



For the
nine months
ended
30 September

2003

3rd 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.

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, Singapore, Indonesia, 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 and investment advisor for private and government institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Overview

Turnover for the nine months under review increased to US\$1.788 million compared with US\$1.516 million for the same period last year, excluding the turnover derived from the Group's discontinued business, Spike, which was placed into liquidation during 2002. On the same basis, turnover for the quarter under review was US\$0.693 million compared to US\$0.338 million for the third quarter of 2002 and US\$0.505 million for the last quarter. The increases in turnover are attributable to the Group's investment banking arm achieving and closing more mandates and to the improvement in the market environment.

The loss attributable to shareholders for the nine months under review decreased to US\$3.712 million from US\$5.069 million compared with the same period last year, excluding additional losses of US\$6.224 million attributable to shareholders last year from Spike. This decrease in loss is partly due to the increase in revenue discussed above and partly due to the reduction of costs following a cost cutting exercise implemented in 2002. In particular, the Group relocated its headquarters in Hong Kong to smaller offices in May 2003, which has significantly reduced rental costs. On the same basis, the loss attributable to shareholders for the quarter under review was US\$1.396 million compared with US\$1.286 million for the third quarter of 2002 and US\$1.125 million for the last quarter. These increases in loss attributable to shareholders for the quarter were mainly due to lower other revenue being recorded. Other revenue of the Group for the quarter consists of interest income, profit on disposal of investments and bad debt recoveries.

Divisional Review

Investment Banking

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

The team specializing on the Mainland China market is beginning to make a meaningful contribution to revenue, since joining the Group in the first quarter of 2003. The China team is now beginning to reach financial close on a number of mandates secured earlier in the year. Although no significant success fees were generated during the quarter under review, in October, two transactions reached financial closure; the success fees from these transactions will be included in the fourth quarter results.

In addition, the team focusing on structured finance products has also secured a number of new mandates and booked a success fee on the closure of a Management Buy-Out of a cement company in Singapore.

Asset Management

Total assets under management by the Group exceed US\$400 million. The Group is currently working on a number of new asset management initiatives that will increase future revenue in the coming financial year. However, no new funds were closed during the quarter under review.

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 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

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

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months and three months ended 30 September 2003 (the "Review Period"), together with the comparative unaudited figures of the corresponding period in 2002, as follows:

| | Notes | Nine Months Ended 30 September | | Three Months Ended 30 September | |
|--|-------|-----------------------------------|------------------|------------------------------------|------------------|
| | | 2003 US\$'000 | 2002 US\$'000 | 2003 US\$'000 | 2002 US\$'000 |
| Turnover | 2 | 1,788 | 4,029 | 693 | 338 |
| Other revenue | 2 | 580 | 251 | 149 | 77 |
| Operating expenses | | (5,953) | (15,652) | (2,204) | (2,150) |
| Loss from operations | | (3,585) | (11,372) | (1,362) | (1,735) |
| Amortization of goodwill | | (123) | (108) | (41) | (36) |
| Provision for impairment in investments | | - | (946) | - | - |
| Profit on investment disposals | | - | 1,218 | - | 501 |
| Share of losses in associates | | (23) | (29) | (8) | (4) |
| Loss before and after taxation | 3 | (3,731) | (11,237) | (1,411) | (1,274) |
| Minority interests | | 19 | (56) | 15 | (12) |
| Loss attributable to shareholders | | (3,712) | (11,293) | (1,396) | (1,286) |
| Loss per share – Basic | 5 | (USD0.15 cent) | (USD0.45 cent) | (USD0.06 cent) | (USD0.05 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. Turnover and other revenue

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

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

3. Taxation

No income tax has been provided for in the nine months and three months ended 30 September 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, 30 June and 30 September | <u>52,209</u> | <u>52,209</u> | <u>9,228</u> | <u>9,164</u> | <u>11</u> | <u>11</u> |

| | 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 | <u>140</u> | <u>(46)</u> | <u>(63)</u> | <u>(445)</u> | <u>(52,210)</u> | <u>(42,584)</u> |
| Increase in fair values of listed investments | 2 | 131 | — | — | — | — |
| Decrease in exchange difference on consolidation | — | — | (20) | (442) | — | — |
| Transfer to income statement on disposal of a subsidiary | — | — | — | 797 | — | — |
| Loss attributable to shareholders | — | — | — | — | (1,125) | (5,071) |
| At 30 June | <u>142</u> | <u>85</u> | <u>(83)</u> | <u>(90)</u> | <u>(53,335)</u> | <u>(47,655)</u> |
| (Decrease)/increase in fair values of listed investments | (32) | 227 | — | — | — | — |
| Increase in exchange difference on consolidation | — | — | 20 | 10 | — | — |
| Loss attributable to shareholders | — | — | — | — | (1,396) | (1,286) |
| At 30 September | <u>110</u> | <u>312</u> | <u>(63)</u> | <u>(80)</u> | <u>(54,731)</u> | <u>(48,941)</u> |

5. Loss per share

The calculation of the basic loss per share for the nine months ended 30 September 2003 is based on the loss attributable to shareholders of US\$3,711,814 (2002: US\$11,293,438) 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 September 2003 is based on the loss attributable to shareholders of US\$1,396,009 (2002: US\$1,285,885) 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 nine months and three months ended 30 September 2003.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003 (2002: Nil).

DISCLOSURE OF INTERESTS

(a) Directors

As at 30 September 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) | 207,805,852 | 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\$0.0350 | 10,000,000 | 0.40 |
| Daniel Yen Tzu Chen | 14 May 2003 | HK\$0.0350 | 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 September 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 September 2003, the Company had not issued any debentures.

(b) Substantial Shareholders and Other Persons

As at 30 September 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 (Note 1) | 325,290,000 | 13.00% |
| tekbanc.com Limited (Note 2) | 302,055,000 | 12.07% |
| TW Indus Limited (Note 3) | 188,208,147 | 7.52% |
| Simon Jeremy Fry (Note 4) | 110,186,587 | 4.40% |

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: 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.

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.

Note 4: Simon Jeremy Fry is the Chief Executive Officer of Crosby Limited, which is a subsidiary of the Group. Simon Jeremy Fry has purchased 25,000,000 shares from the Company's Employee Share Option Plan and has committed to purchase a further 85,186,587 shares on deferred payment terms.

(ii) Interests in the Underlying Shares of the Company

The interests in the Underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO arise from unlisted share options (physically settled equity derivatives) granted under the Company's Share Option Scheme, details of which are provided below:

| Name | 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 % |
|---------------------------|---------------|--------------------|---|--|
| Simon Jeremy Fry (Note 1) | 11 July 2003 | HK\$0.035 | 312,000,000 | 12.47 |

Note 1: Simon Jeremy Fry is the Chief Executive Officer of Crosby Limited, which is a subsidiary of the Group. Pursuant to the Extraordinary General Meeting of the Company on 11 July 2003, Simon Jeremy Fry was granted options to subscribe for 312,000,000 shares of the Company subject to the terms of the Company's share option scheme.

(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 September 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:

- the first thirty percent of the options commencing on the first anniversary of the date of grant;
- the next thirty percent of the options commencing on the second anniversary of the date of grant; and
- 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 September 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 | – |
| 11 July 2003 | 312,000,000 | HK\$0.0350 | – | 312,000,000 | – |
| | <u>655,308,700</u> | | <u>84,544,700</u> | <u>570,764,000</u> | <u>49,110,000</u> |

No options granted under the Share Option Scheme had been exercised as at 30 September 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 30 June 2003 | 163,700,000 | 95,064,000 |
| Options granted during the quarter | – | 312,000,000 |
| At 30 September 2003 | <u>163,700,000</u> | <u>407,064,000</u> |

(d) Competing Interests

The Directors are not aware of any business or interest, as of 30 September 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 11 November 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 nine months ended 30 September 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 nine months ended 30 September 2003 (2002: Nil).

By Order of the Board
Robert John Richard Owen
Chairman

Hong Kong, 11 November 2003