starts to reflect the underlying value and growth of that business. IB Daiwa's two main oil and gas investments, Lodore and Darcy Energy Holdings, Inc. ("Darcy"), have developed substantially during the period under review.

In addition to the discovery of an important reservoir of gas discovered at the Big Mouth Bayou well, discussed above in the context of Techpacific's own direct investment, Lodore also began to earn revenue from its Kami well during the period under review. Additionally, in early August 2006, subsequent to the period under review, drilling also commenced at the Plum Deep prospect on Padre Island in South Texas. This is part of a four well drilling programme in which Lodore has a 37.5% working interest. As mentioned above in the context of Techpacific's direct investment, the North West Kaplan and Endeavor prospects are also expected to commence drilling later in 2006.

There were also very positive developments at Darcy. In April 2006, Darcy acquired two leases at Grand Isle in the Gulf of Mexico. This property has recently been certified with significant reserves by an independent auditor. These reserves will be brought into production as a consequence of development work that is planned for 2007, and which will enhance the already growing revenue that Darcy is generating. In addition to its existing production base, Darcy is actively bidding for a number of other leases in the immediate vicinity of its area of expertise and knowledge.

The Merchant Banking Deal Portfolio

In March 2006, Crosby allowed its A$1.35 per share bid for Tethyan to lapse. On 23 March 2006, Antofagasta, the FTSE-100 Chilean mining company, raised its offer to A$1.40 per share. This represented a premium of 189% to Tethyan's share price immediately prior to Crosby launching its bid for Tethyan in May 2005.

In July 2006, Crosby's merchant banking arm made an unsolicited A$0.64 per share offer for Marathon, an ASX listed, uranium exploration company with prospects in South Australia. Although this is a relatively small deal, it presents Crosby with the potential to benefit from very attractive returns post privatisation.

There has also been substantial focus during the period under review on bringing various other substantial, but as yet not public transactions, to the fore and we look forward to being able to report on these transactions in due course.

Asset Management

Crosby's asset management business, which includes fund management and wealth management, performed broadly in line with budget during the first half of the year. Assets under management grew to beyond US$1 billion by the close of the six month period. It is expected that two new funds will be launched in Q4 2006, which will significantly increase assets under management by the Group.

Employee Information

As at 30 June 2006, the Group had 60 full-time employees, which increased from 50 at the beginning of the six months then ended. Employee remuneration (including directors' remuneration) totaled US$32.8 million for the six months ended 30 June 2006. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the framework of the Group's salary and bonus system.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of Corporate Governance and follows the principals 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 has no deviations from the code provisions as set out in the Code.

Grant Thornton
均富會計師行

Certified Public Accountants
Member of Grant Thornton International

To the board of directors of Techpacific Capital Limited
(incorporated in the Cayman Islands with limited liability)

We have been instructed by the Company to review the interim financial report set out on pages 6 to 19.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with International Accounting Standard 34 "Interim Financial Reporting" and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Grant Thornton

Grant Thornton
Certified Public Accountants
Hong Kong

10 August 2006

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the six months and three months ended 30 June 2006 (the "Review Periods"), together with the comparative unaudited figures of the corresponding periods in 2005, as follows:

CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30 June 2006

		Unaudited six months ended 30 June		**Unaudited three months ended 30 June**	
		2006	**2005**	**2006**	**2005**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Turnover / Revenue	*4*	3,954	3,389	2,150	1,861
Gain on financial assets at fair value through profit or loss	*15*	80,678	51,772	40,100	45,345
Other income	*5*	3,125	540	1,234	217
Total income		87,757	55,701	43,484	47,423
Administrative expenses		(35,596)	(6,895)	(19,092)	(3,581)
Distribution expenses		(59)	(81)	(30)	(63)
Other operating expenses		(2,622)	(2,010)	(610)	(1,543)
Profit from operations	*6*	49,480	46,715	23,752	42,236
Finance costs	*9*	(1,842)	–	(1,457)	–
Gain recognised on fair value of an acquired subsidiary in excess of acquisition costs	*24*	959	–	959	–
Share of (losses)/profits of associates		(109)	171	(53)	(48)
Share of profits/(losses) of a jointly controlled entity		5	–	(9)	–
Profit before taxation		48,493	46,886	23,192	42,188
Taxation	*10*	(97)	–	(71)	–
Profit for the period		48,396	46,886	23,121	42,188
Attributable to:					
Equity holders of the Company		39,092	39,587	18,486	35,436
Minority interests		9,304	7,299	4,635	6,752
Profit for the period		48,396	46,886	23,121	42,188
Earnings per share	*11*	*US cents*	*US cents*	*US cents*	*US cents*
– Basic		1.33	1.42	0.61	1.27
– Diluted		1.31	N/A	0.59	N/A

CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Notes	Unaudited 30 June 2006 US$'000	Audited 31 December 2005 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	616	630
Interests in associates		467	520
Interest in a jointly controlled entity		94	59
Available-for-sale investments		540	389
Intangible assets	*13*	569	562
		2,286	2,160
Current assets			
Loan to and amounts due from investee companies		–	10,358
Trade and other receivables	*14*	34,401	10,790
Financial assets at fair value through profit or loss	*15*	231,548	149,124
Cash and cash equivalents		53,605	15,240
		319,554	185,512
Current liabilities			
Other payables		16,788	4,813
Deferred income		61	60
Provision for taxation		97	82
Current portion of obligations under a finance lease		5	5
Other loans (Secured)	*16*	5,021	8,549
Derivative financial instrument	*17*	6,320	–
		28,292	13,509
Net current assets		291,262	172,003
Total assets less current liabilities		293,548	174,163
Non-current liabilities			
Obligations under a finance lease		2	5
Convertible bond	*18*	16,810	–
		16,812	5
Net assets		276,736	174,158
EQUITY			
Share capital	*19*	3,363	2,803
Reserves	*20*	215,481	124,860
Equity attributable to the equity holders of the Company		218,844	127,663
Minority interests		57,892	46,495
Total equity		276,736	174,158

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to the equity holders of the Company										
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Capital redemption reserve US$'000	Employee share-based compen-sation reserve US$'000	Investment revaluation reserve US$'000	Foreign exchange reserve US$'000	Convertible bond reserve US$'000	(Accumul-ated losses)/ Retained profits US$'000	Minority interests US$'000	Total equity US$'000
At 1 January 2006	2,803	52,853	9,241	11	778	36	(188)	–	62,129	46,495	174,158
Surplus on revaluation	–	–	–	–	–	134	–	–	–	–	134
Exchange differences on consolidation	–	–	–	–	–	–	93	–	–	21	114
Net (expenses)/income directly in equity	–	–	–	–	–	134	93	–	–	21	248
Profit for the period	–	–	–	–	–	–	–	–	39,092	9,304	48,396
Total recognised income and expenses for the period	–	–	–	–	–	134	93	–	39,092	9,325	48,644
Issue of new shares upon exercise of share options	3	16	–	–	(3)	–	–	–	–	–	16
Issue of convertible bond *(Note 18)*	–	–	–	–	–	–	–	4,793	–	–	4,793
Issue of new shares upon conversion on convertible bond	557	54,443	(4,369)	–	–	–	–	(4,793)	–	–	45.838
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	1,704	1,704
Employee share-based compensation	–	–	–	–	1,528	–	–	–	–	128	1,656
Effect on exercising share options of a subsidiary	–	–	–	–	(313)	–	–	–	–	235	(78)
Effect on share repurchase of a subsidiary	–	–	–	–	–	–	–	–	–	(125)	(125)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	130	130
At 30 June 2006 (Unaudited)	3,363	107,312	4,872	11	1,990	170	(95)	–	101,221	57,892	276,736
At 1 January 2005	2,795	52,817	9,228	11	–	165	(280)	–	(21,827)	13,892	56,801
Deficit on revaluation	–	–	–	–	–	(37)	–	–	–	–	(37)
Exchange differences on consolidation	–	–	–	–	–	–	73	–	–	14	87
Net (expenses)/income directly in equity	–	–	–	–	–	(37)	73	–	–	14	50
Profit for the period	–	–	–	–	–	–	–	–	39,587	7,299	46,886
Total recognised income and expenses for the period	–	–	–	–	–	(37)	73	–	39,587	7,313	46,936
Employee share-based compensation	–	–	–	–	376	–	–	–	–	67	443
At 30 June 2005 (Unaudited)	2,795	52,817	9,228	11	376	128	(207)	–	17,760	21,272	104,180

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the six months ended 30 June 2006

	Unaudited six months ended 30 June	
	2006 *US$'000*	**2005** *US$'000*
Net cash outflow from operating activities	(19,048)	(5,108)
Net cash (outflow)/inflow from investing activities	(7,273)	6,562
Net cash inflow/(outflow) from financing activities	64,675	(3)
Net increase in cash and cash equivalents	38,354	1,451
Cash and cash equivalents at beginning of the period	15,240	6,096
Effect of exchange rate fluctuations, net	11	1
Cash and cash equivalents at end of the period	53,605	7,548

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of presentation

The unaudited interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market. The unaudited interim financial statements have been prepared under historical cost convention except for revaluation of certain financial instruments which are measured at fair value. The measurement bases are described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited interim 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.

These financial statements for the six months ended 30 June 2006 are unaudited but have been reviewed by the audit committee of the Company and our auditors, Grant Thornton.

2. Principal accounting policies

The interim report has been prepared in accordance with the IFRS, including International Accounting Standard 34 "Interim Financial Reporting".

The principal accounting policies adopted in the unaudited interim financial statements are consistent with those followed in the annual financial statements for the year ended 31 December 2005, except for the following additional accounting policies only applicable to the six months ended 30 June 2006:

(a) Convertible bond

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

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

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

(b) Derivative financial instrument

Derivative financial instrument is initially measured at fair value on the contract date, and is remeasured to fair value at subsequent reporting dates.

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the host contracts are not measured at fair value through the income statement.

3. *Segmental information*

(a) *Primary reporting format – business segments:*

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

(b) *Secondary reporting format – geographical segments:*

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

4. *Turnover/Revenue*

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006 *US$'000*	**2005** *US$'000*	**2006** *US$'000*	**2005** *US$'000*
Corporate finance and other advisory fees	273	1,350	273	150
Fund management fee income	586	679	344	353
Wealth management services fees	3,095	1,360	1,533	1,358
	3,954	3,389	2,150	1,861

5. *Other income*

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006 *US$'000*	**2005** *US$'000*	**2006** *US$'000*	**2005** *US$'000*
Bank interest income	991	46	693	25
Other interest income	536	3	201	–
Bad debts recovery	22	149	22	3
Gain on deemed disposal of interest in an associate	75	–	75	–
Gain on disposal of available-for-sale investments	–	124	–	34
Fees on redemption and arrangement of loans	1,400	–	200	–
Others	101	218	43	155
	3,125	540	1,234	217

6. *Profit from operations*

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006	**2005**	**2006**	**2005**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Profit from operations is arrived at after charging:				
Auditors' remuneration	189	86	146	53
Depreciation				
– owned assets	161	140	74	67
– assets held under finance leases	7	7	3	7
Loss on disposal of property, plant and equipment	–	4	–	1
Bad debt expenses	–	5	–	5
Operating leases charges in respect of rented premises	292	236	170	115
Directors' remuneration *(Note 7)*	7,256	718	1,176	453
Employee benefit expense (excluding directors' remuneration) *(Note 8)*	25,521	4,883	16,315	2,535

7. *Directors' remuneration*

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006	**2005**	**2006**	**2005**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Salaries, allowances and benefits in kind	894	462	546	229
Bonus paid and payable	5,700	200	–	200
Provident/Pension fund contributions	3	3	2	2
Share-based compensation expense	609	13	598	2
Directors' fees	50	40	30	20
	7,256	718	1,176	453

8. *Employee benefit expense (excluding directors' remuneration)*

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006	**2005**	**2006**	**2005**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Salaries, allowances and benefits in kind	3,978	2,467	2,128	1,304
Commission paid and payable	1,393	495	890	495
Bonus paid and payable	18,969	1,436	12,393	496
Provident/Pension fund contributions	133	54	72	29
Share-based compensation expense	1,048	431	832	211
	25,521	4,883	16,315	2,535

9. *Finance costs*

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006 *US$'000*	**2005** *US$'000*	**2006** *US$'000*	**2005** *US$'000*
Effective interest expenses on Convertible Bond *(Note 18)*	1,012	–	797	–
Interest expenses and redemption fees on other loans (secured)	830	–	660	–
	1,842	–	1,457	–

10. *Taxation*

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006 *US$'000*	**2005** *US$'000*	**2006** *US$'000*	**2005** *US$'000*
Current tax				
– Hong Kong tax	–	–	–	–
– Overseas tax	97	–	71	–
	97	–	71	–

Hong Kong and overseas income tax for the three months and six months ended 30 June 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.

11. *Earnings per share*

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006 *US$'000*	**2005** *US$'000*	**2006** *US$'000*	**2005** *US$'000*
Earnings for the purpose of basic and diluted earnings per share (profit attributable to equity holders of the Company)	39,092	39,587	18,486	35,436

	Unaudited six months ended 30 June		Unaudited three months ended 30 June	
	2006	**2005**	**2006**	**2005**
Weighted average number of shares for calculating basic earnings per share	2,930,038,507	2,795,077,245	3,048,541,162	2,795,077,245
Effect of dilutive potential ordinary shares: Share options	59,563,880	–	59,563,880	–
Weighted average number of shares for calculating diluted earnings per share	2,989,602,387	2,795,077,245	3,108,105,042	2,795,077,245

12. *Property, plant and equipment*

	Unaudited *US$'000*
Net carrying amount at 1 January 2006	630
Additions	154
Disposals	–
Depreciation for the period *(Note 6)*	(168)
Net carrying amount as at 30 June 2006	616

13. *Intangible assets*

	Trademark *US$'000*	**Goodwill** *US$'000*	**Unaudited Total** *US$'000*
Net carrying amount at 1 January 2006	480	82	562
Acquisition of trademark	7	–	7
Net carrying amount as at 30 June 2006	487	82	569

14. *Trade and other receivables*

	Unaudited 30 June 2006 *US$'000*	**Audited 31 December 2005** *US$'000*
Trade receivables – gross	1,369	651
Less: Impairment losses	(22)	(22)
Trade receivables – net	1,347	629
Other receivables – gross	1,000	9,537
Less: Impairment losses	(596)	(618)
Other receivables – net	404	8,919
Deposits and prepayments	32,650	1,242
	34,401	10,790

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

At the balance sheet date, included in trade and other receivables of the Group are trade receivables of approximately US$1,347,000 (as at 31 December 2005: US$629,000) and an amount of approximately US$31,500,000 (as at 31 December 2005: nil) pursuant to the Exploration Funding Agreement dated 9 March 2006 in respect of the 35% working interest in a portfolio of three oil and gas prospects in Louisiana in the United States (the "Exploration Prospects").

The aged analysis of the trade receivables is as follows:

	Unaudited 30 June 2006 *US$'000*	**Audited 31 December 2005** *US$'000*
0 – 30 Days	315	220
31 – 60 Days	759	205
61 – 90 Days	35	204
Over 90 Days	238	–
	1,347	629

15. Financial assets at fair value through profit or loss

	Unaudited 30 June 2006 *US$'000*	Audited 31 December 2005 *US$'000*
Held for trading		
Listed securities:		
– Equity securities – Japan	188,543	91,861
– Equity securities – Australia	8,606	1,007
– Equity securities – United Kingdom	23,140	32,041
Fair value of listed securities	220,289	124,909
Unlisted securities:		
– Warrants – Japan	–	13,273
– Options – Australia	273	–
– Equity securities – Mauritius	10,842	10,842
– Equity securities – British Virgin Islands	44	–
Fair value of unlisted securities	11,159	24,115
	231,448	149,024
Designated as financial assets at fair value through profit or loss on initial recognition		
Unlisted securities:		
– Equity securities – United Kingdom	100	100
	231,548	149,124

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

	Unaudited 30 June 2006 *US$'000*	Audited 31 December 2005 *US$'000*
At 1 January	149,124	49,227
Additions	35,672	16,971
Additions arising from acquisition of a subsidiary *(Note 24)*	7,861	–
Disposals	(41,787)	(59,911)
Gain on financial assets at fair value through profit or loss	80,678	142,837
At 30 June / 31 December	231,548	149,124

16. Other loans (Secured)

Other loans at 30 June 2006 are interest-bearing at 6.5% per annum and are repayable in full in 12 months from the drawdown date on 8 June 2007. The repayment date is extendable for a further 12 months following the occurrence of certain events. The other loans are secured by a guarantee given by a subsidiary.

Other loans at 31 December 2005 were interest-bearing at 8% per annum and were repayable in full on 2 June 2006. The other loans were secured by 11,900,000 shares of Crosby Capital Partners Inc., a 82.37% subsidiary of the Company at 31 December 2005, representing 4.97% of its issued share capital. The loans were fully repaid as at 30 June 2006.

17. Derivative financial instrument

The derivative financial instrument represents an exchangeable option for a maximum of 11,453,287 existing shares of Crosby Capital Partners Inc. owned by the Company that is embedded in the convertible bond (Note 18) and is carried at fair value at each balance sheet date. Its fair value was calculated using the Binomial model. The inputs into the model were as follows:

	At 30 June 2006
Share price	US$18.75 million
Exercise price	US$20 million
Expected volatility	50%
Expected life	5 years
Risk-free rate	4.78%
Expected dividend yield	5%

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

18. Convertible bond

In March 2006, the Company issued US$75,000,000 Zero Coupon 5 year Convertible Bond (the "Convertible Bond"). The cash proceeds from the issue were received on 8 March 2006 and the net proceeds of approximately US$72,750,000 will be used by the Company for general working capital and investment purposes. In particular, US$42,500,000 of the proceeds are to be used by the Group to fund the Exploration Prospects.

The Convertible Bond is unlisted and convertible at the option of the holder(s), at any time on or after 13 March 2006 and up to and including 4 February 2011, into either new shares of the Company at a price of HK$0.7665 per share or existing shares of Crosby Capital Partners Inc. held by the Company at a price of 99.75 pence per share. The holder(s) of the Convertible Bond were not able to exercise their conversion rights in respect of new shares of the Company once 556,666,011 new shares of the Company had been issued. The Convertible Bond that remains outstanding on 4 February 2011 is redeemable at 116.1% of their principal amount.

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

The Company has also undertaken, that so long as any of the Convertible Bond remains outstanding, that it will not sell any shares of Crosby Capital Partners Inc., any substantial line of its business or the interests in the Exploration Prospects without the approval of the bondholder(s). However, at any time after 8 December 2006, the Company may dispose of shares of Crosby Capital Partners Inc. and the equity interests in the Exploration Prospects, provided that: the Company shall, immediately after such disposal, set aside such money equal to the aggregate principal amount of the Convertible Bond then outstanding, multiplied by 116.1% and as long as the Company's shareholding in Crosby Capital Partners Inc. shall not fall below 50% after such disposal.

The balance of the Convertible Bond included in the balance sheet are calculated as follows:

	US$'000
Face value of Convertible Bond issued	75,000
Discount	(2,250)
Derivative financial instrument *(Note 17)*	(6,320)
Equity component	(4,793)
Liability component on initial recognition upon issuance of Convertible Bond on 8 March 2006	61,637
Effective interest expense *(Note 9)*	1,012
Conversion of US$55,000,000 of Convertible Bond into 556,666,011 shares of the Company	(45,839)
Liability component at 30 June 2006	16,810

The interest expense of Convertible Bond for the six months ended 30 June 2006 is calculated by applying an effective interest rate of 7.15% to the liability component.

When arriving at the valuation of the derivative financial instrument, being the bondholder(s) option to exchange into existing shares of Crosby Capital Partners Inc., it was assumed that the bondholder(s) will convert into the maximum of 556,666,011 new shares of the Company available.

The directors of the Company estimate the fair value of the liability component of the Convertible Bond at 30 June 2006 to be approximately US$61,637,000. The fair value has been calculated by discounting the future cash flows at the prevailing market rate of 6.5%, increased to 7.15% to adjust for the amortization of the discount on issue of the Convertible Bond of US$2,250,000.

19. *Share capital*

	Number of ordinary shares	Number of convertible redeemable preference shares	Number of non-voting convertible deferred shares	Value US$
Authorised				
(par value of US$0.001 each)	20,000,000,000	1,000,000	–	20,001,000
Issued and fully paid				
(par value of US$0.001 each)				
At 1 January 2006	2,510,077,245	–	292,500,000	2,802,577
Issue of shares				
Exercise of share options	3,500,000	–	–	3,500
Conversion of convertible bond	556,666,011	–	–	556,666
At 30 June 2006	3,070,243,256	–	292,500,000	3,362,743

There were no changes in the authorised share capital during the six months ended 30 June 2006 or the year ended 31 December 2005.

20. Reserves

	Unaudited 30 June 2006 *US$'000*	Audited 31 December 2005 *US$'000*
Share premium	107,312	52,853
Capital reserve	4,872	9,241
Capital redemption reserve	11	11
Employee share-based compensation reserve	1,990	778
Investment revaluation reserve	170	36
Foreign exchange reserve	(95)	(188)
Retained profits	101,221	62,129
	215,481	124,860

21. Related party transactions

	Unaudited six months ended 30 June	
	2006 *US$'000*	**2005** *US$'000*
Advertising and marketing expenses to an associate	(13)	(29)
Fund management fee income received from an investee company	50	25
Sales proceeds of investment received by an investee company on behalf of the Group	5	26
Management services fee received from investee companies	90	108
Loan interest income received from an investee company	398	–

22. Contingencies

The Group had no material contingent liabilities at 30 June 2006.

23. Capital Commitment

The Group had capital commitment of US$11,000,000 as at 30 June 2006 pursuant to the Exploration Funding Agreement dated 9 March 2006 in respect of the 35% working interest in a portfolio of three oil and gas prospects in Louisiana in the United States.

24. Acquisition of a subsidiary

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

Details of the net assets acquired are as follows:

	US$'000
Fair value of net assets acquired:	
Financial assets at fair value through profit or loss *(Note 15)*	7,861
Other receivables	10
Other payables	(772)
Other loan	(5,960)
Less: Minority interests	(172)
	967
Total purchase consideration	(8)
Gain recognised on fair value of an acquired subsidiary in excess of acquisition costs	959

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

	US$'000
Cash and cash equivalents in the subsidiary acquired	–
Purchase consideration settled in cash	(8)
Net cash outflow from acquisition	(8)

On 30 May 2006, the remaining 15.06% interest was repurchased from an independent third party at a consideration of approximately US$297,000, calculated based on fair value of net assets acquired.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

DISCLOSURE OF INTERESTS

(a) Directors

As at 30 June 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	16.06
Johnny Chan Kok Chung *(Note 3)*	174,212,205	16,097,387	–	190,309,592	6.20
Joseph Tong Tze Kay	1,500,000	–	–	1,500,000	0.05

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

Note 3: Yuda Udomritthiruj held 16,097,387 ordinary shares. Yuda Udomritthiruj, an employee of a subsidiary of the Company, is the wife of Johnny Chan Kok Chung and, accordingly, he is deemed to have interests in her shares.

(ii) Interests in the underlying shares of the Company

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

Name of Directors	Date of grant	Subscription price	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Ilyas Tariq Khan	26 April 2006	HK$0.770	60,000,000	1.95
Johnny Chan Kok Chung	26 April 2006	HK$0.770	60,000,000	1.95
Ahmad S. Al-Khaled	24 March 2006	HK$0.770	5,000,000	0.16
Daniel Yen Tzu Chen	14 May 2003	HK$0.035	2,000,000	
	24 March 2006	HK$0.770	5,000,000	
			7,000,000	0.23
Peter McIntyre Koenig	20 August 2004	HK$0.035	3,500,000	
	24 March 2006	HK$0.770	5,000,000	
			8,500,000	0.28
Joseph Tong Tze Kay	20 August 2004	HK$0.035	3,500,000	
	24 March 2006	HK$0.770	5,000,000	
			8,500,000	0.28

(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 30 June 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 30 June 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 ordinary shares	Aggregate long position in underlying shares of the Company	Approximate percentage or approximate attributable percentage holding of ordinary shares currently in issue and/or percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue
Deutsche Bank Aktiengesellschaft	–	407,018,007	13.26%
PMA Capital Management Limited *(Note 1)*	361,148,005	–	11.76%
TBV Holdings Limited *(Note 2)*	302,055,000	–	9.84%
ECK & Partners Limited *(Note 3)*	224,883,647	–	7.32%
PMA Prospect Fund *(Note 1)*	204,369,520	–	6.66%
New Star Asset Management Ltd *(Note 4)*	201,518,000	–	6.56%
TW Indus Limited *(Note 5)*	188,208,147	–	6.13%

Note 1: PMA Capital Management Limited is the investment advisor of PMA Prospect Fund, both of which are Independent Third Parties. The interest of PMA Prospect Fund in 204,369,520 ordinary shares is included in the interest of PMA Capital Management Limited in 361,148,005 ordinary shares. On 20 July 2006, PMA Prospect Fund increased its interest to 240,699,520 ordinary shares.

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

Note 3: Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, 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 4: On 4 August 2006, New Star Asset Management Ltd reduced its interest to 136,740,000 ordinary shares.

Note 5: TW Indus Limited held a direct interest in 188,208,147 ordinary shares. 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.

(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 *(Note 1)*	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 30 June 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 ordinary shares from the Company's Employee Share Incentive Trust and has committed to purchase a further 45,186,587 ordinary shares on deferred payment terms. Simon Fry was also granted 60 million options to subscribe for ordinary 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 30 June 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 30 June 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 grant	Options exercise price	Options lapsed since grant	Options outstanding	Options exercisable as at 30 June 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	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	–
26 April 2006	180,000,000	HK$0.7700	–	180,000,000	–
	911,308,700		671,008,700[1]	229,300,000	2,300,000

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 six months ended 30 June 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 8 August 2006. The unaudited interim financial statements for the six months ended 30 June 2006 have been reviewed by the audit committee.

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

The Company has not redeemed any of its shares during the six months ended 30 June 2006. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's securities during the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

By Order of the Board
Ilyas Tariq Khan
Chairman

Hong Kong, 10 August 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*