



For the
six months
ended
30 June

2003

Interim 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.

The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

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

ABOUT TECHPACIFIC CAPITAL LIMITED

Techpacific Capital Limited (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:

The Group's investment banking arm raises equity and debt capital for issuers and borrowers in Asia and elsewhere from a network of corporate and institutional investors. It also 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 a portfolio manager for private and government institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Overview

The operating environment for the Group, and in fact most businesses in Asia, was negatively affected by two events in the six months under review.

First, the uncertainty which preceded the war in Iraq affected 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 some extent South East Asia, was severely affected economically by the outbreak of Severe Acute Respiratory Syndrome ("SARS"). The brunt of the financial impact was felt in Hong Kong, and operating at "normal" levels was impossible for businesses that are based in Hong Kong or which have significant exposure to Mainland China.

These extraordinary negative influences adversely affected the Group's results. Despite this, turnover was maintained at US\$1.095 million for the six months under review, compared with US\$1.178 million for the same period last year, excluding the turnover derived from the Group's discontinued digital services business, Spike, which was placed into liquidation during 2002. On the same basis, turnover for the quarter was US\$0.505 million compared to US\$0.528 million for the second quarter of 2002.

Offsetting these factors to some extent, has been the impact of 2002's cost-cutting. In addition, the Group moved its headquarters in Hong Kong to smaller offices in May 2003 which will significantly reduce future rental costs. Therefore the net loss attributable to shareholders was US\$2.316 million for the six months under review decreased from US\$3.784 million for the comparable period last year, excluding additional losses of US\$6.224 attributable to shareholders last year from Spike.

On 19 June 2003 the Company announced the appointment of Mr. Simon Fry as a Director and Chief Executive Officer of Crosby and Crosby Asset Management through which the Group's investment banking and asset management businesses operate. Mr. Fry will be based in London with a view to further developing the European business, in addition to overseeing existing operations. Mr. Fry has over twenty years' experience in investment banking at Yamaichi International (Europe) Ltd., CSFB Ltd., London and, most recently, at Nomura International Plc., London ("Nomura"). At Nomura, Mr. Fry was a Managing Director and member of the European Board of Directors, responsible for developing and managing a proprietary trading group that focussed predominantly on relative value trading strategies. In addition, he was a member of Nomura's Credit and Risk Committees.

Divisional Review

Investment Banking – Crosby

The Investment Banking 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 the period under review of a specialist team to originate M&A, fund-raising and advisory transactions from the Mainland China market has begun to build momentum securing a significant number of mandates in what is the most active market for Crosby's services in Asia.

In Singapore, the Group announced the signing of an advisory contract related to the Management Buy-Out of a cement company. Although this deal was announced in June 2003 the financial closing will be later in the third quarter and therefore the success fee from this transaction is not included in the period under review.

During the period under review a senior investment banker was hired to develop business in the South Korea market.

In addition, the Structured Finance division has been active in developing business by leveraging off the Philippines Long Distance Telephone Company receivables purchase transaction completed in December 2002.

Despite these positive developments, no major transactions reached financial closure during the period under review and therefore no significant success fees were generated. However, the pipeline of mandated transactions grew significantly and it is expected that a number of transactions will reach financial close in the coming six months and generate additional revenue in 2003.

Asset Management

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

The Asset Management business has expanded its scope during the six months under review. The Group's associated company received a registration to operate in Pakistan and filed for approval of its first open-ended unit trust, which it expects to launch later in 2003.

Nirvana Fund

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 fund manager continues 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

The portfolio, consisting of listed and unlisted bonds and warrants in a large number of Korean small- and medium-sized companies, is now over 90% invested.

Other Matters

Liquidity and Financial Resources

The Group financed its operations and investing activities with internally generated cashflows and the balance of proceeds from the IPO.

As at 30 June 2003, the Group had cash and bank balances of US\$9.35 million, compared to US\$11.78 million at 31 December 2002. During the six months ended 30 June 2003, the Group utilized US\$2.43 million to finance its operations and investment activities. The Group's cash operating costs are expected to be approximately US\$0.48 million per month.

Capital Structure

There were no changes in the Company's capital structure in the six months to 30 June 2003.

Foreign Currency Exchange Exposure

The Group's exposure to foreign currencies is limited to its investment in foreign subsidiaries, which are financed internally.

Employee Information

As at 30 June 2003, the Group had 46 full-time employees up from 43 as at 30 June 2002, excluding the employees of the Group's discontinued digital services business, Spike, which was placed into liquidation in 2002. On this basis, employee remuneration for the six months under review totalled US\$1.97 million compared to US\$2.55 million for the same period last year. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

The Group also operates an employee share option scheme, as detailed in this report.

Details of Future Plans for Material Investments

The Group continues to invest in future business expansion and diversification as approved at the Company's Extraordinary General Meeting on 27 March 2002.

Details of Charges on Group Assets

There were no charges on Group assets as at 30 June 2003.

CONSOLIDATED INCOME STATEMENT

For the six months and three months ended 30 June 2003

		Unaudited six months ended 30 June		Unaudited three months ended 30 June	
Notes		2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
Turnover	3	1,095	3,691	505	1,701
Other revenue	6	431	891	277	762
Total revenue		<u>1,526</u>	<u>4,582</u>	<u>782</u>	<u>2,463</u>
Administrative expenses		(3,185)	(12,437)	(1,677)	(6,091)
Distribution expenses		(4)	(72)	(2)	(26)
Other operating expenses		(558)	(994)	(168)	(548)
Finance costs		(1)	-	-	-
Loss from operations	7	<u>(2,222)</u>	<u>(8,921)</u>	<u>(1,065)</u>	<u>(4,202)</u>
Amortization of goodwill	9	(82)	(72)	(41)	(36)
Provision for impairment of investments		-	(946)	-	(703)
Share of losses of associates		(16)	(25)	(12)	(2)
Loss before and after taxation		<u>(2,320)</u>	<u>(9,964)</u>	<u>(1,118)</u>	<u>(4,943)</u>
Minority interests		4	(44)	(7)	(128)
Loss attributable to shareholders		<u>(2,316)</u>	<u>(10,008)</u>	<u>(1,125)</u>	<u>(5,071)</u>
Loss per share – Basic	8	<u>(USD0.09 cent)</u>	<u>(USD0.40 cent)</u>	<u>(USD0.04 cent)</u>	<u>(USD0.20 cent)</u>

CONSOLIDATED BALANCE SHEET

As at 30 June 2003

		Unaudited 30 June 2003 <i>US\$'000</i>	Audited 31 December 2002 <i>US\$'000</i>
<i>Notes</i>			
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	410	390
Interests in associates		107	–
Available-for-sale investments		218	208
Intangible assets	9	237	319
		972	917
Current assets			
Loan to and current accounts with investee companies		78	181
Debtors, deposits and prepayments	10	1,181	689
Other receivables		90	254
Tax recoverable		–	4
Trading investments		219	174
Cash and bank balances		9,350	11,777
		10,918	13,079
Current liabilities			
Creditors and accrued charges	11	907	737
Deferred income		96	96
Provision for taxation		51	39
Current portion of obligations under finance leases		21	22
		1,075	894
Net current assets		9,843	12,185
Total assets less current liabilities		10,815	13,102
Non-current liabilities			
Obligations under finance leases		–	9
		–	9
Minority interests		140	145
Net assets		10,675	12,948
CAPITAL AND RESERVES			
Share capital	12	2,503	2,503
Reserves		8,172	10,445
Shareholders' funds		10,675	12,948

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Capital redemption reserve US\$'000	Investment revaluation reserve US\$'000	Foreign exchange reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 January 2003	2,503	52,209	9,228	11	125	(109)	(51,019)	12,948
Loss attributable to shareholders	-	-	-	-	-	-	(2,316)	(2,316)
Surplus on revaluation	-	-	-	-	17	-	-	17
Exchange difference on consolidation	-	-	-	-	-	26	-	26
At 30 June 2003	<u>2,503</u>	<u>52,209</u>	<u>9,228</u>	<u>11</u>	<u>142</u>	<u>(83)</u>	<u>(53,335)</u>	<u>10,675</u>
At 1 January 2002	2,503	52,209	9,228	11	(113)	(470)	(37,647)	25,721
Loss attributable to shareholders	-	-	-	-	-	-	(10,008)	(10,008)
Acquisition of minority interest of a subsidiary	-	-	(64)	-	-	-	-	(64)
Disposal of a subsidiary	-	-	-	-	-	797	-	797
Surplus on revaluation	-	-	-	-	198	-	-	198
Exchange difference on consolidation	-	-	-	-	-	(417)	-	(417)
At 30 June 2002	<u>2,503</u>	<u>52,209</u>	<u>9,164</u>	<u>11</u>	<u>85</u>	<u>(90)</u>	<u>(47,655)</u>	<u>16,227</u>

CONDENSED CONSOLIDATED CASHFLOW STATEMENT

For the six months ended 30 June 2003

	Unaudited six months ended 30 June	
	2003 US\$'000	2002 US\$'000
Net cash outflow from operating activities	(2,176)	(6,537)
Net cash outflow from investing activities	(238)	(506)
Net cash outflow from financing activities	(12)	-
Net decrease in cash and cash equivalents	<u>(2,426)</u>	<u>(7,043)</u>
Cash and cash equivalents as at 1 January	11,777	19,795
Effect of exchange rate fluctuations	(1)	141
Cash and cash equivalents as at 30 June	<u>9,350</u>	<u>12,893</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of presentation

The unaudited condensed consolidated interim financial statements ("interim financial statements") are prepared in accordance with International Accounting Standards.

The interim financial statements incorporate those of the company and its subsidiaries made up to 30 June each year and are prepared on the historical cost basis except for certain financial instruments.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Principal accounting policies

The principal accounting policies adopted in the interim financial statements are consistent with those followed in the annual financial statements for the year ended 31 December 2002.

3. Turnover

Turnover comprises fees for corporate finance and other advisory services, fees from the placement of shares or loan arrangements and fund management fees. In the comparative period, turnover also comprised income from digital services.

4. Segment Information

Segment information of the Group by business segment (primary segment) for the six months ended 30 June is as follows:

	Investment Banking		Asset Management		(Discontinued) Digital Services		Elimination		Total	
	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000	2003 US\$'000	2002 US\$'000
Turnover (Note 3)	343	501	752	677	-	2,513	-	-	1,095	3,691
Segment results	(939)	(886)	209	492	-	(6,224)	-	-	(730)	(6,618)
Unallocated loss from operations									(1,492)	(2,303)
Loss from operations									(2,222)	(8,921)
Amortisation of goodwill									(82)	(72)
Provision for impairment of investments									-	(946)
Share of losses of associates									(16)	(25)
Loss before and after taxation									(2,320)	(9,964)
Minority interests									4	(44)
Loss attributable to shareholders									(2,316)	(10,008)

5. Taxation

No income tax has been provided for the six months ended 30 June 2003 (2002: US\$Nil) as neither the Group nor any of its associated companies derived any profit that is subject to income tax.

No recognition of the potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential tax assets is uncertain (2002: US\$Nil).

6. Other Revenue

	Six months ended 30 June	
	2003 US\$'000	2002 US\$'000
Bank interest income	56	119
Incubation services income	45	53
Bad debt recovery	137	–
Profit on disposal of subsidiaries	3	661
Profit on disposal of investments	178	56
Others	12	2
	<u>431</u>	<u>891</u>

7. Loss from operations

	Six months ended 30 June	
	2003 US\$'000	2002 US\$'000
Loss from operations is arrived at after charging:		
Amortization of intellectual properties	–	12
Auditors' remuneration	36	91
Fair value adjustment on trading investments	–	89
Depreciation		
– owned assets	195	898
– assets under finance leases	8	3
Loss on disposal of property, plant and equipment	61	4
Provision for doubtful debts	7	310
Operating lease rentals in respect of rented premises	353	702
Staff costs (excluding directors' remuneration)	1,687	7,522
Directors' remuneration	300	314
and after crediting:		
Fair value adjustment on trading investments	17	–

8. Loss per share

The calculation of the basic loss per share for the six months ended 30 June 2003 is based on the loss attributable to shareholders of US\$2,315,805 (2002: US\$10,007,553) and the weighted average number of shares of 2,502,577,245 (2002: 2,502,577,245).

The calculation of the basic loss per share for the three months ended 30 June 2003 is based on the loss attributable to shareholders of US\$1,124,455 (2002: US\$5,071,167) 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 six months and three months ended 30 June 2003.

9. Property, Plant and Equipment and Intangible Assets

	Property, plant and equipment US\$'000	Intangible assets US\$'000
Net book value as at 1 January 2003	390	319
Additions	284	–
Disposals	(61)	–
Depreciation for the period (Note 7)	(203)	–
Amortization for the period	–	(82)
Net book value as at 30 June 2003	<u>410</u>	<u>237</u>

10. Trade Debtors

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

At the balance sheet date, included in debtors, deposits and prepayments are trade debtors of US\$118k (as at 31 December 2002: US\$84k). Included in trade debtors were amounts due from associates of US\$Nil (as at 31 December 2002: US\$13k). These were classified in the balance sheet as Interests in Associates.

The aged analysis of the trade debtors is as follows:

	30 June 2003 US\$'000	31 December 2002 US\$'000
0 – 30 Days	30	43
31 – 60 Days	9	–
61 – 90 Days	64	6
Over 90 Days	15	48
	<u>118</u>	<u>97</u>

11. Creditors and accrued charges

There are no trade creditors at 30 June 2003 (as at 31 December 2002: Nil) included in creditors and accrued charges.

12. Share capital

	Number of ordinary shares	Number of convertible redeemable preference shares	Value US\$
Authorised (par value of US\$0.001 each)	<u>20,000,000,000</u>	<u>1,000,000</u>	<u>20,001,000</u>
Issued and fully paid (par value of US\$0.001 each)			
At 31 December 2002 and 30 June 2003	<u>2,502,577,245</u>	<u>–</u>	<u>2,502,577</u>

There were no changes in the authorised share capital during the six months ended 30 June 2003 or the year ended 31 December 2002.

13. Related party transactions

	Six months ended 30 June	
	2003 US\$'000	2002 US\$'000
Advertising and marketing expenses to an associate	–	9
Consultancy fee income from associates	–	48
Corporate finance and other advisory fees income from investee companies	–	20
Fund management fee income from Nirvana Capital Limited ("NCL")	100	276
Incubation services income from associates	14	27
Investments made by NCL on behalf of the Group (held in the name of NCL)	–	198
Sales proceeds of investment received by NCL on behalf of the Group	16	–
Placing fees income from investee companies	–	219

14. Contingencies

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2003 (2002: \$Nil).

DISCLOSURE OF INTERESTS

(a) Directors

As at 30 June 2003, the interests and short positions of the Directors of the Company in the Shares and Underlying Shares (within the meaning of the Securities and Futures Ordinance ("SFO")) of the Company and any of its Associated Corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors of a listed issuer as referred to in Rule 5.40 of the GEM Listing Rules, were as follows:

(i) Interests in the Shares of the Company

Name of Director	Personal Interest	Family Interest	Corporate Interest	Aggregate Long Position in Shares of the Company	Percentage which the aggregate long position in Shares represents to the issued share capital of the Company %
Robert John Richard Owen	107,957,606	-	-	107,957,606	4.31
Ilyas Tariq Khan (Notes 1 & 2)	79,994,076	-	513,498,147	593,492,223	23.72
Johnny Chan Kok Chung (Note 3)	207,805,862	16,097,387	-	223,903,239	8.95
Francis Yuen Tin Fan (Note 4)	-	-	929,400	929,400	0.04

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 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, he is deemed to have interests in her shares.

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) Interests in the Underlying Shares of the Company

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

Name of Director	Date of Grant	Subscription Price	Aggregate Long Position in Underlying Shares of the Company	Percentage which the aggregate long position in Underlying Shares of the Company represents to the issued share capital of the Company %
Johnny Chan Kok Chung (Note 1)	27 March 2002	HK\$0.0704	2,500,000	0.10
Alec Tsui Yiu Wa	14 May 2003	HK\$0.035	10,000,000	0.40
Daniel Yen Tzu Chen	14 May 2003	HK\$0.035	5,000,000	0.20

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, he is deemed to have interests in her options.

(iii) Short Positions

None of the Directors held short positions in the Shares and Underlying Shares of the Company or any Associated Corporation.

(iv) Interests in the shares of an Associate Corporation

Name of Director	Associate Corporation	Personal Interest	Corporate Interest	Aggregate Long Position in shares of the Associate	Percentage which the aggregate long position in shares of the Associate represents to the issued share capital of the Associate %
Robert John Richard Owen	Crosby Limited	3,000	-	3,000	0.01
Ilyas Tariq Khan (Note 1)	Crosby Limited	1	110,001	110,002	0.04
Johnny Chan Kok Chung	Crosby Limited	30,000	-	30,000	0.01

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

Save as disclosed above, as at 30 June 2003, none of the Directors of the Company had interests and short positions in the Shares and Underlying Shares of the Company and any of its Associated Corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors of a listed issuer as referred to in Rule 5.40 of the GEM Listing Rules.

As at 30 June 2003, the Company had not issued any debentures.

(b) Substantial Shareholders and Other Persons

As at 30 June 2003, the following persons, other than the Directors of the Company, had interests and short positions in the Shares and Underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(i) Interests in the Shares of the Company

Name	Number or approximate attributable number of Shares	Approximate percentage or approximate attributable percentage holding of Shares currently in issue
ECK & Partners Limited (<i>Note 1</i>)	325,290,000	13.00%
tekbanc.com Limited (<i>Note 2</i>)	302,055,000	12.07%
TW Indus Limited (<i>Note 3</i>)	188,208,147	7.52%

Note 1: 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 as a Director.

Note 2: 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.

Note 3: TW Indus Limited held a direct interest in 188,208,147 Shares. Ilyas Tariq Khan was beneficially interested in 100% of the share capital of TW Indus Limited and, therefore, Ilyas Tariq Khan was also interested in these 188,208,147 Shares which are duplicated within the 593,492,223 Shares in which Ilyas Tariq Khan was interested as a Director.

(ii) Interests in the Underlying Shares of the Company

No person, other than a Director of the Company, had interests in the Underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

(iii) Short Positions

No person held short positions in the Shares and Underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed above, as at 30 June 2003, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and Underlying Shares of the Company that was required to be recorded in the register required to be kept under Section 336 of the SFO.

(c) Share Options

Pursuant to the Company's Share Option Scheme, a duly authorised committee of the board of Directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of (i) the closing price of the Shares of the Company on the Exchange on the date of grant of the particular option or (ii) the average of the closing prices of the Shares of the Company for the five trading days immediately preceding the date of the grant of the options or (iii) the nominal value of the shares.

Share options granted under the Share Option Scheme are exercisable as follows:

- (a) the first thirty percent of the options commencing on the first anniversary of the date of grant;
- (b) the next thirty percent of the options commencing on the second anniversary of the date of grant; and
- (c) the remaining options commencing on the third anniversary of the date of grant.

The following table sets out information relating to the Share Option Scheme:

Date of Options Grant	Options Granted	Options Exercise Price	Options Lapsed since grant	Options Outstanding	Options exercisable as at 30 June 2003
27 March 2002	248,244,700	HK\$0.0704	84,544,700	163,700,000	49,110,000
18 March 2003	54,000,000	HK\$0.0350	–	54,000,000	–
14 May 2003	15,000,000	HK\$0.0350	–	15,000,000	–
18 June 2003	26,064,000	HK\$0.0350	–	26,064,000	–
	<u>343,308,700</u>		<u>84,544,700</u>	<u>258,764,000</u>	<u>49,110,000</u>

No options granted under the Share Option Scheme had been exercised as at 30 June 2003.

Movements of the share options granted under the Share Option Scheme during the period under review are as follows:

	Exercise price HK\$0.0704	Exercise price HK\$0.035
At 1 January 2003	167,200,000	–
Options granted during the period	–	95,064,000
Lapsed during the period	(3,500,000)	–
At 30 June 2003	<u>163,700,000</u>	<u>95,064,000</u>

(d) Competing Interests

The Directors are not aware of any business or interest, as of 30 June 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 August 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 six months ended 30 June 2003.

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

The Company, or any of its subsidiaries, did not purchase, sell or redeem any of its listed securities during the six months ended 30 June 2003 (2002: Nil).

By Order of the Board
Robert John Richard Owen
Chairman

Hong Kong, 12 August 2003