



For the  
three months  
ended  
31 March

2002

# Quarterly Report

techpacific.com Limited

(incorporated in the Cayman Islands with limited liability)

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

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

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

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

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*This document, for which the directors of techpacific.com Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to techpacific.com Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **ABOUT techpacific.com Limited**

techpacific.com Limited (“techpacific” or the “Company,” and together with its subsidiaries the “Group”) is a Hong Kong-based investment banking, private equity fund management and investment group listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (HK GEM 8088), with representation in Mainland China, Korea, Singapore, Japan, Australia, the United Kingdom (covering the Middle East) and other parts of Asia.

The Group operates the following complimentary lines of business:

Crosby is techpacific’s corporate finance advisory arm. Crosby raises equity and debt capital for issuers and borrowers in Asia and elsewhere from a network of corporate and institutional investors. In addition, Crosby acts as a strategic advisor and provides mergers and acquisitions, restructuring and corporate finance advisory services for companies doing business in Asia.

techpacific Venture Capital oversees two funds: one is the US\$66 million (HK\$515 million) Nirvana Fund targeted mainly at early stage technology ventures in Asia, and the other is the US\$32 million (HK\$250 million) Hong Kong SAR Government's Applied Research Fund (which is managed via Softech Investment Management Company Limited, a joint venture between techpacific and Softbank).

Spike Limited ("Spike"), the Group's majority-owned subsidiary which was acquired in early 2001, provides a wide range of technology consultancy, web enabling and integration services, including web design and development, network management, on-line brand development and a broad range of e-implementation solutions for major regional and international corporations. Spike is headquartered in Australia and has operations in Japan, Hong Kong and Singapore.

## RESULTS

The Board of Directors ("Board") of the Company is announcing the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2002, together with the comparative unaudited figures of the corresponding period in 2001 as follows:

		<b>Three Months Ended 31 March</b>	
		<b>2002</b>	<b>2001</b>
		<i>US\$'000</i>	<i>US\$'000</i>
	<i>Notes</i>		
Revenue	2	2,083	2,273
Operating expenses		(6,837)	(4,878)
Loss from operations		(4,754)	(2,605)
Amortization of goodwill		(36)	(659)
Provision for impairment in investments		(243)	(2,967)
Profit on investment disposals		36	-
Share of losses in associates		(23)	(162)
Loss before taxation		(5,020)	(6,393)
Taxation	3	-	-
Loss after taxation		(5,020)	(6,393)
Minority interests		84	785
Loss attributable to shareholders		(4,936)	(5,608)
Loss per share - Basic	5	(US 0.20 cent)	(US 0.23 cent)

### Notes:

#### 1. **Basis of presentation**

The principal accounting policies adopted in preparing the unaudited consolidated results conform to International Accounting Standards.

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

#### 2. **Revenue**

Revenue includes various service fees and interest income.

#### 3. **Taxation**

No income tax has been provided for in the three months ended 31 March 2002 as neither the Group nor any of its associated companies derived any profit that is subject to income tax.

#### 4. Movement in reserves

	Share premium		Capital reserve		Capital redemption reserve	
	2002	2001	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January	52,209	52,444	9,228	4,589	11	-
Decrease arising from the acquisition of minority interest of a subsidiary	-	-	(64)	-	-	-
Increase arising from the issue of new shares for the acquisition of a subsidiary	-	-	-	5,132	-	-
(Decrease)/increase arising from repurchase of own shares	-	(26)	-	-	-	2
At 31 March	<u>52,209</u>	<u>52,418</u>	<u>9,164</u>	<u>9,721</u>	<u>11</u>	<u>2</u>

	Investment revaluation reserve		Foreign exchange reserve	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January	(113)	(186)	(470)	(179)
Increase/(decrease) in fair values of listed investments	67	(626)	-	-
Increase/(decrease) in exchange difference on consolidation	-	-	25	(491)
At 31 March	<u>(46)</u>	<u>(812)</u>	<u>(445)</u>	<u>(670)</u>

#### 5. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2002 is based on the loss attributable to shareholders of US\$4,936,386 (2001: US\$5,608,438) and the weighted average number of shares of 2,502,577,245 (2001: 2,463,105,023).

No diluted loss per share is shown, as the exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share for the three months ended 31 March 2002. As of 31 March 2002 Nil (2001: 83,035,384) options are currently exercisable, following the termination of the existing option schemes and the adoption of a new scheme on 27 March 2002, as referred to in the following share options note.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2002 (2001: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### General

The operating environment in early 2002 continued to be difficult, although the overall results were better than in the preceding quarter (i.e. Q4 2001) or the comparable quarter of 2001. This improvement was primarily due to the lack of any significant investment write-offs in the quarter under review. There was no significant improvement in operating results, as the Group's two principal operating activities (namely Spike and Crosby) were operationally loss making in Q1 2002, though there are signs of improvement in the market environment and deal flow.

Spike's operations were marked by two very quiet months for revenue and sales generation in January and February, followed by a good performance in March. The sales pipeline continues to show encouraging growth, especially in Australia. The Hong Kong and Singapore operations of Spike have also started to show some signs of growth in sales orders, whilst the operations in Japan have been disappointingly slow.

A wide-ranging review of the cost structure of Spike at the end of the quarter has led to the adoption of cost cutting measures, whose implementation is expected during Q2, especially in Japan.

The core investment banking and asset management operations of the Group carried out through Crosby started operating fully during the quarter under review, and on 27 March 2002 the Extraordinary General Meeting of shareholders of techpacific formally adopted the change of business proposal under which the Group is expanding its investment banking operations beyond the technology sector. At the same time the Group's incubation activity was discontinued for all practical purposes.

Development of investment banking business typically involves a lead-time before revenues are generated, but progress in Q1 was very encouraging, and there are clear signs that Crosby can create a profitable niche for itself in Asia. At the time of the release of this announcement, a further restructuring of the operation is in progress which is designed to accelerate the path to profitability both by cutting costs and refocusing the origination effort on carefully chosen sectors and clients across the region.

During Q1, investment banking assignments were secured in Korea, Singapore, Hong Kong and the Philippines. Initial steps were taken to establish a presence in Indonesia.

A more detailed analysis of the results is as follows:

	techpacific.com consolidated excluding Spike	Spike	techpacific.com consolidated including Spike	techpacific.com consolidated including Spike
	Q1 2002 US\$000	Q1 2002 US\$000	Q1 2002 US\$000	Q1 2001 US\$000
Revenue	742	1,341	2,083	2,273
Operating expenses	(2,322)	(4,050)	(6,372)	(4,470)
Operating loss before depreciation, amortization, provision and write-off/back	(1,580)	(2,709)	(4,289)	(2,197)
Amortization of goodwill	(36)	-	(36)	(659)
Depreciation	(118)	(347)	(465)	(408)
Profit on investment disposals	36	-	36	-
Provision for impairment in investments	(243)	-	(243)	(2,967)
Share of losses in associates	(23)	-	(23)	(162)
Loss before and after taxation	(1,964)	(3,056)	(5,020)	(6,393)
Minority interests	84	-	84	785
Loss attributable to shareholders	(1,880)	(3,056)	(4,936)	(5,608)

### **Investment Valuations**

Following comprehensive reviews of the entire investment portfolio throughout 2001 and significant provisions, valuations have stabilized during the first quarter of 2002, very selective investment opportunities continue to be reviewed and minor recoveries of US\$0.04 million (2001: Nil) have been realised from investment disposals.

In deciding on any impairment in the carrying value of investments, the Company satisfies itself that the relevant investee companies are not expected to have going concern problems in the foreseeable future and that they are either profitable or achieving milestones as set out in their business plans, with a realistic prospect of raising the capital necessary for their further development. Where the Company considers investee companies to have going concern problems, provisions are made. In certain other cases, the Company will also look at the liquidation value of investee companies.

Significant changes in the circumstances of continuing investments or poor operating results will lead to further provisions and this is reflected in the fact that investments held by the Group (including techpacific's participation in funds under its management but excluding the investment in Spike, which is consolidated) have been written down during the quarter by US\$0.24 million (2001: US\$2.97 million).

## Outlook

The primary short-term objective of the Group continues to be the achievement of a break-even operation in Spike and profitability in the investment banking operations.

Spike's short term outlook is somewhat dependant upon the speed at which the pipeline of potential business can be converted into sales orders. Progress towards profitability will also be affected by the extent to which the cost base can continue to be refined across the region. There are reasons for optimism in certain markets such as Australia, but the key market which will influence the pace of recovery is Japan. In recognition of this, Peter Williamson (the CEO of Spike) will be spending a large percentage of his time during Q2 in Tokyo.

In addition, the directors and management of the Group have accelerated efforts to secure third party capital for Spike. The restructuring of the business over the past 12 months has led to the emergence of Spike as a truly regional player and, with the sales pipeline that is now in place, certain financial and strategic investors have expressed an interest in joining techpacific as shareholders. Whilst there can be no guarantee that this exercise will be completed within the second quarter, a successful merger of Spike Limited with Spike Networks Limited (a company listed on the Australian Stock Exchange, code SPK) in June or July 2002 may be accompanied by the introduction of fresh capital resulting in the Group's shareholding being somewhat diluted.

Q2 should also see the continued building of momentum within Crosby (the investment banking arm of the Group). As activity in the regional capital markets has picked up somewhat, there is a real chance that some of Crosby's early initiatives will result in more significant fee income during the next quarter.

### Details of Future Plans for Material Investment

The Company announced on 10 May 2002 that it had entered into an agreement with Spike Networks Limited, in relation to the Company's shareholding in Spike Limited.

Under the terms of the agreement, the Company is swapping its shares in Spike Limited for new ordinary shares to be issued by Spike Networks Limited. The end result sees the Company holding 367.3 million shares in, or 80.3% of, Spike Networks Limited. In turn Spike Networks Limited will hold 100% of Spike Limited.

## DISCLOSURE OF INTERESTS

### (a) DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2002, the interests of the directors of the Company in the shares of the Company (the "Shares") and in the share capital of any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Exchange pursuant to section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein, or which were required pursuant to Rules 5.40 of the GEM Listing Rules relating to securities transactions by the directors to be notified to the Company and the Exchange were as follows:

#### (i) Equity interests in the Company

Name	Personal Interest	Family Interest	Corporate Interest	Other Interest
Robert John Richard Owen	107,957,606	-	-	-
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	-

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 Limited 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 Kok Chung 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) Directors' right to acquire shares in the Company

At the Extraordinary General Meeting held on 27 March 2002, all existing option schemes were terminated, all existing options cancelled and a new option scheme adopted. No director received any rights under the new scheme, except as follows:

Name	Effective Date	Option Shares	Subscription Price
Johnny Chan Kok Chung (Note 1)	27 March 2002	2,500,000	HK\$0.0704

Note 1: It comprised of 2,500,000 options 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.

## (iii) Interests in Crosby Limited (formerly known as techpacific.com Capital Limited), a subsidiary of the Company

Name	Personal Interest	Family Interest	Corporate Interest	Other Interest
Robert John Richard Owen	3,000	–	–	–
Ilyas Tariq Khan (Note 1)	1	–	110,001	–
Johnny Chan Kok Chung	30,000	–	–	–

Note 1: TW Indus Limited held 110,001 shares in Crosby Limited. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

## (b) SHARE OPTIONS

### (i) Previously Granted Share Options

At the Extraordinary General Meeting held on 27 March 2002, all existing option schemes were terminated and all existing options cancelled. No options relating to any previous scheme have ever been exercised.

### (ii) New Share Option Scheme

At the Extraordinary General Meeting held on 27 March 2002, a new share option scheme was adopted.

During the period from 27 March 2002 to 31 March 2002, 248,244,700 options were granted by the Company under the new share option scheme, as adopted by the Company on 27 March 2002. During the period from 27 March 2002 to 31 March 2002, no option granted pursuant to the share option scheme was exercised.

During the period from 27 March 2002 to 31 March 2002, no employees of the Company holding options left the Company. Pursuant to the terms of the new share option scheme, any such options lapse with effect from the date of resignation of such employees. Under rule 23.03(2) (Note 2) of the Rules Governing the Listing of Securities on GEM, options that have lapsed under the terms of the scheme will not be counted as part of the total number of securities subject to the scheme mandate limit of 10% of issued share capital.

As at 31 March 2002, options to subscribe for an aggregate of 248,244,700 ordinary shares of US\$0.001 each in the Company pursuant to the new share option scheme were outstanding.

Save as disclosed above, during the three months ended 31 March 2002, none of the directors and employees of the Company or its subsidiaries was granted options to subscribe for shares in the Company.

### (c) SUBSTANTIAL SHAREHOLDERS

So far as the directors are aware, as at 31 March 2002, the holders of 10% or more of Shares of the Company were as follows:

Name	Number or approximate attributable number of shares	Approximate percentage or approximate attributable percentage holding of shares currently in issue
Ilyas Tariq Khan ( <i>Note 1</i> )	593,492,223	23.72%
ECK & Partners Limited ( <i>Note 2</i> )	325,290,000	13.00%
tekbanc.com Limited ( <i>Note 3</i> )	302,055,000	12.07%

*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.

*Note 3:* tekbanc.com Limited is a company wholly-owned by the Kuwait Fund for Arab Economic Development, a development finance agency owned by the government of Kuwait.

Save as disclosed above, the directors are not aware of any other persons who were, as at 31 March 2002, interested in 10% or more of the shares of the Company.

### (d) SPONSOR'S INTEREST

As notified by the Company's sponsor, BNP Paribas Peregine Capital Limited (the "Sponsor"), as at 31 March 2002, Yi Hua Assets Limited, an associate of the Sponsor (as defined in the GEM listing rules) held 16,380,675 shares in the Company.

Save as disclosed herein, 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.

### (e) OTHER INTERESTS

The directors are not aware of any business or interest, as of 31 March 2002, 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.

## AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, 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, which deal clearly with its authority and duties. The audit committee members comprise Alec Tsui Yiu Wa, Max Carrol Chapman, Jr. and Robert John Richard Owen. Its principal duties are to review and supervise the Company's financial reporting process and internal control systems.



## BOARD PRACTICES AND PROCEDURES

The company has complied with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year.

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

During the three months ended 31 March 2002, the Company purchased Nil shares (2001:1,886,000), but did not sell or redeem any of the Company's listed securities.

## CHANGE OF NAME

At the Extraordinary General Meeting of the Company held on 30 April 2002, the shareholders approved a special resolution to change the name of the Company to "Techpacific Capital Limited". The Company is now implementing the Cayman Island regulatory processes necessary to effect this change.

The name change has been carried out in order to better reflect the Company's expansion of its business activities.

By Order of the Board  
**Robert John Richard Owen**  
*Chairman*

Hong Kong, 14 May 2002