



For the  
three months  
ended  
31 March

2003

# 1st Quarterly Report

**Techpacific Capital 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 Capital Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange for the purpose of giving information with regard to Techpacific Capital Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this 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 CAPITAL LIMITED

Techpacific Capital Limited (“Techpacific” or the “Company” and, together with its subsidiaries, the “Group”) is a Hong Kong-based investment banking and asset management group listed on the Hong Kong Stock Exchange’s GEM board (HK GEM 8088), with representation in China, Korea, Singapore, Indonesia, the Philippines, the United Kingdom (covering the Middle East) and other parts of Asia.

The Group operates the following complementary lines of business:

Crosby Limited (“Crosby”) is Techpacific’s investment banking 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 providing mergers and acquisitions, restructuring, structured finance and corporate finance advisory services for companies doing business in Asia.

The Group’s asset management arm acts as portfolio manager of three funds:

- (i) The US\$66 million (HK\$515 million) Nirvana Fund, targeted mainly at early stage technology ventures in Asia;
- (ii) The US\$32 million (HK\$250 million) Hong Kong Government’s Applied Research Fund (which is managed via Softech Investment Management Company Limited (“Softech”), a joint venture between Techpacific and Softbank China Venture Investments Limited); and
- (iii) The US\$350 million (HK\$2.7 billion) CORO Voltin Fund, on behalf of The Small Business Corporation of Korea.

## RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2003 (the "Review Period"), together with the comparative unaudited figures of the corresponding period in 2002, as follows:

		<b>Three Months Ended 31 March</b>	
	<i>Notes</i>	<b>2003</b> <i>US\$'000</i>	<b>2002</b> <i>US\$'000</i>
Turnover	2	590	1,990
Other revenue	2	154	129
Operating expenses		(1,901)	(6,837)
Loss from operations		(1,157)	(4,718)
Amortization of goodwill		(41)	(36)
Provision for impairment in investments		–	(243)
Share of losses in associates		(4)	(23)
Loss before and after taxation	3	(1,202)	(5,020)
Minority interests		11	84
Loss attributable to shareholders		(1,191)	(4,936)
Loss per share – Basic	5	(USD0.05 cent)	(USD0.20 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 Company 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. **Turnover and other revenue**

Turnover comprises fees for corporate finance and other advisory services, fees from placement of shares or loan arrangements, fund management fees and consultancy fees.

Other revenue mainly comprises interest income, profit on disposal of investments and fees from incubation services.

#### 3. **Taxation**

No income tax has been provided for in the three months ended 31 March 2003 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	
	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
At 1 January	52,209	52,209	9,228	9,228	11	11
Decrease arising from the acquisition of minority interest of a subsidiary	-	-	-	(64)	-	-
At 31 March	52,209	52,209	9,228	9,164	11	11

	Investment revaluation reserve		Foreign exchange reserve		Accumulated losses	
	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
At 1 January	125	(113)	(109)	(470)	(51,019)	(37,648)
Increase in fair values of listed investments	15	67	-	-	-	-
Increase in exchange difference on consolidation	-	-	46	25	-	-
Loss attributable to shareholders	-	-	-	-	(1,191)	(4,936)
At 31 March	140	(46)	(63)	(445)	(52,210)	(42,584)

#### 5. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2003 is based on the loss attributable to shareholders of US\$1,191,351 (2002: US\$4,936,386) and the weighted average number of shares of 2,502,577,245 (2002: 2,502,577,245).

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 2003. As of 31 March 2003, 49,410,000 (2002: Nil) options were exercisable.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2003 (2002: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review and Prospects**

#### ***Overview***

The operating environment for most businesses in Asia was negatively affected by two events in the first quarter of 2003 ("Q1"). Your Company was no exception.

First, the uncertainty which preceded the war in Iraq pre-occupied financial markets, leading to volatility in a variety of indices and commodity prices and caution on the part of decision makers at corporate and investor level.

Second, Greater China, and to a lesser extent South East Asia, has been and will continue for some time to be severely affected by the economic effects of the outbreak of Severe Acute Respiratory Syndrome ("SARS"). The brunt of the financial impact was felt in Hong Kong, and operating at "normal" levels has been impossible for businesses that are based in Hong Kong or which have significant exposure to Mainland China.

These extraordinary negative influences, allied with the typically slow Christmas, New Year and Chinese New Year holiday periods, adversely affected the Group's Q1 results. Offsetting these factors, however, has been the impact of 2002's cost-cutting.

A net loss of US\$1.19 million was recorded for Q1, narrowing from a net loss of US\$2.08 million the previous quarter and a net loss of US\$4.94 million for the comparable period last year.

Lastly, the Company, on 10 May, moved its headquarters to new premises in Citibank Tower. The new and smaller offices will significantly reduce our rental costs.

#### **Divisional Review**

##### ***Investment Banking – Crosby***

The Crosby business continues to focus on its two core products, namely fund-raising and financial advisory services for "mid cap" private enterprises in China and the placement of specialised structured financing products on behalf of Asian corporate issuers.

The acquisition during Q1 of a specialist team to originate M&A, fund-raising and advisory transactions from the Mainland China market is already bearing fruit. This division has secured a significant number of mandates and continues to build momentum in what is the most active market for Crosby's services in Asia. These mandates are expected to generate income in the second quarter.

In addition, the Structured Finance division has been successful in leveraging off the Philippines Long Distance Telephone Company receivables purchase transaction completed in December 2002. The benefits of this marketing effort are expected to accrue later in 2003 as a result of a number of new mandates and financing proposals secured by the Structured Finance team during the early months of this year.

A further development in Q1 was the hiring of a senior investment banker to develop business in the South Korea market.

Despite these developments, no major transactions reached closure during Q1 and therefore no success fees were generated, giving rise to a commensurate drop in revenues quarter-on-quarter.

## Asset Management

The Asset Management business has been successful in further expanding its geographical reach.

During Q1, Crosby Asset Management Limited ("CAML") received a registration to operate as an Asset Management Company from the Securities and Exchange Commission of Pakistan. By the third quarter of 2003, CAML plans to launch mutual funds offering equity and debt capital market investment strategies in the Pakistan market.

Only a small number of companies have been granted regulatory approval to manage open-ended mutual funds in Pakistan. CAML is an early entrant to this fast-growing market.

## Nirvana Fund

No new investment was made on behalf of the Nirvana Fund in Q1. The fund manager continues to work towards achieving exits and recoveries from the remaining portfolio companies. The main focus is on maximising cash extraction for the fund's investors to enable the fund to undertake the planned September 2003 repurchase of shares from, and cancellation of funding commitments by, the fund's investors.

## Applied Research Fund

The manager of the Applied Research Fund has taken advantage of the soft investment environment to close two investments on favourable terms to the fund. The first company creates Linux-based software for embedded devices. The second is a fabless semiconductor company.

In addition, three more investments have been approved by the Applied Research Council since the end of Q1, some of which we expect to close within the next quarter. The manager will continue to apply a stringent approach to assessing investments in Hong Kong which comply with the public mission of the Applied Research Fund to encourage and provide funding support to technology ventures that have good commercial potential.

## CORO Voltin Fund Limited

In April, the manager submitted its first full quarter portfolio report to The Small Business Corporation of Korea since it was appointed Portfolio Manager to the CORO Voltin Fund in November 2002. The portfolio now includes a large number of private Korean small- and medium-sized companies and a select number of medium-sized companies listed on KOSDAQ.

Total assets under management by the Group now exceed US\$400 million.

Detailed Group results for the three months ended 31 March are as follows:

	Notes	Investment Banking Asia		(Discontinued) Digital Services Asia and Australia		Total	
		Techpacific Group Excluding Spike		Spike		Techpacific Group Including Spike	
		2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
Turnover	2	590	651	-	1,339	590	1,990
Other revenue	2	154	127	-	2	154	129
Operating expenses		(1,901)	(2,440)	-	(4,397)	(1,901)	(6,837)
Loss from operations		(1,157)	(1,662)	-	(3,056)	(1,157)	(4,718)
Amortization of goodwill		(41)	(36)	-	-	(41)	(36)
Provision for impairment in investments		-	(243)	-	-	-	(243)
Share of losses in associates		(4)	(23)	-	-	(4)	(23)
Loss before and after taxation	3	(1,202)	(1,964)	-	(3,056)	(1,202)	(5,020)
Minority interests		11	84	-	-	11	84
Loss attributable to shareholders		(1,191)	(1,880)	-	(3,056)	(1,191)	(4,936)

## DISCLOSURE OF INTERESTS

### (a) Directors' Interests in Securities

As at 31 March 2003, 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 Securities (Disclosure of Interests) Ordinance, (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	-	-
Francis Yuen Tin Fan (Note 4)	-	-	929,400	-

Note 1: TW Indus Limited held 188,208,147 Shares. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

Note 2: ECK & Partners Limited held 325,290,000 Shares. 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. Ilyas Tariq Khan is deemed to have interests in 325,290,000 Shares under the SDI Ordinance since he is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited.

Note 3: Yuda Udomritthiruj held 16,097,387 Shares. Yuda Udomritthiruj, an employee of the Company, 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. 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

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 was adopted. Directors have the following rights as at 31 March 2003 to acquire Shares under the new scheme:

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

Note 1: The holding is comprised of 2,500,000 options in which Yuda Udomritthiruj, an employee of the Company, 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**

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

The following table sets out information relating to the new share option scheme:

Date of Options Grant	Options Granted	Options Exercise Price	Options Lapsed since grant	Options Outstanding	Options exercisable as at 31 March 2003
27 March 2002	248,244,700	HK\$0.0704	83,544,700	164,700,000	49,410,000
18 March 2003	54,000,000	HK\$0.0350	–	54,000,000	–
	<u>302,244,700</u>		<u>83,544,700</u>	<u>218,700,000</u>	<u>49,410,000</u>

No options granted under the new scheme had been exercised as at 31 March 2003.

Save as disclosed above, during the period from 27 March 2002 to 31 March 2003 none of the directors and employees of the Company or its subsidiaries was granted options to subscribe for Shares.

**(c) Substantial Shareholders**

As at 31 March 2003, the following interests in 10% or more of the Shares were recorded in the register of interests required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance:

Name	Number or approximate attributable number of Shares	Approximate percentage or approximate attributable percentage holding of Shares currently in issue
Ilyas Tariq Khan (Note 1)	593,492,223	23.72%
ECK & Partners Limited (Note 2)	325,290,000	13.00%
tekbank.com Limited (Note 3)	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 are duplicated within the 593,492,223 Shares in which Ilyas Tariq Khan was interested.

Note 3: tekbank.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 2003, interested in 10% or more of the Shares.

#### **(d) Competing Interests**

The directors are not aware of any business or interest, as of 31 March 2003, 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, Daniel Yen Tzu Chen and Robert John Richard Owen. Its principal duties are to review and supervise the Company's financial reporting process and internal control systems.

The audit committee meets at least quarterly with the most recent meeting held on 12 May 2003.

### **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 period.

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

During the three months ended 31 March 2003, the Company purchased Nil Shares (2002: Nil), and did not sell or redeem any of the Company's listed securities.

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

Hong Kong, 13 May 2003