<annual report 2000>

techpacific.com

/www.techpacific.com/

<table of contents>

ideas

find_finance_build

our business

Discovering and creating value in Asia's technology sector

The techpacific.com Group represents a unique combination of financial and technology services that finds, finances and builds technology businesses in Asia.

Our network of investors, invested partners, strategic partners and value-adding services accelerates the growth of technology businesses and reduces investment and development risks.

Our in-depth competence in corporate finance and our understanding of the Asian technology sector combine to give us a special edge in advising and supporting our clients.

chairman's statement

"We have built up a strong team and some valuable assets while continuing to generate profits."

I am pleased to welcome readers to the first annual report of the techpacific.com Group as a listed company.

I am happy to report that the Group's results in terms of both revenue generation and profitability have exceeded expectations at the time of our listing in April 2000. Furthermore, revenues have been more than sufficient to cover a very substantial investment in personnel and facilities during the year, which I expect to bear fruit in 2001 and beyond.

> "the Group's results in terms of both revenue generation and profitability have exceeded expectations at the time of our listing"

I believe these results are satisfactory, particularly in the face of the reversal of investor sentiment towards technology companies which took place during the last 8 months of the year.

Our financial position remains strong. The breadth and depth of the Group's activities has expanded greatly during the year, both geographically and functionally. Two major new lines of business (digital services and incubation) have been added to our core competence in corporate finance services and venture capital fund management. Total personnel (including staff of the recently-acquired Spike Cyberworks) now number 175 and are spread among offices in Hong Kong, Sydney, Tokyo, Seoul, Singapore, Kuala Lumpur, London and San Francisco.

A major challenge for the Group has been managing this rapid growth and ensuring that our organisational infrastructure is adequate to support such an increase in the scale of our operations. So far, I believe we have managed this transition from a small to medium-sized company creditably. It will remain a continuing challenge.

I believe our position is now well established as the leading Asian firm in the business of raising and providing private equity finance for technology companies, while supporting their development with a powerful array of services and facilities. Our deep experience in corporate finance and understanding of the technology sector in Asia positions us uniquely well to assist our corporate clients to identify opportunities, formulate solutions and resolve problems arising out of the present capital market environment. At the same time, we are now well positioned in major Asian markets in the rapidly growing business of digital services, including the management of large and complex projects on behalf of leading multinational companies.

In 2001, our focus will be on driving increased revenues through the platform we have now created, on integrating and developing Spike, and on seeking further opportunities to make strategic acquisitions that will increase the scale of our revenues and business.

As the technology sector in Asia continues to consolidate, I believe techpacific.com will reinforce its position as one of the long-term winners among technology service providers.

I would like to thank my board colleagues, particularly our independent non-executive directors, for the active and vital role they have played during the year in guiding and monitoring our efforts. I am equally grateful to the staff of techpacific.com, who have at all levels worked with great skill, dedication and enthusiasm to achieve these results.

Robert Owen
Chairman
26 March, 2001

chief executive officer's report

The past year, our first as a listed company, has been a momentous one for techpacific.com.

Apart from successfully obtaining a listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong, techpacific.com also raised its first Venture Capital Fund – The Nirvana Fund, and moved rapidly to form a joint venture VC management company, Softech Investment Management Company Limited (with our partner Softbank China Venture Investments Limited). Subsequently, Softech won a highly competitive tender to manage part of the Hong Kong SAR Government's Applied Research Fund.

From an operating standpoint, we also managed to achieve a significant number of objectives that we had set for ourselves at the start of the year. This is gratifying because the environment was markedly different at that point in time. Not least of these achievements was our ability to close out the fiscal year with a profit, which we did without compromising on our growth. It is sometimes difficult to remember that we are still an extremely young company, and being able to produce the results that we are now reporting, whilst managing the tremendous change and volatile nature of the market, is something we are very proud of.

As techpacific.com has grown and expanded during the course of the past year, our four main operating businesses also became more clearly defined. These divisions are: tp Corporate Finance (fund raising and corporate advisory for technology companies in Asia), tp Venture Capital (where we manage the funds referred to above), "tp Labs" (our incubation and business services activities) and "Digital Services" (digital services and e-consulting, including our recently acquired subsidiary, Spike Cyberworks).

The clear delineation of our four operating divisions not only allows us to instill strict management discipline in the development of each of these inter-related but distinct businesses, but it also provides us with a good matrix to allocate our valuable resources, both capital and human.

At the close of the fiscal year, our financial position remains strong. With cash "in the bank" of US$30 million and no debt at the end of the year, against the backdrop of achieving our 7th consecutive quarter of profitability, we have proven that our business model is effective and sustainable. In fact, I can say that we have even greater depth of faith in the rewards that can be achieved for all our stakeholders as we develop techpacific.com along the lines that were originally conceived in 1998.

Apart from our own corporate capital, we have the additional firepower of funds under management which have not yet been allocated. Approximately 22% of the US$98 million funds that we manage were invested at the end of 2000. This gives us the ability to make investments in areas of technology that offer exceptional value in the currently depressed market environment.

techpacific.com is also blessed with an excellent group of professionals that execute the strategy of the company. I am proud to report that staff morale continues to be high while turnover is almost non-existent. The challenge for our management team is to continue our excellent track record of recruiting, managing and motivating such a talented group of individuals with diverse cultural and professional backgrounds. I believe we have one of the strongest execution teams in Asia, and we are conscious that this is the foundation upon which we are building success. While techpacific.com has attained a position of leadership in many of its lines of business, and despite our continued reputation as one of Asia's premier "home-grown" technology companies that finds, finances and builds technology businesses, we did not escape unscathed by the correction in global capital markets.

I am, of course, referring to our share price, which continues to suffer from a low level of liquidity since our IPO in April and remains low in absolute terms while I write this report. There is no doubt that the performance of our share price reflects broader trends in the global technology market, but I am compelled to state that our valuation contrasts sharply with the healthy revenues and profit generation we have been able to achieve during the same period. I remain confident however that this cycle of the market will eventually pass, and that investors will start to differentiate between different activities and players in the technology sector, especially here in Asia. At that time I look forward to being judged on the basis of our results and our achievements.

In spite of difficult capital market conditions, which we do not foresee turning around in the short term, we were able to use our equity to acquire Spike Cyberworks partly via issuing new shares to our new shareholder, PCCW. We are delighted to welcome PCCW as one of our shareholders. We are also extremely pleased that in completing this transaction we are able to continue to execute our business plan and take advantage of one of the key aspects of being a public company – i.e. being able to use our equity as currency to acquire value accreting businesses.

One other major point that I would like to share with you relates to some of our institutional shareholders. As you may be aware, a number of our larger shareholders date from our pre-IPO times. These shareholders, including the management shareholders, showed unprecedented support to a newly listed company by agreeing to a self-imposed "lock-up" of their shares when the mandatory lock-up expired last October. I would like to take this opportunity to thank our shareholders for their staunch support, and for their unwavering belief in the company's vision.

As I look back, the year 2000 was a year of building our franchise and laying the foundation for long-term growth. While we believe we have made great progress in these areas, the management team's energies will be spent over the next twelve months on "mining" the valuable franchise we have built in the past 24 months, and in delivering the most efficient services to our highly supportive client base.

During the coming year we will also continue to seek exceptional investment opportunities for our VC funds, and at the same time expend a good deal of energy helping our invested partners to build or consolidate their businesses. We intend to build Spike Cyberworks into one of the premier digital service firms in Asia and continue to build on its established positions in two key markets in Asia, namely Japan and Australia.

I have little doubt that the coming year will see a rapid growth of techpacific.com, both in terms of our revenue streams and our profitability. I am confident that with the resources we have at our disposal, both capital and human, we are well positioned to take advantage of the opportunities ahead of us. We continue to believe that we can "punch well above our weight", and when the overall stock market climate turns, we are confident that our share price will reflect the true strengths of our business.

Finally I would like to thank my colleagues at techpacific.com for all the hard work that they continue to put into building this amazing company that we have created.

Johnny Chan
Chief Executive Officer
26 March, 2001

ecosystem

toolbox, strategic partners and invested partners

An ecosystem provides nutrients for growth. We pride ourselves on our ecosystem that adds tremendous value for all our partners.

business services | technology services

Amongst the challenges faced by technopreneurs is the difficulty of establishing credibility and bargaining power when negotiating with the world's leading professional services firms and technology equipment providers. techpacific.com partners with top-notch companies in each sector and ensures its investees can stay focused on achieving their business goals.

techpacific.com believes technology businesses in Asia need more than just funding for success. Through investing in our "toolbox" companies, techpacific.com provides its investees with a host of high quality and affordable business and technology services.

>> the toolbox

tools for acceleration

Upstream Asia
integrated marketing and promotion consultant

techpursuit.com
executive recruitment consultant

GlobalOffering
online marketing company for financial institutions, and a webcasting service provider

Web Media
rich media web design and branding consultant

Softpub
software developer and e-commerce solutions provider

Linux Centre
Linux platform consultancy and software solutions provider

Spike Cyberworks
one of Asia's leading digital service providers

>>strategic partners

that support your growth

- **Grant Thornton**
  a leading international accounting firm
- **Stephenson Harwood & Lo**
  region-wide legal consultancy with a specialty in advising early stage companies
- **Reuters**
  content provider integrating information from over 20,000 sources

- **Sun Microsystems**
  internet hardware, software and services provider
- **Oracle**
  the top software solutions provider
- **Dell**
  the world's leading direct computer systems company
- **iLink**
  one of the most reliable Hong Kong-based web hosting service providers
- **Level3**
  international broadband connectivity provider

Networking and experience sharing are crucial for the success of early stage technology ventures. The extensive network of techpacific.com comprises over 100 institutional Mentor investors and a portfolio of 35 investee companies. It is a community in itself that every invested partner benefits from.

>>an e-community

that adds value

OVER

100 institutional Mentor investors

+35 invested partners

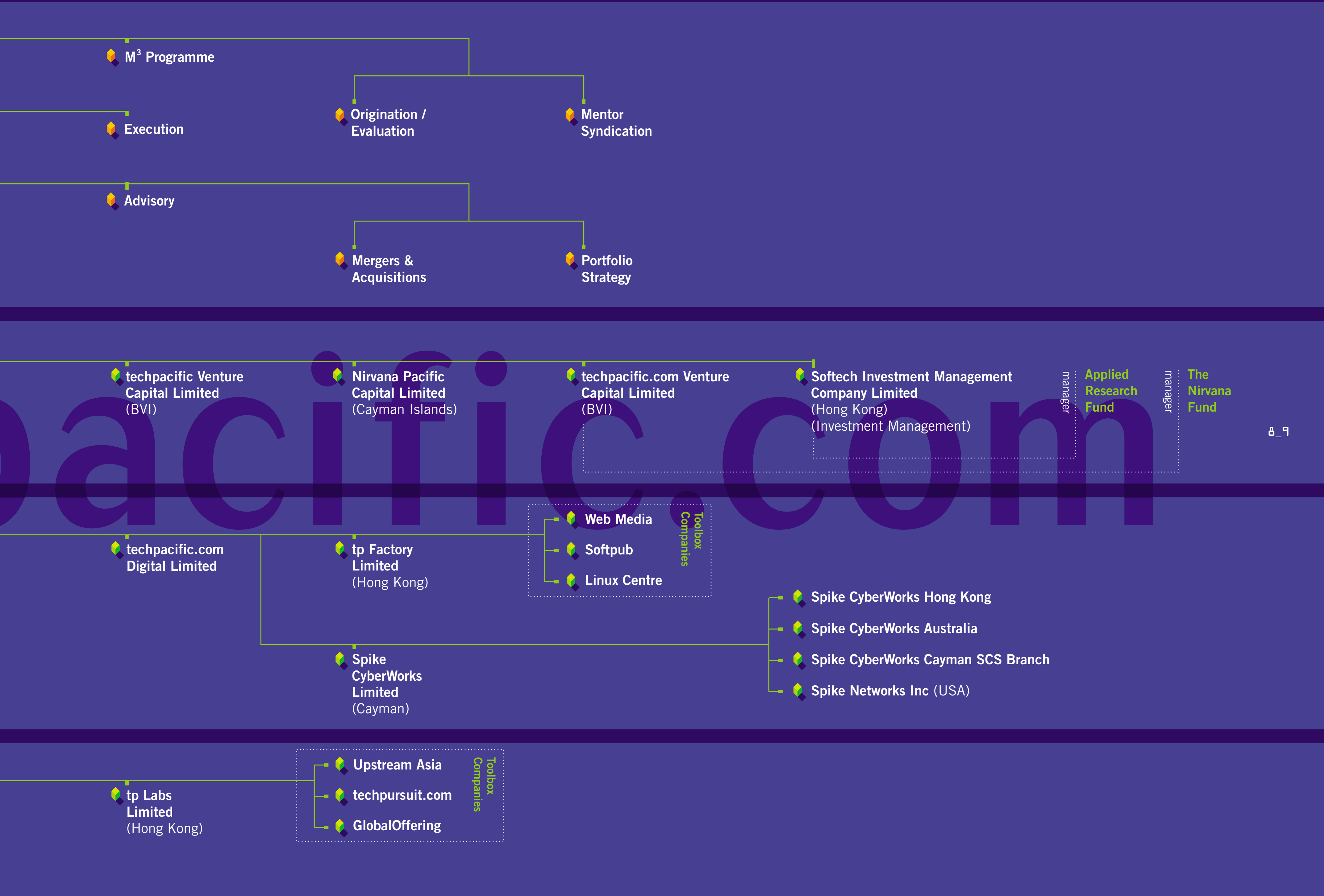
A community in itself that every partner benefits from

group chart

techpacific.com Limited
(Cayman Islands)

- **techpacific.com (BVI) Limited** (BVI)
  - **Techpacific (Korea) Limited**
  - **techpacific.com Pte Limited** (Singapore)
  - **techpacificCAMERLIN.com Sdn Bhd** (Malaysia)
  - **China BPC Limited** (Cayman)

- **tp Corporate Finance** (investment)
- **tp Venture Capital** (asset and fund management)
- **Digital Services** (technology infrastructure & consulting services)
- **Incubation**


M3 Programme
Origination / Evaluation
Mentor Syndication
Execution
Advisory
Mergers & Acquisitions
Portfolio Strategy
techpacific Venture Capital Limited (BVI)
Nirvana Pacific Capital Limited (Cayman Islands)
techpacific.com Venture Capital Limited (BVI)
Softech Investment Management Company Limited (Hong Kong) (Investment Management)
manager
Applied Research Fund
manager
The Nirvana Fund
techpacific.com Digital Limited
tp Factory Limited (Hong Kong)
Web Media
Softpub
Linux Centre
Toolbox Companies
Spike CyberWorks Limited (Cayman)
Spike CyberWorks Hong Kong
Spike CyberWorks Australia
Spike CyberWorks Cayman SCS Branch
Spike Networks Inc (USA)
tp Labs Limited (Hong Kong)
Upstream Asia
techpursuit.com
GlobalOffering
Toolbox Companies
pacific.com

"Successful startups still exist out there. You just have to know where to look." While business opportunities still abound in the technology sector, few companies know how to capitalize on them.

techpacific.com's visionary business model redefines the way technopreneurs get funded and provides resources to grow business ideas into reality. Its core business is organized into four divisions:

For those enthusiastic about the new economy in Asia, techpacific.com Limited ("techpacific.com") (HKGEM stock code: 8088) serves as their partner to find, finance and build technology ventures in the region, supported by our unique combination of financial and technology expertise. In April 2000, techpacific.com became the first company of its kind to list on the Hong Kong Growth Enterprise Market.

1
corporate finance

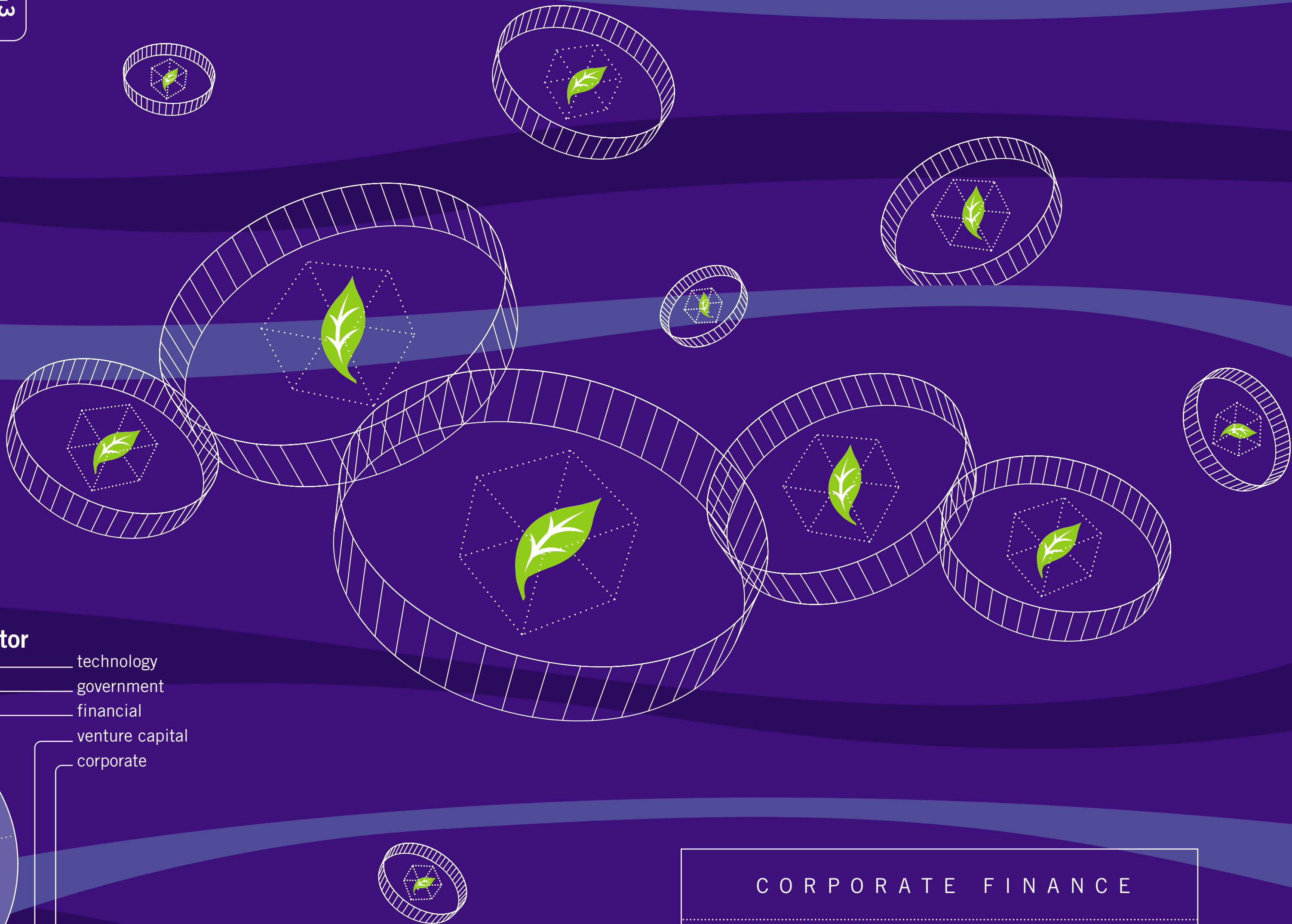
2
venture capital

3
incubation

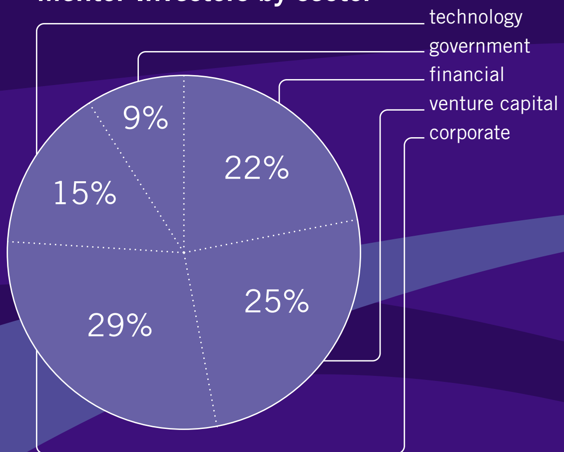
4
digital services

What is the the M^3 Programme?
Literally, MMM or M^3 stands for our Millennium Mentor Matrix: ideas for the new Millennium, Mentor investors who contribute their expertise and money to support technology-based ventures in Asia, and the Matrix where start-ups, their ideas, Mentor investors and techpacific.com's skills fuse together to create valuable businesses.

M^3



Mentor Investors by sector



CORPORATE FINANCE

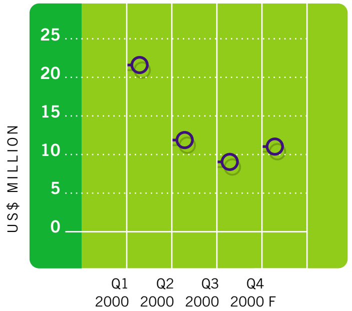
over

US$150,000,000

corporate finance

techpacific Corporate Finance Limited ("tp Corporate Finance") is Asia's leading technology corporate advisory firm operating exclusively in the unquoted technology sector. tp Corporate Finance has two core activities: private placement capital raising and financial advisory; and merger and acquisition advisory services for technology ventures and investors in Asia. Since its inception, techpacific.com has successfully raised in excess of US$150 million, of which over US$50 million was raised through the M^3 Programme for 35 technology businesses, making it the clear market leader in Asia.

<M³ Programme fund raising>

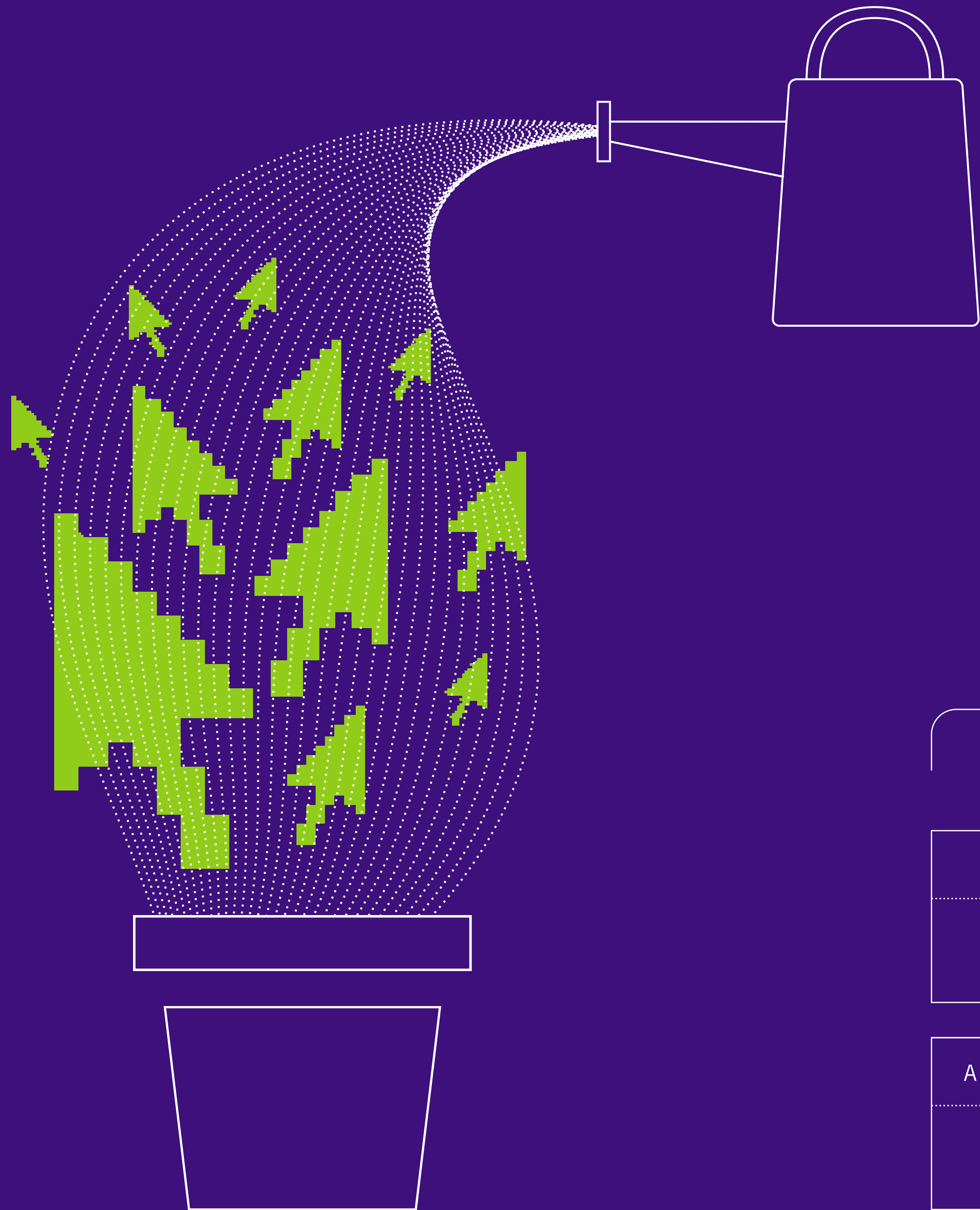


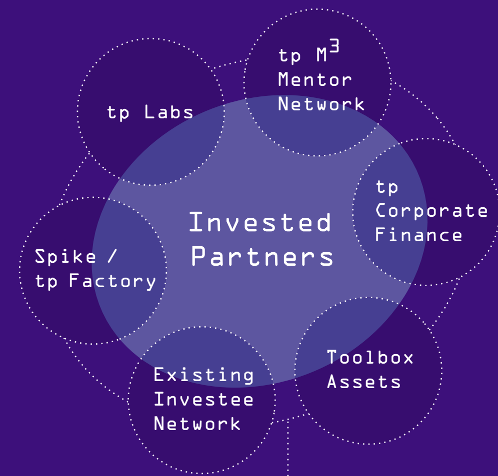
tp Corporate Finance's financial and mergers and acquisition advisory business provides a uniquely focused investment advisory service to international and Asian technology clients seeking to acquire, merge or sell technology assets in Asia. In addition, our Portfolio Strategy Group provides exit strategy and solutions advice to corporate investors, private equity and venture capital fund managers.

The tp Corporate Finance team is currently comprised of 15 professionals with extensive investment banking and technology experience throughout the Asia Pacific region. We operate offices in Hong Kong, Singapore, Korea and Malaysia. Management anticipates expanding the team of professionals to approximately 20 and intends to establish offices in China and Australia in the immediate future.

Our corporate finance division has historically been techpacific.com's key revenue earner (during FY2000 tp Corporate Finance was responsible for 50.3% of the firm's revenue) and is anticipated to continue making a significant contribution to techpacific.com revenues and profits. In addition to earning cash fees from its advisory and capital raising activities, tp Corporate Finance receives equity options for its fund raising and certain advisory work. This portfolio of options constitutes a significant hidden asset of techpacific.com.

tp Venture Capital





A "Third Generation" VC

NIRVANA FUND
US$66,000,000

APPLIED RESEARCH FUND
HK$250,000,000

venture capital

techpacific.com manages two funds focusing on early-stage technology investments — the Nirvana Fund (US$66 million) and the Applied Research Fund (US$32 million). Being a "third-generation" venture capitalist, techpacific.com provides more than just funding. We provide strategic advice, technology and professional business services, alongside a regional network of contacts, which accelerate the growth of our investee companies.

Our venture capital business continues to attract a large number of high quality technology companies seeking funding across Asia. With the establishment of our Korea, Singapore and Malaysia offices, we expect to see even more investment opportunities in the most promising areas of technology over an expanded area in Asia.

Out of 18 investee companies within our funds' portfolios, one (in the amount of US$ 225K) was provided for impairment in value in the year 2000 and a number completed further funding rounds at significantly higher valuations.

Nirvana Fund

The main purpose of our venture capital fund (the "Nirvana Fund") is to invest in technology companies in Asia at their start-up or early stages. The total capital committed to the Nirvana Fund, which closed at the end of March 2000, is US$66 million. The Nirvana Fund has currently invested about 33% of its total committed capital in 18 different companies. These companies are distributed among various industries including Internet consumer services, communication and networking, software development and business services. They are all either located in Asia or are targeting Asian markets.

Conforming to the objective of the Nirvana Fund, most of the investee companies are in their early stage of development. We believe the current portfolio is well balanced in terms of industries and markets and the invested companies are positioned to capture the value of expected growth in their respective sectors.

ARF

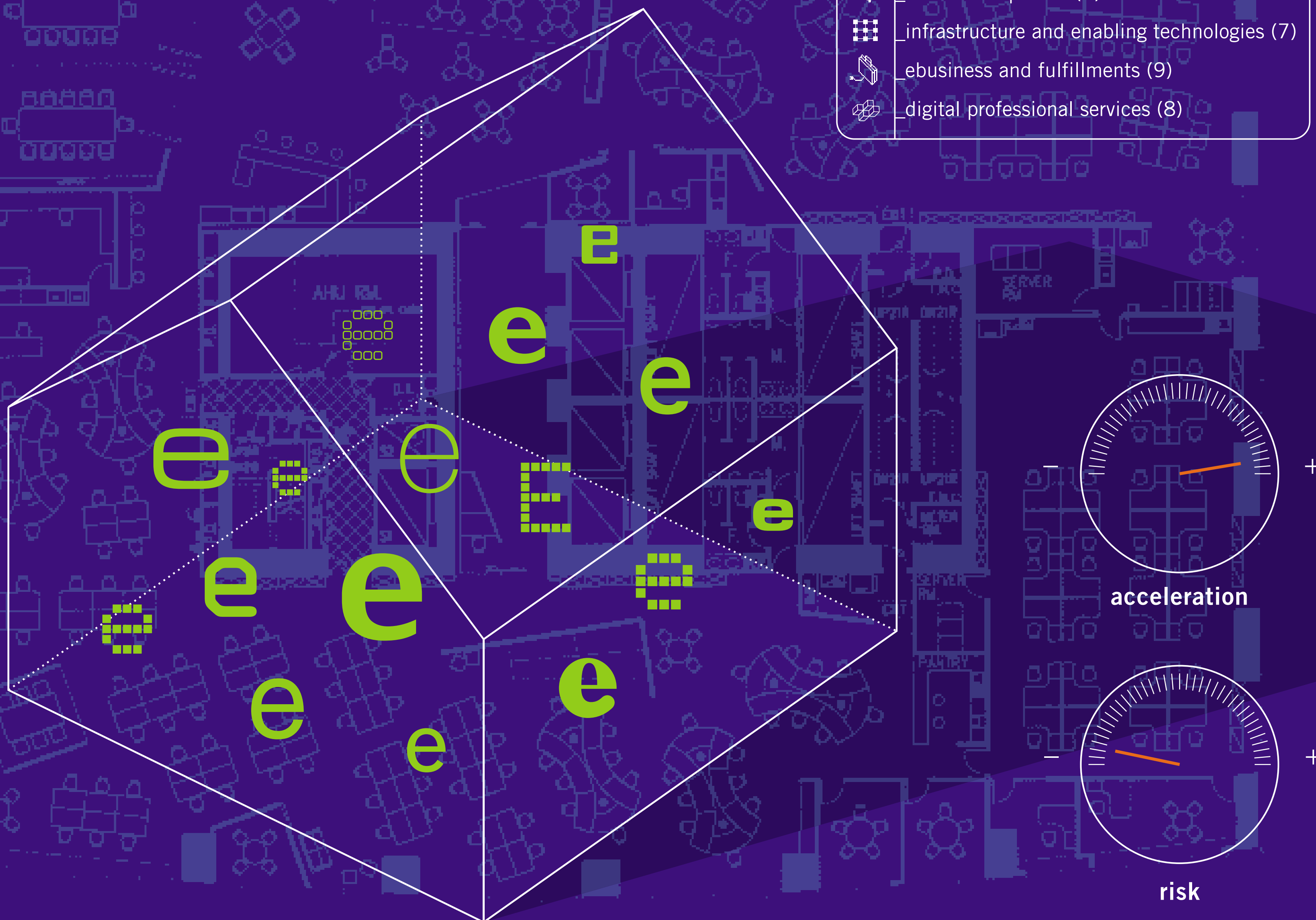
The purpose of the Applied Research Fund ("ARF Fund") is to support technology ventures undertaken by local Hong Kong entrepreneurs. Softech Investment Management Co., Ltd., a joint venture between Softbank China Venture Investments Ltd. and techpacific.com, currently manages HK$250 million. Given the high risk involved with investing in start-up companies, local entrepreneurs generally find great difficulty in raising funds. The objective of the ARF Fund is thus to invest in those ventures which have high potential and are commercially viable. In addition, the ARF Fund is constructed in a well-balanced manner in order to offset and diversify the high risk nature of these investments.

To date, the ARF Fund managed by us has invested in 2 companies, namely, Hong Kong Linux Centre and Entone Technologies. Total investment made into these two companies is over HK$ 8 million. Both companies are information technology based, in their start-up stage and are targeting the Pan-Asia market. The Hong Kong Linux Centre is a leading open source developer in providing web solutions based on the Linux platform; Entone is a manufacturer of broadband content delivery equipment for telecommunications carriers.

incubation center

investments by sector

- _voice related technology (2)
- _search and portals (9)
- _infrastructure and enabling technologies (7)
- _ebusiness and fulfillments (9)
- _digital professional services (8)



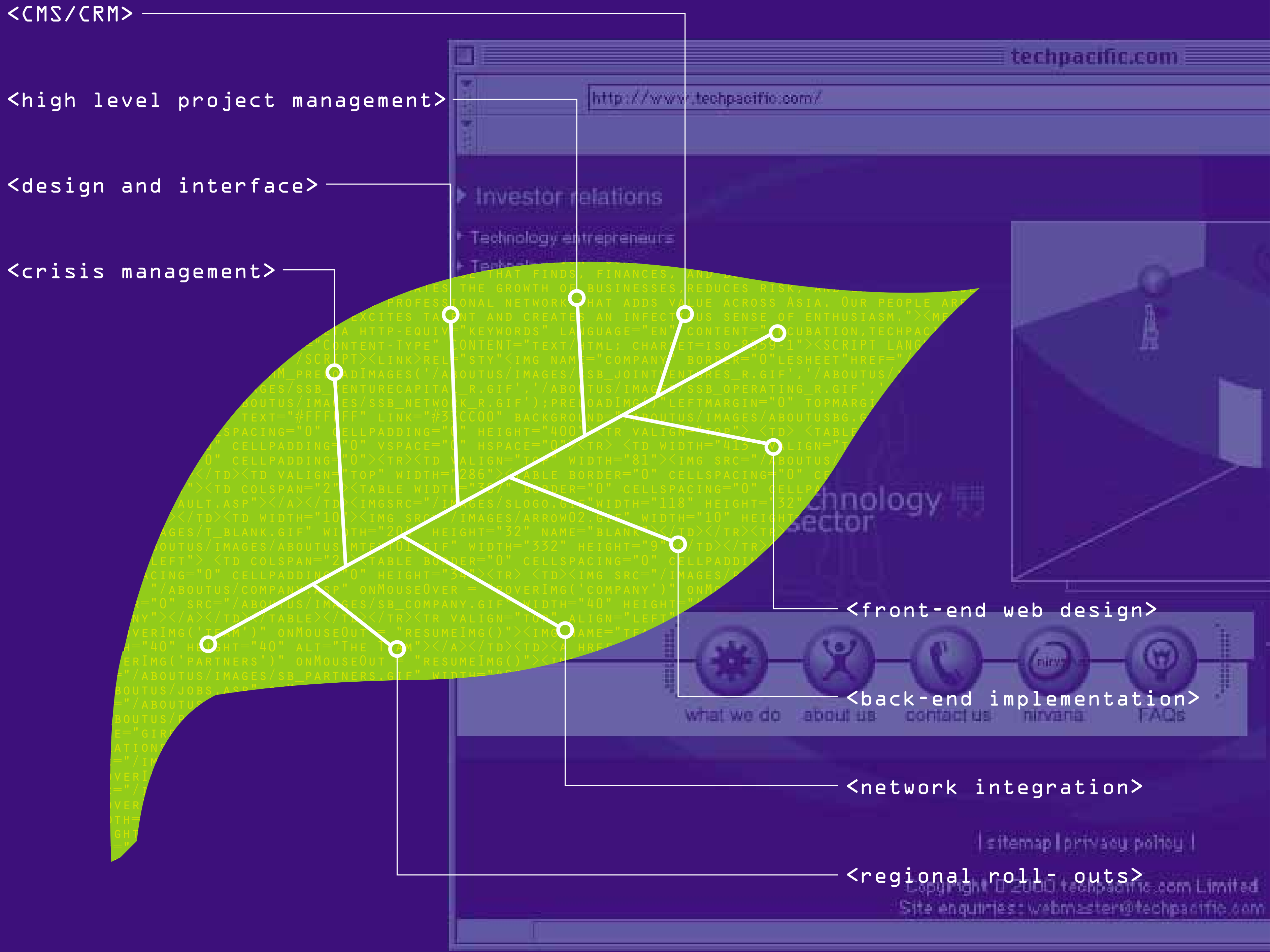
incubation center

tp Labs is the wholly-owned incubation subsidiary of techpacific.com. At its 21,000 sq.ft. facility, tp Labs puts the "techpacific ecosystem" into practice. Together with world-class strategic alliance partners, tp Labs and its "toolbox" companies accelerate growth and reduce risks for our incubatees by providing strategic advice and a host of affordable and high quality business and technology services.

tp Labs, our full service incubation center, was launched in September 2000 and continues to house and attract a large number of aspiring start ups from all over Asia. The toolbox companies residing at tp Labs not only offer much needed services to our invested partners but also provide a full suite of services to our Mentors and clients. While occupancy at tp Labs has still not reached its maximum level, it is becoming the base for an increasing number of home-grown Asian technology companies, as well as for companies from North America and Europe seeking to expand their product offerings in Asia.

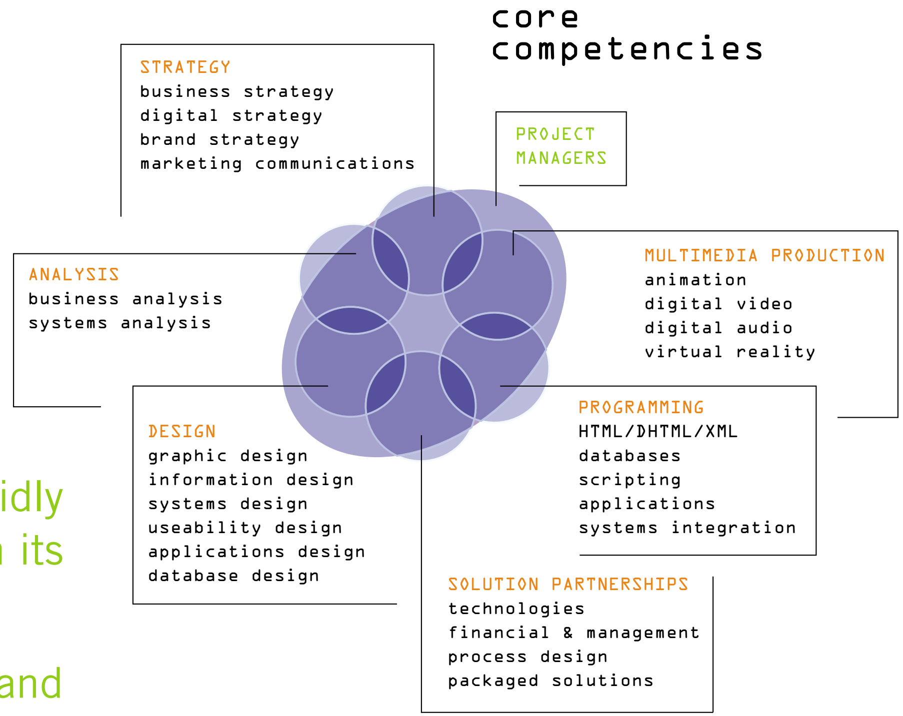
"tp Labs discovers, partners with, and nurtures start-up businesses."

digital services



digital services

The acquisition of a controlling stake in Spike CyberWorks ("Spike") has made techpacific.com one of region's largest "homegrown" digital service providers. With almost 125 staff in Digital Services, the largest of our divisions, and a blue-chip client base that includes some of Asia's largest and best known companies, we enter the new year extremely well-positioned in a rapidly growing business area. We expect this division on its own to generate significant revenue in 2001.

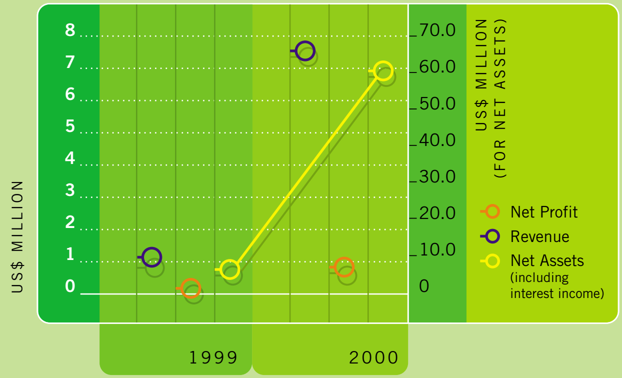


Project teams are drawn together from a diverse and experienced pool of in-house and partner-provided skill sets to meet client requirements. Digital Services' six core competencies include: strategy; business and systems analysis; a wide range of design capability (including graphic, information, systems, useability, applications and database designs); programming (in databases, scripting, applications, systems integration, and in HTML/DHTML/XML); multimedia production (of animation, digital video and audio, and virtual reality); and finally, solutions partnerships (in varied technologies, financial and management, process design and packaged solutions).

SPIKE CYBERWORKS

financial and business highlights

<key financial highlights>

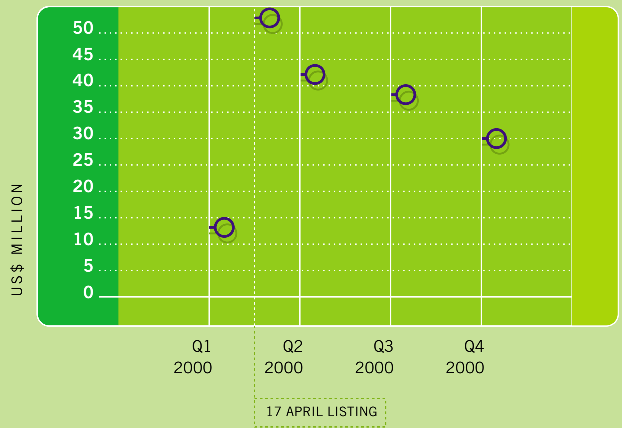


- Revenues (including interest income) increased seven times from US$1.1 million in 1999 to US$7.5 million in 2000.
- Net profit increased nine times from US$0.1 million in 1999 to US$0.9 million in 2000.
- Net assets increased nine times from US$6.7 million in 1999 to US$60.1 million in 2000.

<revenue growth outperforms market>

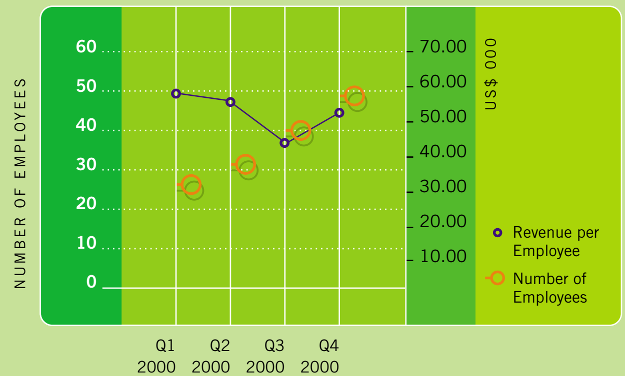
- Despite an unfavorable market environment for global technology stocks, techpacific.com has continued to show high revenue growth, exceeding the normalized growth rate of the markets.

<cash balance>



- techpacific.com finished fiscal year 2000 as a consistently cash-generative and profitable technology services group. As of December 31, 2000, the cash position remained approximately US$30 million, in addition to uninvested venture capital funds of approximately US$76 million for early stage technology investments.

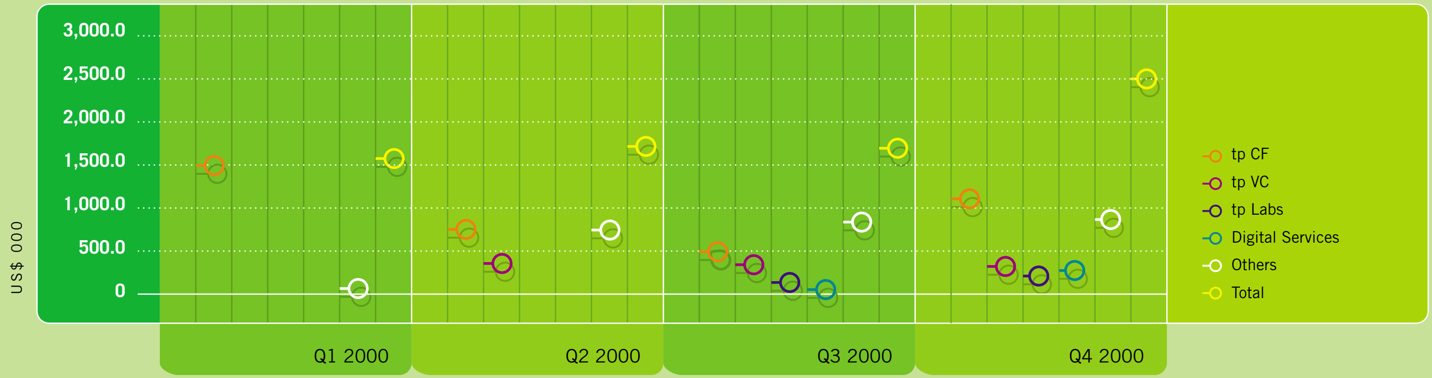
<growth in number of employees>



- The number of employees grew steadily from 17 at the end of 1999 to 49 at the end of 2000, as we expanded our corporate finance activities and opened two new operating divisions.
- Revenue (including interest income) per employee, a key indicator, has remained consistently high. We continue to seek revenue-generating professionals to grow all our different lines of business.

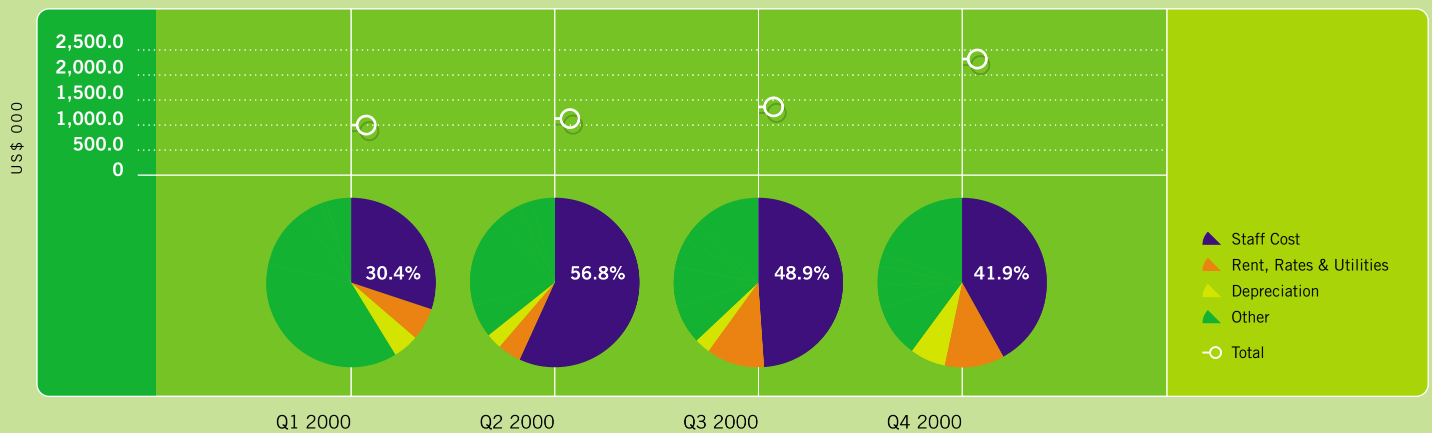
<breakdown of revenues by quarter>

(including interest income)



- tp Corporate Finance continued to be the biggest revenue contributor, accounting for approximately 50% of total revenues in 2000.
- Digital Services demonstrated strong growth in revenue contribution, increasing from 2% of total revenues in Q3 to 9% in Q4.

<breakdown of operating expenses>



- People continue to be our most valuable asset: staff cost comprised the single largest expense item.

The year 2000 has proven to be a momentous one for techpacific.com (the"Group"). The Directors are especially pleased to announce a profitable year for the Group in what have been extremely difficult market conditions for the last three quarters of the year.

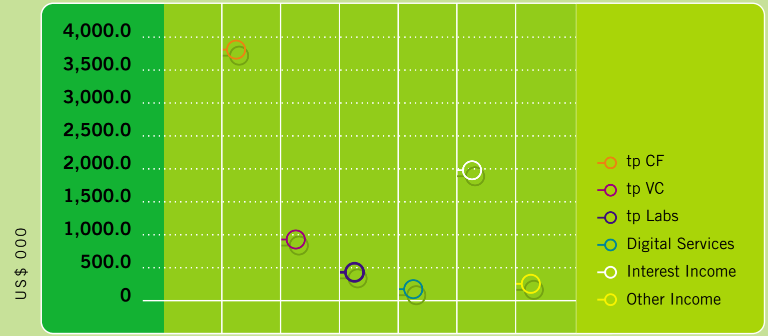
In addition to achieving a listing in Hong Kong, the Group has raised and manages a total of US$98 million of early stage technology funds, started two new operating divisions and successfully weathered the global market correction in technology stocks. Despite the twin challenges of hostile market conditions and managing significant growth of the Group's core businesses, techpacific.com has remained consistently profitable throughout 2000. Revenue for the financial year ended 31st December 2000 rose by more than 7 times over the corresponding period in 1999. Net profit rose by approximately 9 times over the same period. This net profit was achieved after a provision for impairment in value of US$225,000 against one investment. The Directors believe this result is a testament to the robust nature of the Group's business.

The Group's four operating divisions all finished the year strongly and the Group has continued to invest in its core competencies by hiring talented staff and by expanding geographically. Group operating profit for the financial year ended 31st December 2000 was US$1.2 million on revenues (including interest income) of US$7.5 million. Profit attributable to shareholders (after the techpacific.com's share of losses of associated companies) was US$0.9 million.

techpacific.com ended the 2000 fiscal year in a strong financial position. Total cash balances as of 31st December 2000 were approximately US$30 million. At the end of the year 2000, approximately US$76 million remains to be invested by the two venture capital funds managed by the Group.

<break down of full year revenue 2000>

(including interest income)



<use of proceed comparison>

	Estimated at the time of the share offer US$ MILLION	Actual amount incurred US$ MILLION
Strategic investments*	11.74	13.78
Incubation	4.36	4.80
Fund management**	10.00	3.00
Investment in technology	1.20	1.20
Brand development	0.41	0.56
Working capital***	0.43	2.78
	28.14	**26.12**

* (joint ventures and toolbox)
** based on actual drawdown at 30%
*** with significant growth in operations, actual amount incurred is signficantly higher than original estimates.

Outlook

The Group's senior management (the "Management") remains very confident about the future of the company: the Group has a well-focused corporate strategy, a high quality professional team and adequate capital to execute its strategy, and a clearly identified and accessible market opportunity in Asia.

At a time when many of the Group's competitors have either closed operations or retrenched, the Group has proven its ability to maintain profitability in difficult market conditions, whilst continuing to invest in the staff and infrastructure necessary to attain critical mass.

Significant progress has been made during fiscal 2000 in expanding the Group's activities geographically and functionally. Management's primary objective for 2001 is to drive increased revenues through the four operating divisions to help scale the Group's business. Management intends to achieve this by a mixture of organic growth and selective acquisition (illustrated by the acquisition of Spike at the start of the year 2001).

Management expects that revenues from the Group's corporate finance and venture capital fund management divisions will continue to grow in the year ahead. The first quarter may be challenging for corporate finance, due to globally weak investor sentiment. The corporate finance team nevertheless will be further expanded to seize the market opportunity that the Directors believe exists to build a highly focused and profitable corporate finance operation in the unquoted technology sector in Asia. In addition to expanding its existing operations in Hong Kong, Singapore, Korea and Malaysia, tp Corporate Finance will commence operations in China and Australia in the first part of fiscal 2001. Group revenues will also be increased significantly in fiscal 2001 as a result of the acquisition of Spike, which brings with it a sustainable cash revenue stream, a significant regional presence and a blue-chip client base comprised mainly of multi-national corporations.

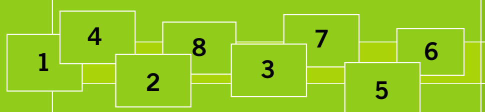
Operating expenses continued to increase in the fourth quarter of 2000, again principally as a result of investment in human resources (15 new personnel joined during the quarter; total staff of techpacific.com at 31/12/2000 numbered 49). Following the acquisition of Spike, total staff of the Group has increased to 175. While the Group continues to hire selectively across all its four operating divisions, Management expects the rate of increase in the headcount to decline as critical mass is achieved in each of our operating areas. As ever, the ability to recruit, retain and motivate such individuals remains fundamental to the Group's success.

Clearly, with increased operating expenses comes the necessity to generate increased revenues. Management aims to ensure that the Group generates sufficient cash revenues to at least cover its operating expenses. While we believe that this goal will be challenging in the first part of 2001, Management is confident that over the year as a whole, the Group will continue to achieve this objective.

The Group's portfolio of invested partners (including investments made by the Nirvana Fund) is now comprised of 35 companies. Our personnel continue to be actively involved on a day-to-day basis in assisting and supporting portfolio companies. All investments made by the Group continue to be carried in the balance sheet at the lower of cost or (in the case of listed investments) market value, even when private equity funding rounds have been completed by investee companies at higher valuations than the Group's entry level. No value has been attributed to options to subscribe for equity, which are held in 17 companies. Provision for impairment in value of an investment was made in the final quarter of 2000 by the Group and the Nirvana Fund in the amount of US$225,000 each. While further such write-offs must be expected, given the high risk/reward ratio inherent in early stage venture capital investing, we believe our portfolio has so far stood up well in relative terms to the current adverse market conditions.

techpacific.com finishes the year 2000 as a consistently cash-generative and profitable technology services business, with a valuable hidden asset in its portfolios of investments and options, which offer significant upside potential when markets begin to recover. The Group enters the year 2001 in a strong financial position: cash balances of approximately US$30 million and approximately US$76 million of uninvested funds under management. While market conditions continue to be challenging, the market opportunity for the Group in its chosen areas of business remains as compelling as ever. The Directors believe that techpacific.com is uniquely placed to capitalize on this opportunity.

board of directors



1. Robert John Richard Owen, *Chairman* As the Chairman of techpacific.com Limited (the "Company"), Robert Owen is responsible for overall supervision of the Company's management and maintaining relationships with key strategic partners of the Group, its investors and regulators. Robert has over thirty years of experience in the financial services industry. Since 1992, he has held senior positions in the Asian operations of the Nomura Group, as well as being a director of Sunday Communications Ltd., the International Securities Consultancy Ltd, European Capital Co. Ltd. and various other enterprises. From 1993 to 1996 he was a Council Member of Lloyds of London. In 1988, Robert was recruited by the Hong Kong Government as Advisor on Securities Markets to implement extensive reforms to the Hong Kong regulatory system, which included the establishment of the Securities and Futures Commission (SFC). In 1989, he became the first Chairman of the SFC, where he served to 1992. **2. Johnny Chan Kok Chung, *Chief Executive Officer*** Johnny Chan co-founded techpacific.com with Ilyas Khan and directs the strategic development and management of the Company. With over 16 years of experience in leading global financial institutions, Johnny is a veteran in corporate finance and investment banking. In 1999, he was a Managing Director of Bear Stearns Asia Ltd. in Hong Kong. Prior to that, he was an Executive Director at Union Bank of Switzerland. Johnny is an assessor in the Hong Kong Government's Small Entrepreneur Research Assistance Programme under the Innovation and Technology Fund. Johnny is also a Director of Softech, a joint venture between techpacific.com and Softbank China Venture Investments, which acts as a manager of the Hong Kong Applied Research Fund. **3. Ilyas Tariq Khan, *Managing Director*** Ilyas Khan co-founded techpacific.com with Johnny Chan and is responsible for heading the firm's business development activities. In addition, Ilyas is responsible for the integration of techpacific.com's digital services division with the newly acquired subsidiary, Spike Cyberworks. Ilyas is an experienced professional in the financial industry. Prior to setting up techpacific.com, he was a Managing Director at Nomura International. Between 1993 and 1996, Ilyas held the position of Managing Director at Union Bank of Switzerland and founded the Equity Corporate Finance and Capital Markets Division there. Currently, Ilyas is a board member of a number of technology companies including UBQT Limited, Entone Technologies and Web Media. **4. Max Carrol Chapman, Jr.** Max Chapman served during the 1990's as Co-Chairman and Chief Executive Officer of

Nomura Holdings America Inc., and Chairman of Nomura Europe Holdings Plc in London. Prior to that he was President and Chief Operating Officer of the Kidder Peabody Group Inc. and President and Chief Executive Officer of Kidder Peabody & Co Inc., its investment banking and broker-dealer subsidiary. **5. Peter Raymond Clarke** Peter Clarke was recently appointed CEO of China International Capital Corp. (CICC) and is a former Chairman of Merrill Lynch Asia Pacific from 1992-1999. He was also formerly a Managing Director at Salomon Brothers and held a variety of management positions in London, Tokyo and New York with the firm. Peter is a member of a number of public bodies and committees including the advisory board of the Securities and Futures Commission and the Hong Kong Securities Institute. **6. Francis Yuen Tin Fan** Francis Yuen is Deputy Chairman of the Pacific Century Group and Chairman of Pacific Century Insurance Holdings Ltd. He was in former years Managing Director of Citicorp Scrimgeour Vickers, Hong Kong. In 1988, Francis was appointed Chief Executive of the Stock Exchange of Hong Kong and served in that post until 1991. From 1992 to 1994 he served as a member of the International Markets Advisory Board of NASDAQ. **7. Junichi Goto** Junichi Goto is President and CEO of Softbank China Venture Investments Ltd and President and COO of Softbank Investment International (Strategic) Company Ltd. Junichi's other positions include a directorship of Soft Trend Capital Corp., a company incorporated in Japan engaged in venture fund management; he also serves as a Director of Softech Investment Management Company Ltd, which acts as manager of the Hong Kong Applied Research Fund. Junichi joined the SOFTBANK Group in July 1999. Before that, he was President and CEO of Nomura China Venture Investments Limited and Managing Director of the China Investment Banking Department of Nomura International (Hong Kong) Limited. **8. Ahmad S. AL-Khaled** Ahmad S. AL-Khaled is the Chief Operating Officer of Tekbanc Limited, a global Venture Capital firm that invests in private and publicly held companies in high growth sectors. Ahmad is also the Assistant Deputy Director and Head of the Investment Funds Division at the Kuwait Fund for Arab Economic Development which he joined in 1995. His responsibility is to lead a team of investment professionals in strategizing, analyzing, investing, and monitoring a portfolio of investment funds that includes hedge funds, long-only equity, fixed income, private equity, and real estate funds.

executive directors

Robert John Richard Owen, *Chairman*
Johnny Chan Kok Chung, *Chief Executive Officer*
Ilyas Tariq Khan, *Managing Director*

senior management

Jose Roy Hernandez Borromeo, *Chief Financial Officer* Prior to February 2001, Joey was in charge of the fund manangement business of techpacific.com. He has since assumed the role of Chief Financial Officer of the Group, replacing Chris Leahy who has become Head of tp Corporate Finance. Prior to joining the Group, Joey was Managing Director of Credit Lyonnais Securities in Manila, responsible for stockbroking and investment banking activities. Before that, he held senior management positions at various leading international financial institutions such as ABN AMRO Bank, Union Bank of Switzerland and Citicorp International Limited.

Christopher Leahy, *Head of tp Corporate Finance* Chris manages the techpacific Corporate Finance division. He has in excess of 15 years of investment banking and financial management experience, most recently with BNP Paribas Peregrine, where he was an Executive Director responsible for a large number of capital raisings and mergers and acquisition transactions. These transactions included a significant number of technology capital raisings, including the IPO of techpacific.com itself. Prior to his career at BNP Paribas, Chris worked for Warburg Securities and Greenwell Montagu Securities in the UK, as well as the Bank of Butterfield Group, a leading international offshore bank.

Christopher Birrell, *Chief Technology Officer* Chris carries responsibility for technology-related strategy planning for the Group, and business development and operation management of the Digital Services business division. Prior to joining techpacific.com, Chris spent over 15 years in technology, gaining solid experience in software and hardware development as well as business development. Since 1997, Chris served as a Director of DASCOM, a Santa Cruz (California) based company acquired by IBM in 1999, and founded their professional services division. Chris's prior involvement in the Asian technology community includes overseeing the technology development of iMagic's Power Phone product for New World Telephone, and the design and deployment of the Hong Kong Jockey Club's Cashbet Network infrastructure.

Jonathan Aiman Hakim, *Managing Director of tp Labs* As Managing Director of tp Labs, Jonathan carries responsibility for strategic planning and business development of the incubation business unit for the Group. Jonathan joined tp Labs with a wealth of experience in building and growing technology start-ups in the region, which he earned during his earlier life as a successful entrepreneur. Prior to heading up tp Labs, Jonathan worked with one of the first ISPs (Huge Net) in Hong Kong, managed the first financial portal (Asia, Inc. Online), started the first online securities brokerage in Hong Kong (BOOM.COM - which is also the winner of Penta Media's Best B2C Business in Asia), established the first community for Internet professionals in Asia (IandI Asia), and co-founded the first conferencing and publishing group focusing on technology in Asia (Gorilla Asia).

directors' report

auditors' report

financial statements

Directors' Report

The directors present their report and the audited financial statements of the Company for the period from 21 February 2000 (date of incorporation) to 31 December 2000 and of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2000.

REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“GEM”)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2000 under the Companies Law (Revised) of the Cayman Islands.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the GEM, the Company acquired 99.9% of the issued share capital of techpacific.com Capital Limited (formerly known as techpacific.com Company Limited and TechPacific.com Limited) and its subsidiary, and the entire issued share capital of other subsidiaries included in the Reorganisation, and thereby became the holding company of the Group on 22 March 2000. Further details of the Reorganisation are set out in the Company’s prospectus dated 5 April 2000.

The shares of the Company were listed on the GEM with effect from 17 April 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The principal activities of its subsidiaries are set out in note 7 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue excluding interest income for the year ended 31 December 2000 is as follows:

By Principal Activities and Geographical Locations:

	Asia	Europe	Middle East	Others	Total
	US$	US$	US$	US$	US$
tp Corporate Finance					
Corporate finance and other advisory fees	615,000	132,000	480,000	–	1,227,000
Placement fees	1,089,883	412,825	925,000	128,000	2,555,708
tp Venture Capital					
Fund management fees	932,844	–	–	–	932,844
Digital services					
e-Services income	152,981	–	19,910	–	172,891
Equipment rental income	155,934	–	–	–	155,934
Consultancy fee income	31,187	–	–	–	31,187
tp Labs					
Incubation services income	259,078	–	–	–	259,078
Other revenue					
Profit on disposal of investments	99,726	–	–	–	99,726
Sale of intellectual property	100,000	–	–	–	100,000
Others	15,062	–	–	–	15,062
	3,451,695	544,825	1,424,910	128,000	5,549,430

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2000 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 37 to 60.

The directors do not recommend the payment of a dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 8 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the authorised and issued share capital of the Company during the year are set out in note 14 to the financial statements.

Details of the share option scheme of the Company and its subsidiaries are set out in note 20 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 15 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the subsidiaries and associates as at 31 December 2000 are set out in notes 7 and 9 to the financial statements respectively.

MAJOR CLIENTS AND SUPPLIERS

The percentages of revenue for the year attributable to the Group's major clients are as follows:

– the largest client	17%
– five largest clients	56%

Except as disclosed under "Connected transactions" in this report, none of the directors, their respective associates or shareholders of the Company (who to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in any of the five largest clients of the Group.

The Group is a provider of financial and technology services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

DONATIONS

During the year, the Group made charitable and other donations amounting to US$90,558.

DIRECTORS

The directors of the Company since its date of incorporation and up to the date of this report were:

DIRECTORS (continued)

Executive directors:

Robert John Richard Owen (Chairman)	(appointed on 21 February 2000)
Johnny Chan Kok Chung	(appointed on 21 February 2000)
Ilyas Tariq Khan	(appointed on 21 February 2000)

Non-executive directors:

Joseph Tong Tze Kay	(appointed on 23 March 2000 and resigned on 31 August 2000)
Ahmad Al Khaled	(appointed on 13 November 2000)
Junichi Goto	(appointed on 15 January 2001)
Francis Yuen Tin Fan	(appointed on 23 March 2000)

Independent non-executive directors:

Max Carrol Chapman, Jr.	(appointed on 23 March 2000)
Peter Raymond Clarke	(appointed on 23 March 2000)

Francis Yuen Tin Fan, who was originally appointed as an independent non-executive director of the Company, has been redesignated as non-executive director of the Company on 14 March 2001 following the completion of the acquisition of Spike CyberWorks Limited by the Company. As a result of this transaction, Pacific Century CyberWorks Limited where Francis Yuen Tin Fan is the deputy chairman is interested in approximately 4.5% of the issued share capital of the Company.

In accordance with article 87 of the Company's Articles of Association, Messrs Ahmad Al Khaled, Junichi Goto and Peter Raymond Clarke retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a continuous service contract with techpacific.com Capital Limited commencing from 23 February 2000. The contracts of Robert John Richard Owen, Johnny Chan Kok Chung and Ilyas Tariq Khan will continue for a fixed term of two years from the date of execution and thereafter will continue unless terminated by not less than three months' notice in writing served by either party on the other. Each of these executive directors is also entitled to a discretionary bonus payable in December of each year at the discretion of the Board. None of the executive directors is entitled to vote on Board resolutions relating to any discretionary bonus payable to him.

The non-executive directors have not been appointed for any fixed term but are subject to retirement by rotation in accordance with the Company's Articles of Association.

Save as disclosed above, none of the directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Company's directors' remuneration are set out in note 17 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

(i) Shares in the Company

As at 31 December 2000, the interests of the directors of the Company and their associates in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) and the details of any right to subscribe for equity or debt securities of the Company granted to any of them, and the exercise of such rights as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to rules 5.40 to 5.49 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Name of director	Personal interest	Family interest	Corporate interest	Other interest
Robert John Richard Owen	107,695,606	–	–	–
Ilyas Tariq Khan (Notes 1 & 2)	79,994,076	–	513,498,147	–
Johnny Chan Kok Chung (Note 3)	207,805,852	16,097,387	–	–
Max Carrol Chapman, Jr	18,448,931	1,635,744	–	–
Francis Yuen Tin Fan (Note 4)	–	–	929,400	–
Peter Raymond Clarke	738,000	–	–	–

Note 1: TW Indus Limited held 188,208,147 shares in the Company. Ilyas Tariq Khan beneficially wholly owned TW Indus Limited.

Note 2: ECK & Partners Limited held 325,290,000 shares in the Company. ECK & Partners was beneficially owned as to 61.43% by Ilyas Tariq Khan, as to 20% by Robert John Richard Owen, and as to 18.57% by Johnny Chan Kok Chung.

Note 3: Yuda Udomritthiruj held 16,097,387 shares in the Company. Yuda Udomritthiruj is the wife of Johnny Chan and, accordingly, for the purposes of the SDI Ordinance, her shares are included in the shareholdings of Johnny Chan Kok Chung.

Note 4: Latlink Investments Limited held 929,400 shares in the Company. Latlink Investments Limited was beneficially owned as to 50% by Francis Yuen Tin Fan and as to the remaining 50% by his wife.

(ii) Share options

Pursuant to the pre-IPO employee share option plan and the post-IPO employee share option scheme of the Company, certain directors have interests in options to subscribe for shares in the Company as set out below. The options vest over a period of three years commencing on the first anniversary of the Effective Date.

Name of director	Effective date	Number of share options granted	Number of share options outstanding at 31 December 2000	Exercise price per share
Robert John Richard Owen	3 January 2000	14,252,349	14,252,349	US$0.0251
	23 March 2000	5,111,700	5,111,700	US$0.0610
	17 April 2000	464,700	464,700	HK$1.05
Ilyas Tariq Khan	3 January 2000	4,061,478	4,061,478	US$0.0251
	23 March 2000	15,102,750	15,102,750	US$0.0610
	17 April 2000	2,788,200	2,788,200	HK$1.05
Johnny Chan Kok Chung	3 January 2000 (Note 1)	45,777,597	45,777,597	US$0.0251
	23 March 2000 (Note 2)	20,214,450	20,214,450	US$0.0610
	17 April 2000 (Note 3)	15,335,100	15,335,100	HK$1.05

(ii) Share options (continued)

Name of director	Effective date	Number of share options granted	Number of share options outstanding at 31 December 2000	Exercise price per share
Max Carrol Chapman, Jr.	23 March 2000	2,323,500	2,323,500	US$0.0610
	23 March 2000	2,323,500	2,323,500	HK$1.05
Francis Yuen Tin Fan	23 March 2000	4,647,000	4,647,000	HK$1.05
Peter Raymond Clarke	23 March 2000	4,647,400	4,647,400	HK$1.05

Note 1: Including 2,323,500 options at a subscription price of US$0.0251 in which Yuda Udomritthiruj was interested. Yuda Udomritthiruj is the wife of Johnny Chan Kok Chung and, accordingly, for the purposes of the SDI Ordinance, her options are included in the options held by Johnny Chan Kok Chung.

Note 2: Including 1,394,100 options at a subscription price of US$0.0610 in which Yuda Udomritthiruj was interested.

Note 3: Including 929,400 options at a subscription price of HK$1.05 in which Yuda Udomritthiruj was interested.

Details of the share option scheme are set out in note 20 to the financial statements.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors or their associates to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

(iii) Shares in techpacific.com Capital Limited, a subsidiary of the Company

Name of director	Personal interest	Family interest	Corporate interest	Other interest
Robert John Richard Owen	3,000	–	–	–
Ilyas Tariq Khan (Notes 1 & 2)	1	–	110,001	–
Johnny Chan Kok Chung	30,000	–	–	–

Note 1: TW Indus Limited held 40,001 shares in techpacific.com Capital Limited. Ilyas Tariq Khan beneficially wholly owned TW Indus Limited.

Note 2: ECK & Partners Limited held 70,000 shares in techpacific.com Capital Limited. ECK & Partners was beneficially owned as to 61.43% by Ilyas Tariq Khan, as to 20% by Robert John Richard Owen, and as to 18.57% by Johnny Chan Kok Chung.

Save as disclosed above, none of the directors or their respective associates had any interests (including personal, family, corporate and other interests) in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance and any right to subscribe for equity or debt securities of the Company granted to any of them, and the exercise of such rights, which are required to be recorded in the register under Section 29 of the SDI Ordinance or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDER

As far as the directors are aware, as at 31 December 2000, the holders of 10% or more of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares	Approximate percentage
Ilyas Tariq Khan (Note 1)	593,492,223	24.73%
ECK & Partners Limited (Note 2)	325,290,000	13.56%
Tekbanc.com Limited	302,055,000	12.59%

Note 1: The interest of Ilyas Tariq Khan included 188,208,147 shares held by TW Indus Limited which was beneficially wholly-owned by him and 325,290,000 shares held by ECK & Partners Limited which was beneficially owned as to 61.43% by him.

Note 2: ECK & Partners Limited held a direct interest in 325,290,000 shares. Ilyas Tariq Khan was beneficially interested in 61.43% of the share capital of ECK & Partners Limited and, therefore, Ilyas Tariq Khan was also interested in these 325,290,000 shares which were duplicated within the 593,492,223 shares in which Ilyas Tariq Khan was interested.

Save as aforesaid, no person of the Company has any interest in the share capital of the Company which is required to be recorded in the register kept under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

During the year, the Group earned financial advisory fees of US$45,000 and placing fees of US$925,000 from Tekbanc.com Limited, a substantial shareholder of the Company.

SPONSOR'S INTEREST

As notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited (the "Sponsor"), as at 31 December 2000, Yi Hua Assets Limited ("Yi Hua"), an associate of the Sponsor (as defined in the GEM Listing Rules) held 16,380,675 shares in the Company.

Francis Leung Pak To ("Mr Leung"), a director of the Sponsor, beneficially owns 50% of Yi Hua and, as such, is indirectly interested in the 16,380,675 shares of the Company as mentioned above. Mr Leung, a member of the Advisory Board of the Company, was also granted 2,323,500 options under the Company's pre-IPO Share Option Plan.

Save as disclosed above, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to the agreement entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 17 April 2000 to 31 December 2002.

OTHER INTERESTS

The directors are not aware of any business or interest, as of 31 December 2000, of the directors, initial management shareholders of the Company or their respective associates which was required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

Details of such transactions carried out subsequent to 31 December 2000 are set out in note 24 to the financial statements.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 17 April 2000.

AUDIT COMMITTEE

The Company established an Audit Committee on 31 March 2000 with written terms of reference in compliance with Rules 5.20 and 5.25 of the GEM Listing Rules. As at 31 December 2000, the audit committee members comprised Peter Raymond Clarke, Francis Yuen Tin Fan and Robert John Richard Owen. On 14 March 2001, subsequent to the acquisition of Spike CyberWorks Limited by the Company as mentioned under "Directors" in this report, Francis Yuen Tin Fan resigned from the audit committee of the Company and was replaced by Max Carrol Chapman, Jr., an independent non-executive director of the Company. The committee's principal duties are to review and supervise the Company's financial reporting process and internal control systems. Four meetings have been held by the committee up to the date of this report.

PENSION SCHEME

Commencing from 1 December 2000, all Hong Kong employees have to participate in the Mandatory Provident Fund ("MPF") Scheme. Under such scheme, both the employee and employer have to contribute at least 5% of the employee's monthly salary to the MPF scheme (limited to HK$1,000 per contribution if no special agreement is made between the employees and employer).

All employees have participated in the Hong Kong and Shanghai Banking Corporation ("HSBC") MPF Scheme except for those who are exempted from this requirement. Under the HSBC MPF Scheme, both the Group and employees contribute 5% of salary (limited to HK$1,000) to the scheme each month. There is no voluntary contribution from the Group nor the employees.

The Group's contribution to the MPF Scheme amounted to US$4,826 for the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of the significant events which have taken place subsequent to the balance sheet date are set out in note 24 to the financial statements.

AUDITORS

The financial statements have been audited by Messrs. Grant Thornton who will retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of the Board

Robert John Richard Owen
Chairman

Hong Kong, 26 March 2001

Auditors' Report

Grant Thornton
均富會計師行

TO THE MEMBERS OF
TECHPACIFIC.COM LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 37 to 60 which have been prepared in accordance with International Accounting Standards as promulgated by the International Accounting Standards Committee.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurances as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong, 26 March 2001

Consolidated Income Statement

For the year ended 31 December 2000		2000	1999
	Notes	US$	US$
Revenue	4	5,549,430	1,011,954
Operating expenses			
Staff costs		(2,801,676)	(329,350)
Marketing		(555,395)	(43,618)
Legal and professional fees		(547,031)	(122,189)
Rent, rates and utilities		(559,393)	(96,385)
Travel and entertainment		(318,213)	(87,771)
Depreciation		(317,920)	(29,680)
Auditors' remuneration		(58,900)	(16,506)
Provision for impairment of an investment	10	(225,000)	–
Others		(972,283)	(206,425)
		(6,355,811)	(931,924)
(Loss)/Profit from operations		(806,381)	80,030
Interest income		1,961,366	56,281
Share of losses of associates		(278,325)	–
Profit before tax		876,660	136,311
Income tax expense	5	(28,000)	(35,000)
Profit after tax		848,660	101,311
Minority interest		38,966	–
Profit for the year	15	887,626	101,311
Basic earnings per share	6	0.04 cent	0.01 cent
Diluted earnings per share	6	0.04 cent	–

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 2000		2000	1999
	Notes	US$	US$
Exchange differences on consolidation	15	(178,605)	–
Changes in fair value of investments	15	(185,854)	–
Net loss recognised through equity directly		(364,459)	–
Profit for the year	15	887,626	101,311
Total recognised gain		523,167	101,311

Consolidated Balance Sheet

As at 31 December 2000		2000	1999
	Notes	US$	US$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	1,875,501	373,163
Interests in associates	9	11,072,750	–
Other investments	10	10,334,183	713,589
		23,282,434	1,086,752
Current assets			
Loan to and current accounts with investee companies	11	6,494,010	792,235
Amounts due from directors	18	–	33,503
Amounts due from shareholders		–	40,000
Debtors, deposits and prepayments		1,090,669	273,854
Other receivables	12,18	1,089,238	–
Cash at banks and in hand		29,964,587	5,239,705
		38,638,504	6,379,297
Current liabilities			
Creditors and accrued charges		680,969	392,615
Deferred income		201,613	–
Provision for tax		37,000	9,000
Amount due to an investee company		100,000	–
Amount due to a shareholder		–	340,472
		1,019,582	742,087
Net current assets		37,618,922	5,637,210
Non-current liability			
Provision for deferred tax	13	26,000	26,000
Minority interest		817,681	–
Net assets		60,057,675	6,697,962
CAPITAL AND RESERVES			
Share capital	14	2,399,677	1,419,895
Reserves	15	57,657,998	5,278,067
Shareholders' funds		60,057,675	6,697,962

Robert John Richard Owen
Director

Johnny Chan Kok Chung
Director

Balance Sheet

As at 31 December 2000	Notes	2000 US$
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries	7	24,550,659
Current assets		
Amount due from a related company	11	5,648,583
Debtors, deposits and prepayments		241,633
Cash at banks		25,734,501
		31,624,717
Current liabilities		
Creditors and accrued charges		155,857
		155,857
Net current assets		31,468,860
Net assets		56,019,519
CAPITAL AND RESERVES		
Share capital	14	2,399,677
Reserves	15	53,619,842
Shareholders' funds		56,019,519

Robert John Richard Owen
Director

Johnny Chan Kok Chung
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2000	Note	2000	1999
		US$	US$
Cash flows from operating activities			
Profit before tax		876,660	136,311
Interest income		(1,961,366)	(56,281)
Depreciation of property, plant and equipment		317,920	29,680
Profit on disposal of investments		(99,726)	–
Provision for impairment of an investment		225,000	–
Share of losses of associates		278,325	–
Operating (loss)/income before working capital changes		(363,187)	109,710
Increase in amounts due from associates		(200,565)	–
Increase in loan to and current accounts with investee companies		(5,701,775)	(792,235)
Decrease/(increase) in amounts due from directors		33,503	(33,503)
Decrease/(increase) in amounts due from shareholders		40,000	(40,000)
Increase in debtors, deposits and prepayments		(768,418)	(273,854)
Increase in other receivables		(1,089,238)	–
Increase in creditors and accrued charges		288,354	392,615
Increase in deferred income		201,613	–
Increase in amount due to an investee company		100,000	–
(Decrease)/increase in amount due to a shareholder		(340,472)	340,472
Increase in amounts due to minority shareholders		79,750	–
Cash used in operations		(7,720,435)	(296,795)
Interest received		1,912,969	56,281
Net cash used in operating activities		(5,807,466)	(240,514)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,014	–
Acquisition of associates		(11,150,510)	–
Acquisition of property, plant and equipment		(1,822,272)	(402,843)
Acquisition of other investments	16	(9,931,722)	(713,589)
Net cash used in investing activities		(22,902,490)	(1,116,432)
Cash flows from financing activities			
Net proceeds from the issue of shares		52,836,546	6,596,651
Capital injection from minority shareholders		776,897	–
Net cash from financing activities		53,613,443	6,596,651
Net increase in cash and cash equivalents		24,903,487	5,239,705
Cash and cash equivalents at 1 January		5,239,705	–
Effect of exchange rate fluctuations		(178,605)	–
Cash and cash equivalents at 31 December		29,964,587	5,239,705

Notes to the Financial Statements

For the year ended 31 December 2000

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2000 under the Companies Law (Revised) of the Cayman Islands.

The shares of the Company were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited with effect from 17 April 2000.

The Company acts as the holding company of the Group. Details of the principal activities of the Company’s subsidiaries are set out in note 7.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Company and its subsidiaries (the “Group”) in preparation for the listing of the Company’s shares on the GEM, the Company acquired 99.9% of the issued share capital of techpacific.com Capital Limited (formerly known as techpacific.com Company Limited and TechPacific.com Limited) and its subsidiary, and the entire issued share capital of other subsidiaries included in the Reorganisation, and thereby became the holding company of the Group. Further details of the Reorganisation are set out in the Company’s prospectus dated 5 April 2000.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on a uniting of interests basis, as if the Company had always been the holding company of the Group.

As the Company was incorporated on 21 February 2000, no comparative balance sheet of the Company at 31 December 1999 has been presented in these financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are as follows:

(a) Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards (“IAS”) issued by the International Accounting Standards Committee (“IASC”), and Interpretations issued by the Standing Interpretations Committee of the IASC.

The following IAS has been adopted in the financial statements before its effective date:

IAS 39 (1998) Financial Instruments: Recognition and Measurement

(b) Basis of consolidation

(i) Subsidiary

A subsidiary is a company in which the Company has the power, directly or indirectly, to control its financial and operating decisions so as to derive economic benefits. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Material intra-group balances and transactions, and any unrealised gains/losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(ii) Associate

An associate is a company in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of the associates on an equity accounting basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. For associates that are acquired and held exclusively with a view to dispose in the near future, the Group's interests are stated at cost.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Investments

Investments consist primarily of debt and equity interests in early-stage companies. They are stated at fair value based on quoted market prices, when available. For unquoted investments, management considers all available factors in determining fair value, which may include cost, the type of investment, subsequent purchases of the same or similar investments, and the current financial position and operating results of the company invested in. Any investment that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost. Changes in fair value in these securities are recognised in a revaluation reserve when these changes arise. In the case of impairment the deficit is recognised in the income statement. When these securities are disposed of, the related revaluation surplus or deficit is recognised as income or expense.

(d) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market situations.

(e) Property, plant and equipment

(i) Measurement bases

Items of property, plant and equipment are stated at cost less depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure relating to these assets is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Computer hardware and software	33 1/3%
Furniture and fixtures	20%
Leasehold improvements	over the terms of the leases
Motor vehicles	25%
Office equipment	33 1/3%

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

(g) Financial instruments

Loans, cash at banks and in hand, amounts receivable, creditors and other payables are stated at cost.

(h) Currency translation

The financial statements are prepared in United States dollars. Transactions in other currencies are translated into United States dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into United States dollars at the rates of exchange ruling at that date. Profits and losses arising on exchange are dealt with in the income statement. Non-monetary assets and liabilities denominated in other currencies, which are stated at historical cost, are translated into United States dollars at the rates of exchange ruling at the dates of the transactions.

The assets and liabilities of subsidiaries and associates which are not denominated in United States dollars are translated into United States dollars at foreign exchange rates ruling at the balance sheet date. Their revenues and expenses are translated into United States dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity.

(i) Taxation

Income tax on the profit and loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- Fees for corporate finance and other advisory services are recognised when the services have been rendered.
- Fees from the placement of shares or loan arrangements for a client are recognised when the shares have been allotted or the loan has been arranged and proceeds received by the client.
- Interest income is recognised as it accrues, taking into account the effective yield on the asset.
- Services income from incubation operations is recognised as it accrues.
- Fund management fee is recognised in accordance with the substance of the relevant agreements.
- e-Services income is recognised when the services have been rendered.
- Equipment rental income is recognised on a straight-line basis over the term of the lease.
- Consultancy fee income is recognised in accordance with the substance of the relevant agreements.

(k) Equity-related compensation

The Group's share option scheme allows directors and employees to acquire shares of the Company. When the option is exercised, equity is increased by the amount of the proceeds received and consequently no compensation cost is recognised.

(l) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4. REVENUE

Revenue comprises fees generated for services rendered as follows:

	2000	1999
	US$	US$
Corporate finance and other advisory fees	1,227,000	345,112
Placement fees	2,555,708	666,842
Fund management fees	932,844	–
e-Services income	172,891	–
Equipment rental income	155,934	–
Consultancy fee income	31,187	–
Incubation services income	259,078	–
Profit on disposal of investments	99,726	–
Sale of intellectual property	100,000	–
Others	15,062	–
	5,549,430	1,011,954

4. REVENUE (continued)

Revenue is derived from clients in the following geographical regions:

	Asia	Europe	Middle East	Others	Total
	US$	US$	US$	US$	US$
1999					
Corporate finance and other advisory fees	85,000	109,000	132,662	18,450	345,112
Placement fees	22,500	544,342	100,000	–	666,842
	107,500	653,342	232,662	18,450	1,011,954

	Asia	Europe	Middle East	Others	Total
	US$	US$	US$	US$	US$
2000					
Corporate finance and other advisory fees	615,000	132,000	480,000	–	1,227,000
Placement fees	1,089,883	412,825	925,000	128,000	2,555,708
Fund management fees	932,844	–	–	–	932,844
e-Services income	152,981	–	19,910	–	172,891
Equipment rental income	155,934	–	–	–	155,934
Consultancy fee income	31,187	–	–	–	31,187
Incubation services income	259,078	–	–	–	259,078
Profit on disposal of investments	99,726	–	–	–	99,726
Sale of intellectual property	100,000	–	–	–	100,000
Others	15,062	–	–	–	15,062
	3,451,695	544,825	1,424,910	128,000	5,549,430

5. TAXATION

The charge represents:

	2000	1999
	US$	US$
Current tax	28,000	9,000
Deferred tax	–	26,000
	28,000	35,000

The above income tax expense represents Hong Kong profits tax. Current tax is provided at the rate of 16% on the estimated assessable profit for the period.

The charge for the period is reconciled to the profit per the income statement as follows:

	2000	2000	1999	1999
	US$	%	US$	%
Profit before tax	876,660		136,311	
Tax at the rate of 16%	140,266	16.0	21,810	16.0
Tax effect of income/ expenses that are not (taxable)/ deductible in determining Group taxable profit	(112,266)	(12.8)	13,190	9.7
	28,000	3.2	35,000	25.7

6. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of US$887,626 (1999: US$101,311) and the weighted average number of ordinary shares of 2,130,780,480 (1999: 843,274,565) in issue during the year.

(ii) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of US$887,626 and a weighted average number of ordinary shares during the year of 2,216,313,162, calculated as follows:

	2000
Weighted average number of ordinary shares	2,130,780,480
Effect of share options	85,532,682
Weighted average number of ordinary shares (diluted)	2,216,313,162

The calculation of diluted earnings per share for 1999 is not meaningful in the absence of a quoted market price for the Company's shares during the period.

7. INTERESTS IN SUBSIDIARIES

	2000
	US$
Investments at cost	
Unlisted shares, outside Hong Kong	1
Amounts due from subsidiaries	24,614,122
Amount due to a subsidiary	(63,464)
	24,550,659

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

7. **INTERESTS IN SUBSIDIARIES** (continued)

Particulars of the subsidiaries at 31 December 2000 are as follows:

Name	Place and date of incorporation	Nominal value of issued capital	Percentage of issued capital held	Principal activities
techpacific.com Capital Limited (Formerly known as techpacific.com Company Limited and TechPacific.com Limited)	Hong Kong 24 February 1999	US$2,992,885.47	99.9%	Provision of financial and other services to technology sector companies
techpacific.com (BVI) Limited	British Virgin Islands 22 February 2000	US$0.01	100%	Investment holding
techpacific.com (BVI) Investments Limited	British Virgin Islands 12 August 1999	US$1	100%	Investment holding
techpacific.com Investments Limited	Cayman Islands 22 September 1999	US$2	100%	Investment holding
techpacific Venture Capital Limited	British Virgin Islands 8 April 1999	US$1	100%	Investment holding
techatlantic Limited	United Kingdom 7 October 1991	GBP2	100%	Dormant
techpacific Corporate Finance Limited	Hong Kong 28 April 1999	HK$1	99.9%	Placing agent
techpacific.com Venture Capital Limited	British Virgin Islands 25 November 1999	US$1,000	75.1%	Fund management
TotalAntiques.com Limited	British Virgin Islands 30 September 1999	US$50,000	100%	Investment holding
AsiaAntiques.com Limited	Hong Kong 8 October 1999	HK$1,000	100%	Dormant
China BPC Limited	British Virgin Islands 30 November 1999	US$1	100%	Dormant

7. INTERESTS IN SUBSIDIARIES (continued)

Name	Place and date of incorporation	Nominal value of issued capital	Percentage of issued capital held	Principal activities
GlobalOffering.com Limited	British Virgin Islands 2 December 1999	US$1	100%	Infomediary
Nirvana Pacific Capital Limited	Cayman Islands 2 March 2000	US$3,000	100%	Investment holding
Softech Investment Management Company Limited	Hong Kong 4 June 1999	HK$5,020	50%	Fund management
Valence Capital Company Limited	British Virgin Islands 5 July 2000	US$2	100%	Dormant
tp Factory Limited	Hong Kong 29 September 2000	HK$1,000	100%	e-Services provider
tp Labs Limited	Hong Kong 29 September 2000	HK$1,000	100%	Incubation services
Techpacific (Korea) Limited	Korea 12 May 2000	KW2,000,000,000	60%	Provision of financial and other services to technology sector companies
techpacificCAMERLIN.com Sdn Bhd	Malaysia 25 October 2000	RM100,000	60%	Provision of financial and other services to technology sector companies

8. PROPERTY, PLANT AND EQUIPMENT

	Computer hardware and software	Furniture and fixtures	Leasehold improvements	Motor vehicles	Office equipment	Total
	US$	US$	US$	US$	US$	US$
Group						
Cost						
At 1 January 2000	66,035	70,655	166,597	61,582	37,974	402,843
Additions	998,270	199,826	498,964	1,342	123,870	1,822,272
Disposals	(2,132)	–	–	–	–	(2,132)
At 31 December 2000	1,062,173	270,481	665,561	62,924	161,844	2,222,983
Accumulated depreciation						
At 1 January 2000	9,425	5,405	9,711	1,283	3,856	29,680
Charge for the year	162,119	25,443	87,823	15,703	26,832	317,920
Disposals	(118)	–	–	–	–	(118)
At 31 December 2000	171,426	30,848	97,534	16,986	30,688	347,482
Net book value						
At 31 December 2000	890,747	239,633	568,027	45,938	131,156	1,875,501
At 31 December 1999	56,610	65,250	156,886	60,299	34,118	373,163

Included in the above are computer hardware and software with a total net book value of US$617,000 (1999: NIL) used in generating operating lease rental income as at the balance sheet date.

9. INTERESTS IN ASSOCIATES

Interests in associates comprise:

	Notes	Group 2000 US$	Group 1999 US$
Share of net assets other than goodwill	(a)	603,740	–
Premium on acquisition		1,230,418	–
		1,834,158	–
Investments at cost	(b)	9,038,027	–
		10,872,185	–
Amounts due from associates		200,565	–
		11,072,750	–

(a) Particulars of those associates that are accounted for under the equity method, at 31 December 2000 are as follows:

Name	Place of incorporation	Percentage of issued capital held	Principal activities
Linux Center (HK) Limited	Hong Kong	20%	Linux consultancy
SoftPub.com Inc.	British Virgin Islands	40%	Web solution
Upstream Limited	Hong Kong	35%	Technology marketing and promotion
Techpursuit.com Holdings Limited	Cayman Islands	40%	Technology recruitment

(b) Investments in those associates that are acquired and held exclusively with a view to their disposal in the near future are accounted for at cost. The particulars of such associates at 31 December 2000 are as follows:

Name	Place of incorporation	Percentage of issued capital held	Principal activities
Gogo.com Limited	British Virgin Islands	30%	Internet music retail
GCG Asia Limited	British Virgin Islands	25%	Internet intelligence
Openrice.com Company Limited	British Virgin Islands	30%	Online food magazine
picktips.com Limited	British Virgin Islands	28%	Internet intelligence
K&K Pacific (HK) Limited	Hong Kong	26.7%	Online baby products provision
LegalStudio.com Limited	Hong Kong	25%	Web based legal solutions
Asset Publishing and Research Asia Limited	British Virgin Islands	34.6%	Research and publishing

10. OTHER INVESTMENTS

	Group 2000 US$	Group 1999 US$
Unlisted investments		
Convertible bonds and loans	760,000	175,000
Convertible preference shares	1,411,423	169,839
Ordinary shares, at cost	7,589,842	368,750
	9,761,265	713,589
Less: Provision for impairment	(225,000)	–
	9,536,265	713,589
Listed investments		
Ordinary shares, at fair value	797,918	–
	10,334,183	713,589

The above investments represent available for sale investments in equity or debt securities in technology sector companies, incorporated outside Hong Kong. Investments in listed securities are stated at fair value, based on quoted market prices. For investments where quoted market prices are not available and where the corresponding fair values cannot be reliably measured these are stated at cost.

11. LOAN TO AND CURRENT ACCOUNTS WITH INVESTEE COMPANIES/AMOUNT DUE FROM A RELATED COMPANY

Included in the balances in the consolidated balance sheet and the Company balance sheet are US$5,923,618 (1999: US$225,000) and US$5,648,583 respectively due from Nirvana Capital Limited which is a fund managed by the Group and in which the Group invested US$1 million during the year. The amounts due from Nirvana Capital Limited are unsecured, bear interest at 1-month USD deposit rate and are repayable on demand.

The remaining balance represents advances to other various investee companies which are interest free, unsecured and have no fixed terms of repayment.

Included in last year's balance was an interest bearing loan of US$300,000 made to an investee company, which was repaid during the year.

12. OTHER RECEIVABLES

Included in this balance are staff loans of US$684,429 (1999: NIL) for the purposes of assisting the employees to buy the Company's shares and cash advances of US$339,187 (1999: NIL) made to employees for other purposes. Such loans and advances are granted at the discretion of the management and are unsecured, interest-free and repayable on demand. No loans nor advances have been made to the directors of the Company.

13. PROVISION FOR DEFERRED TAX

Recognised deferred tax liabilities are attributable to property, plant and equipment. Deferred tax assets of US$60,000 (1999: US$22,500) in respect of the tax losses of a subsidiary have not been recognised because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

14. SHARE CAPITAL

Movements in the share capital of the Company for the period from 21 February 2000 (date of incorporation) to 31 December 2000 are summarised as follows:

	Number of ordinary shares	Number of convertible redeemable preference shares	Value
			US$
Authorised			
On incorporation	2,000,100,000	–	20,001,000
Share split pursuant to Reorganisation	17,999,900,000	1,000,000	–
	20,000,000,000	1,000,000	20,001,000
Issued and fully paid			
On incorporation	1	–	0.01
Increase on 22 March 2000 prior to share split	288,546	–	2,885.46
Shares split pursuant to Reorganisation	2,596,923	–	–
	2,885,470	–	2,885.47
Various share issues between 22 March 2000 after the share split and 28 March 2000	424,390	375,150	799.54
Share issue pursuant to the exercise of the employee share options	833,340	–	833.34
Bonus issue	2,095,158,895	–	2,095,158.90
Conversion	375,150	(375,150)	–
Issue of new shares	300,000,000	–	300,000.00
At 31 December 2000	2,399,677,245	–	2,399,677.25

14. SHARE CAPITAL (continued)

(i) The Company was incorporated with an authorised share capital of US$20,001,000 divided into 2,000,100,000 shares of US$0.01 each. One subscriber share of the Company of US$0.01 was taken up and fully paid up at par and subsequently transferred to techpacific.com Capital Limited, formerly known as techpacific.com Company Limited and TechPacific.com Limited. ("TP(HK)") on the date of incorporation.

(ii) On 22 March 2000, 288,546 shares of the Company were allotted to and subscribed and fully paid up by TP(HK) for US$2,885.46. On the same date, the authorised share capital of the Company was re-designated into 20,000,000,000 ordinary shares of US$0.001 each and 1,000,000 convertible redeemable preference shares of US$0.001 each. As a result of this redesignation, TP(HK)'s shareholdings in the Company became 2,885,470 shares of US$0.001 each.

(iii) Between 22 March 2000 and 28 March 2000, 250,770 ordinary shares and 36,520 preference shares were allotted to and subscribed and fully paid up by four of the directors of the Company, certain employees of the Group and certain other investors at US$2,924,479 and US$425,896 respectively.

(iv) Between 25 March 2000 and 28 March 2000, 173,620 ordinary shares and 338,630 preference shares were allotted to and subscribed and fully paid up by a director of the Company, certain employees of the Group and certain other investors at US$4,925,078 and US$9,605,918 respectively.

(v) On 28 March 2000, 833,340 shares were allotted to and subscribed and fully paid up by certain employees of the Group pursuant to exercise of 83,334 options granted under the Pre-IPO Share Option Plan at either US$10 each or US$15 each for a total of US$883,340.

(vi) On 3 April 2000, the Company capitalised US$2,095,158.90 standing credit of the Company's share premium account towards paying up in full 2,095,158,895 unissued ordinary shares and distributed such shares as bonus shares, to the Company's shareholders pro rata to their shareholdings on the basis of 4,637 ordinary shares for every 10 ordinary shares or preference shares.

(vii) The preference share was converted into one ordinary share of the Company at request of each preference share shareholder, immediately prior to completion of the GEM listing of the Company.

(viii) On 17 April 2000, pursuant to the listing on the GEM, the Company issued by way of public offer and share placement 300,000,000 ordinary shares of US$0.001 per share for a total cash consideration of HK$315,000,000 at HK$1.05 per share.

The share capital at 31 December 1999 as shown in the consolidated balance sheet represents the nominal value of the issued share capital (as adjusted for the effects of the Reorganisation) of TP(HK), the then holding company of the subsidiaries, acquired by the Company pursuant to the Reorganisation.

15. RESERVES

Group

	Share premium	Capital reserve	Investment revaluation reserve	Foreign exchange reserve	Retained profits	Total
	US$	US$	US$	US$	US$	US$
At 31 December 1999	587,481	4,589,275	–	–	101,311	5,278,067
Issue of shares	58,520,759	–	–	–	–	58,520,759
Share issue expenses	(4,568,836)	–	–	–	–	(4,568,836)
Capitalisation issue of shares	(2,095,159)	–	–	–	–	(2,095,159)
Deficit on revaluation	–	–	(185,854)	–	–	(185,854)
Exchange difference on consolidation	–	–	–	(178,605)	–	(178,605)
Profit for the year	–	–	–	–	887,626	887,626
At 31 December 2000	52,444,245	4,589,275	(185,854)	(178,605)	988,937	57,657,998

Company

	Share premium	Retained profits	Total
	US$	US$	US$
Issue of shares	59,108,240	–	59,108,240
Share issue expenses	(4,568,836)	–	(4,568,836)
Capitalisation issue of shares	(2,095,159)	–	(2,095,159)
Profit for the year	–	1,175,597	1,175,597
At 31 December 2000	52,444,245	1,175,597	53,619,842

15. RESERVES (continued)

(i) Capital reserve represents the difference between the amount paid by techpacific.com (BVI) Limited and the value of the attributable net tangible assets of TP(HK) when techpacific.com (BVI) Limited acquired the 99.9% equity interest in TP(HK) as part of the Reorganisation.

(ii) With the exception of section 34 of the Companies Law of the Cayman Islands, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the Company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account.

(iii) In the opinion of the Company's directors, the Company's reserves available for distribution to shareholders were as follows:

	2000
	US$
Retained profits	1,175,597
Share premium	52,444,245
	53,619,842

16. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Non-cash transactions/acquisition of investments

During the year the Group disposed of two equity investments of US$1,294,126 in exchange for two other equity investments of US$1,389,123. The resultant profit on disposal has been included under profit on disposal of investments in the consolidated income statement.

17. DIRECTORS' REMUNERATION AND EMPLOYEES' REMUNERATION

(i) Remuneration of the directors for the year was as follows:

	2000	1999
	US$	US$
Fees		
Executive directors	–	–
Non-executive directors	22,500	–
	22,500	–
Other emoluments		
Executive directors	405,909	79,911
Non-executive directors	–	–
	405,909	79,911
	428,409	79,911

	2000	1999
Emoluments band		
US$Nil to US$129,000	6	8
US$129,001 to US$193,000	2	–

17. DIRECTORS' REMUNERATION AND EMPLOYEES' REMUNERATION (continued)

(ii) Details of emoluments paid to the five highest paid individuals (including directors and other employees) were:

	2000	1999
	US$	US$
Fees and other emoluments	810,766	230,223
Number of directors	2	1
Number of employees	3	4

	2000	1999
Emoluments band		
US$Nil to US$129,000	–	5
US$129,001 to US$193,000	5	–

Robert John Richard Owen, a director of the Company, has waived emoluments of US$30,595 for the year. No other directors have waived any emoluments for the year.

18. LOANS TO OFFICERS

Loans to officers disclosed under S.161B of the Hong Kong Companies Ordinance are as follows:

Name	Capacity	At 1 January 2000 US$	Maximum amount during 2000 US$	At 31 December 2000 US$
Chan Kok Chung, Johnny	Director	20,013	20,013	–
Ilyas Tariq Khan	Director	13,490	13,490	–
Chow Wan Hoi, Paul	Company secretary	–	481,611	481,611*

The balances are interest free, unsecured and have no fixed repayment terms.

* Included in other receivables in the consolidated balance sheet.

19. FINANCIAL INSTRUMENTS

Financial assets of the Group include other investments, loans, cash at banks and in hand, debtors and other receivables. Financial liabilities of the Group include creditors and other payables and amount due to an investee company.

(i) Credit risks

Cash at banks and in hand

The Group's bank balances were mainly with three banks in Hong Kong.

Debtors and other receivables

The Group does not have a significant exposure to any individual client or counterparty. The major concentration of credit risk arises from exposures to a number of debtors operating in various regions including Asia, Middle East and Europe.

(ii) Fair value

The fair values of the above financial assets and liabilities are not materially different from their carrying amounts.

20. EQUITY COMPENSATION BENEFITS

Pursuant to the Company's share option scheme adopted on 3 April 2000, 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 closing price of the shares of the Company on the Stock Exchange on the date of grant of the particular option or 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 the nominal value of the shares, whichever is the higher. A nominal consideration of HK$10 is payable on acceptance of the grant of an option.

The maximum number of shares in respect of which options may be granted under the share option scheme shall not exceed 30% of the shares of the Company in issue from time to time during a specified period of 10 years from 3 April 2000, subject to certain conditions being satisfied and shareholders' approval being obtained; and the maximum number of shares in respect of which options may be granted to any one eligible employee shall not exceed 25% of the aggregate number of shares for the time being issued or issuable under the share option scheme.

20. EQUITY COMPENSATION BENEFITS (continued)

An option may be exercised in accordance with the terms of the share option scheme at any time during a period (shall not be less than three years and not more than ten years) as notified by the committee to each grantee. However, options granted under the share option scheme prior to the commencement of dealings in the shares of the Company on the GEM are exercisable as follows:

The grantee's right to exercise the option vests in three stages, such that the grantee has the right to exercise the options in respect of:

(i) the first thirty percent of the options commencing on the first anniversary of the date of grant;

(ii) the next thirty percent of the options commencing on the second anniversary of the date of grant; and

(iii) the remaining options commencing on the third anniversary of the date of grant.

Movements of the share options during the year are as follows:

	Exercise price		
	HK$0.19	HK$0.47	HK$1.05
At 1 January 2000	21,376,200	–	–
Options granted during the year			
3 January	96,016,314	–	–
1 February	2,323,500	–	–
15 February	15,567,450	–	–
28 February	27,882,000	–	–
23 March	8,829,300	95,031,150	11,617,500
3 April	–	18,588,000	–
17 April	–	100,328,730	75,978,450
Lapsed during the year	(929,400)	(929,400)	(2,091,150)
Exercised during the year	–	–	–
At 31 December 2000	171,065,364	213,018,480	85,504,800

20. EQUITY COMPENSATION BENEFITS (continued)

The grant and exercise of 387,253,098 share options (as adjusted for the effects of the Reorganisation) as part of the Reorganisation are not included in the movements above.

21. COMMITMENTS

Non-cancellable operating lease commitments in respect of office premises and the incubation centre are payable as follows:

	2000	1999
	US$	US$
Payable within one year	872,542	169,389
Payable in the second to fifth years	1,145,800	318,617
	2,018,342	488,006

Operating lease charges for the year in respect of office premises and the incubation centre amounted to US$316,970 (1999: US$49,577).

The Group had investment commitments of US$267,628 (1999: US$1,550,000) authorised and contracted for at the balance sheet date.

22. RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has a related party relationship with its directors and executive officers, with certain significant shareholders, with Nirvana Capital Limited ("NCL") which is a fund managed by the Group and with its investee companies.

Transactions with related parties

	2000	1999
	US$	US$
Fund management fee income from Nirvana Capital Limited	328,005	–
Investments made by Nirvana Capital Limited on behalf of the Group (held in the name of Nirvana Capital Limited)	3,523,748	–
Equipment rental income from an associate	155,934	–
Consultancy fee income from an associate	31,187	–
Placing fees from investee companies	1,103,298	22,500
Placing fees from associates	302,240	–
Placing fees from a shareholder	925,000	100,000
Corporate finance and other advisory fees from investee companies	615,000	–
Corporate finance and other advisory fees from a shareholder	45,000	72,662
Incubation services income from investee companies	21,935	–
Incubation services income from associates	208,620	–
e-Services income from investee companies	50,677	–
e-Services income from associates	100,379	–
Advertising and marketing expenses to associates	141,978	–
Advertising and marketing expenses to investee companies	25,000	–
Interest income from Nirvana Capital Limited	111,087	–

In addition to the above, during the year, the Group purchased a convertible bond of US$750,000, of which US$300,000 was purchased on behalf of Nirvana Capital Limited.

23. CONTINGENCIES

The Group and the Company had no material contingent liabilities at the balance sheet date.

24. SUBSEQUENT EVENTS

Acquisition of a subsidiary

On 30 January 2001, the Group acquired and subscribed for a total 51% interest in Spike CyberWorks Limited by entering into:

(a) an Acquisition Agreement for the acquisition;

(b) a Subscription Agreement for the subscription;

(c) a Loan Agreement.

The consideration for the acquisition of 30% of Spike CyberWorks Limited from Cyber Convergence Limited is A$10.5 million. Pursuant to the Subscription Agreement, the Group will increase its shareholding in Spike CyberWorks Limited to 51% at an aggregate subscription price of US$46. On completion, the Group will provide additional funding to Spike CyberWorks Limited through a loan facility (the "Facility") to the amount of, subject to certain adjustments, A$9.5 million, which loan shall be made pursuant to the Loan Agreement. The Facility will be made on an interest free basis and the term of the loan will be for 30 years. The Facility will be unsecured and subordinated behind all other present and future obligations of Spike CyberWorks Limited, other than obligations due to its shareholders, and any amount outstanding thereunder may, in certain circumstances, be converted to shares of a class in Spike CyberWorks Limited carrying only nominal distribution rights.

Share options granted

On 2 January 2001, 9 January 2001 and 12 February 2001, the Company issued in total 1,812,330 (139,410 to Robert John Richard Owen and 836,460 to each of the other two executive directors) and 78,304,175 options on its ordinary shares to the Company's three executive directors and employees of the Group respectively.

24. SUBSEQUENT EVENTS (continued)

Purchase of own securities

On 22 February 2001 the Company purchased 660,000 own ordinary shares on the exchange at HK$0.247 per share, totalling US$20,900 (HK$163,020).

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 March 2001.