

# TECHPACIFIC CAPITAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8088

# 3 RD QUARTERLY REPORT

For the  
nine months  
ended  
30 September

# 2007

## **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 (“Techpacific” or the “Company” and, together with its subsidiaries, the “Group”) is an independent merchant banking and asset management group listed on the Hong Kong Stock Exchange’s GEM board (HK GEM 8088), with offices in China, Singapore, the United Kingdom and representation in other parts of Asia.

The Group is engaged in the businesses of merchant banking, asset management, venture capital fund management and direct investment. Its subsidiary, Crosby Capital Partners Inc. (“Crosby”), which carries out the Group’s merchant banking and asset management business, is quoted on the AIM Market of the London Stock Exchange (CSB LN).

## MANAGEMENT DISCUSSION AND ANALYSIS

The management of the Group is disappointed to report that the Group’s loss attributable to the equity holders of the Company for the three and nine months ended 30 September 2007 were US\$18.5 million and US\$61.5 million respectively. This compares with losses of US\$92.5 million and US\$53.4 million for the same periods last year. The management of the Group firmly believes that this result is not a reflection of the prospects of the underlying business of the Group. During the period under review, the Group’s asset management business continued to perform significantly ahead of budget in terms of revenue and profits, and the transaction that lead to the Group assuming the management of the Forsyth fund-of-funds and fund ratings and research business, represented an important milestone in the development of the Group’s asset management business as a source of a recurring revenue stream and a platform for further growth (see below for more details).

The loss attributable to shareholders for the three months ended 30 September 2007 is mainly attributable to US\$14.8 million of losses in respect of the Group’s financial assets. IB Daiwa Corporation (“IB Daiwa”) remains the largest position in the balance sheet in terms of listed shares, and as such was the dominant factor in these losses. During the quarter under review, the share price of IB Daiwa decreased from ¥50 at 30 June 2007 to ¥37 at 30 September 2007 resulting in a non-cash mark to market book loss of US\$8.5 million. However, during the course of 2007, other deals and continuing progress with newly closed transactions for companies which are not yet listed (such as Orchard Petroleum) mean that the overall importance of IB Daiwa in our balance sheet is diminishing. Whilst the financial results for the third quarter 2007, and for the year to date in 2007 are negative, the Group’s operating performance continues to be positive in areas that are lead indicators of financial performance in the future when IB Daiwa’s share price has stabilised. Your management believes that the positive aspects of the Group’s third quarter of 2007 operating performance should not be overshadowed by the impact of these non-cash mark to market book losses.

In September 2007, Crosby successfully concluded negotiations with the Administrators of Forsyth Partners Limited and Forsyth Partners (Europe) Limited (together “Forsyth”). As a result, Crosby was appointed as the manager of the Forsyth range of fund-of-funds. Concurrently, the Group hired Forsyth’s UK-based investment management, research and distribution and administration teams, and, separately, certain of the non-UK distribution staff. As at 30 September 2007, the Forsyth funds have approximately US\$1 billion of assets invested in a broad range of fund-of-fund products covering equities, bonds and alternative strategies, over US\$300 million in fund advisory mandates and a market-leading fund ratings and research business. The deal is an important step in the continuing strategic development of the asset management business as a source of stable, recurring earnings. Forsyth, significantly increases Crosby’s assets under management whilst providing a robust platform for the strategic growth and diversification of Crosby’s asset and wealth management businesses.

During the quarter under review, the Group's Asset Management business increased its assets under management ("AUM") by approximately 70% to over US\$2.5 billion (including Forsyth) and turnover for the first nine months of the year rose to US\$21.4 million (compared with US\$5.1 million in the same period during the previous year). It is important to note that the financial results for the period do not include any contribution from the new Forsyth businesses. The Group's in house single manager hedge fund, Crosby Active Opportunities Fund, continued to perform well with a net return of 17.13% for the nine months ended 30 September 2007.

During the quarter under review, in addition to assisting in the sourcing and completion of the Forsyth transaction and initiating a relationship with Pocketmail (an Australian company with interests in uranium exploration), the Group's Merchant Banking business focused its efforts on providing corporate finance advice and raising capital for companies within the Group's investment portfolio.

Total operating expenses (excluding fair value loss on financial assets, provision for impairment against exploration prospects and finance costs) for the three months ended 30 September 2007 were US\$15.6 million compared with US\$15.9 million for the same period last year. Total operating expenses (excluding fair value loss on financial assets, provision for impairment against exploration prospects and finance costs) for the nine months ended 30 September 2007 were US\$47.2 million compared with US\$54.2 million for the same period last year. This decrease for the nine months under review has mainly arisen from a decrease in administrative expenses to US\$41.5 million from US\$49.2 million for the same period last year. Approximately US\$7.1 million of the decrease in administrative expenses, compared to the comparative nine months last year, relates to a fall in staff costs due to a net decrease in performance related compensation. Additionally, the decrease in administrative expenses, compared to the comparative nine months last year, is also attributable to the one off banking, legal and professional fees associated with the issuance of the convertible bond in March 2006 and the subsequent acquisition of the interest in oil and gas exploration prospects.

## ***DIVISIONAL REVIEW***

### **Technology Venture Capital Management**

The Group manages the Hong Kong SAR Government's Applied Research Fund ("ARF") through the Softech Investment Management Company Limited ("Softech"). Softech is a 50:50 joint venture with SIIS Investment Management Limited (formerly Softbank China Venture Investments Limited). The ARF is a HK\$750 million fund with the objective of providing funding support to Hong Kong based technology ventures and research and development projects that have commercial potential. The long-term objective of the fund is to increase Hong Kong's technological capability and enhance the competitiveness of local industries with the aim of promoting higher value-added economic development in Hong Kong. Softech was allocated HK\$250 million of the fund for management.

### **Direct Investments – Oil and Gas Investments**

In April 2006, shareholders approved the commitment of US\$42.5 million to acquire working interests in three high impact/high risk deep gas exploration prospects, Big Mouth Bayou, Endeavor and North West Kaplan, on-shore in Louisiana USA. At the Big Mouth Bayou well, Lodore is continuing to seek to farm-out the prospects in the deeper zones. At the Endeavor prospect, drilling continues to encounter challenging conditions. To date, progress has been delayed due to three separate well control events caused by high pressure kicks which necessitated the drilling of sidetracks. The costs related to these events were largely covered by insurance. At the time of this report, the Endeavor well has been cased to a depth of 18,822 feet and the operator is preparing to drill ahead. The drilling of the well at North West Kaplan is scheduled to commence following the completion of the drilling at Endeavor.

## Direct Investments – Other

The Group's 100% owned subsidiary Dragon Fund Inc. (a fund managed by Crosby Asset Management) continues to hold a 2.93% interest in Fermiscan Holdings Limited ("Fermiscan", stock code FER AU). Fermiscan is a healthcare company developing a non-invasive diagnostic test for the detection of breast cancer. Fermiscan has so far analysed a total of 500 of the hair samples taken from the 2000-patient validation trial being conducted to validate the effectiveness of the Fermiscan test for breast cancer. Results of the test are confirming that the Fermiscan test will offer an effective and non-invasive addition to current breast cancer screening options. The validation trials should be completed before the end of 2007. Subject to consistent results from the remaining samples in this trial, Fermiscan will begin commercial roll out in 2008.

The Group continues to hold some legacy technology direct investments, the investment cost of which was fully written off at the end of 2002. In particular, the Group owns 523,528 shares of White Energy Company Limited ("White Energy", stock code WEC AU) arising from a legacy investment in Spike Network. The Group also has an additional shareholding in White Energy arising from the recent involvement of the Group's Merchant Banking team. Further details concerning White Energy are provided below in the Merchant Banking section. The Group also continues to hold 14.85% of Upstream Marketing and Communications Inc. ("Upstream", stock code UPS LN) arising from a legacy investment in Upstream Asia Limited. Upstream is a leading Asia Pacific-focused corporate and marketing communications services network firm. Upstream is well positioned to meet Asia's growing demand for branding and communication services with offices in Beijing, Shanghai, Hong Kong, Singapore, Sydney and Taipei.

## Merchant Banking

During the quarter under review, the Merchant Banking team was actively involved in the Forsyth transaction. In this context Crosby's skills have been directly utilised in a deal that is of strategic importance to the Group. The team also announced a significant new deal in the Australian uranium sector with Pocketmail Group Limited ("Pocketmail", stock code PKT AU) and focused its efforts on providing corporate finance and capital raising advice to companies within the investment portfolio. For example, the team worked intensively on the previously disclosed listing of Leed Petroleum PLC ("Leed Petroleum" stock code LDP LN), and also announcing an increased stake in White Energy as a result of advising that company on a convertible bond issue.

### *Fermiscan*

The feasibility study covering the commercialisation of Fermiscan's test for breast cancer in the Japanese market is scheduled to be completed by the end of 2007, after which, subject to Crosby and Fermiscan reaching satisfactory commercial agreement, Crosby will be the Japanese licensee for a period of 10 years (with an option to extend). The number of annual screening mammograms in Japan is estimated at 14 million and Fermiscan and Crosby estimate that the target population of women in Japan suitable for the test is at least 38 million. With the many benefits that the test offers over mammograms and other more invasive procedures the market potential is significant by any measure.

### *White Energy*

On 15 October 2007, after the quarter under review, White Energy issued an A\$45 million unsecured convertible note issue. The capital raised, will supplement the US\$35 million in convertible loan financing provided by BHP in the first half of 2007, to accelerate the roll out of its patented coal technology. Crosby acted as White Energy's financial advisor during the transaction and, in addition to cash fees of A\$900,000, Crosby earned 1.25 million options with an exercise price of A\$2.5 each.

### *Pocketmail*

The merchant banking team also announced a new deal in the Australian uranium sector, with Pocketmail, which, through its wholly-owned subsidiary Adavale Minerals Pty Ltd, undertakes uranium exploration activities focussing on sedimentary uranium deposits. The focus of exploration activities is currently in the Marree Area, South Australia. On 8 October 2007, after the quarter under review, Pocketmail announced that it had appointed Crosby as its adviser to assist in its development. In consideration, Pocketmail agreed to grant to Crosby 5 million options with an exercise price of A\$0.06 per share on or before 30 November 2011 and a further 5 million options with an exercise price of A\$0.065 per share on or before 1 December 2011.

## **Asset Management**

During the quarter ended 30 September 2007, assets under management ("AUM") increased by approximately 70% to over US\$2.5 billion, as a result of a 15% rise in AUM at CWM and the acquisition of the Forsyth business. This increase in AUM was matched by an increase in turnover which rose to US\$21.4 million for the nine months ended 30 September 2007 (when compared with US\$5.1 million for the same period during the previous year). It is important to note that the financial results for this period do not include any contributions from the new Forsyth businesses.

During the quarter ended 30 September 2007, the Group's single-manager hedge fund, the Crosby Active Opportunities Fund ("CAOF"), continued to perform well with an increase in NAV per share from US\$1,166 to US\$1,176, giving a net return of 17.13% for nine months ended 30 September 2007.

## **Review of Assets Held on the Balance Sheet**

The Group's investments on its balance sheet largely consist of its equity stakes derived from Merchant Banking transactions.

### *IB Daiwa*

The Group's largest listed position remains its equity holding in JASDAQ listed IB Daiwa (3587 JP). On 21 September 2007, Sunov Crosby (Holdings) Limited disclosed the sale of 15,725,000 IB Daiwa shares. Following this sale, the Group's equity holding in IB Daiwa stood at 20.33% and continues to be its single largest shareholder.

During the three months ended 30 September 2007, IB Daiwa successfully raised capital to support exploration and development, and new business activities.

### *Leed Petroleum*

In August 2007, Leed Petroleum (stock code LDP LN – formerly Darcy Energy Holdings UK) was admitted to AIM having raised approximately US\$100 million of new capital. At the IPO price of 47p, Leed Petroleum had a market capitalisation of approximately US\$239 million. IB Daiwa's shareholding in Leed is 41.7%. At the IPO price, IB Daiwa's initial equity investment of US\$10.2 million increased by approximately 880% to US\$100 million. As a consequence of the transaction, IB Daiwa anticipates booking a gain on deemed disposal of about US\$30 million. At 30 September 2007, Leed Petroleum had a quoted market price of 39.75p.

During the third quarter of 2007, Leed Petroleum continued to expand its production and development programme. On 17 September 2007, Leed Petroleum announced that it had commenced drilling on its Eugene Island Block 183/184 property, and on 5 October 2007, the company announced that it had been confirmed as the highest bidder on Ship Shoal Block 201 and Main Pass Block 115, two leases in the Central Gulf of Mexico Mineral Management Services ("MMS") Lease Sale.

## Lodore

Progress at Big Mouth Bayou, Endeavor and North West Kaplan are detailed above in the context of the Group's direct investment.

Drilling and testing of the three deepest zones at Plum Deep, the first well at Padre Island, were completed earlier in 2007 and it was determined that the zones were non-commercial. The testing of the shallowest zone is scheduled for the fourth quarter of 2007.

On 11 September 2007, Bayerische Hypo-und Verinsbank AG ("HVB") provided a US\$20 million loan facility to IB Daiwa to fund Lodore's oil and gas exploration programme.

### *Orchard Petroleum Limited ("Orchard Petroleum")*

The Crosby led takeover of Orchard Petroleum by Eskdale Petroleum Pty Limited ("Eskdale") was completed in March 2007. At the offer price, Orchard Petroleum had a market capitalisation of approximately US\$130 million. In addition to the US\$50 million bank financing provided by Commonwealth Bank of Australia, Eskdale funded its acquisition through the issue of preference shares to a small group of investors including CAOF. In return for the initial acquisition work and for structuring, leading and executing the takeover on behalf of the small group of investors, the Group will own 22.23% of the bid vehicle after repayment of the acquisition financing. Ahead of an updated reserve audit to facilitate a refinancing of the acquisition debt, Orchard Petroleum is continuing its drilling programme to migrate existing reserves from 3P to 2P and 1P, and pursuing further consolidation of its asset portfolio. The results of the drilling programme have been particularly pleasing. Since the price of the Crosby led acquisition of Orchard Petroleum was agreed a total of 18 wells have been drilled in the Belridge acreage, with a success rate of 100%.

### *Indago Petroleum Limited ("Indago")*

At 30 September 2007, the Group had a 5.16% equity holding in AIM-listed Indago (stock code IPL LN) reduced from 6.23% at the beginning of the quarter.

Indago is an oil and gas exploration company geographically focused in the Middle East, currently exploring the Sultanate of Oman. During the quarter, drilling continued at the Al Jariya-1 well, located on the Jebel Hafit prospect in Block 31 in which Indago has a 50% interest, and is expected to reach the target reservoirs by the end of the 4th quarter 2007. The well is targeting 1 billion boe.

At 30 September 2007, the quoted market price of Indago was £0.63 per share, a fall of £0.405 from the 30 June 2007 close.

### *White Energy*

At 30 September 2007, the Group had a 2.15% equity holding in White Energy (stock code WEC AU) unchanged from the beginning of the quarter.

White Energy owns the worldwide license to a coal briquetting process that increases the energy efficiency of low quality coal. Considerable progress was made at the company during the quarter. On 2 August 2007, White Energy provided further information on the results of pilot testing as part of a major study into the generation of synthetic natural gas in the USA. On 13 September 2007, White Energy announced that it had entered into a strategic alliance with PT Theiss Indonesia, one of the largest EPC and mining contractors in Indonesia and part of one of Australasia's leading engineering, procuring and construction groups to develop binderless coal briquetting plants in Indonesia. On 17 September 2007, White Energy announced that it had opened an office in Shanghai that was coordinating the final aspects of a feasibility study on the building of a substantial operation in conjunction with Datang Power International Limited, one of the largest independent power producers in China.

At 30 September 2007, the quoted market price of White Energy was A\$2.91 per share, broadly unchanged from the 30 June 2007 close of A\$2.90.

### *SBI Crosby*

Crosby sold its remaining interest in SBI Crosby to SBI E2-Capital during the quarter under review.

## **CORPORATE GOVERNANCE REPORT**

The Company is committed to achieving high standards of Corporate Governance and follows the principals set out in the Code of Best Practice for GEM listed companies as set out in Appendix 15 of the Listing Rules (the "Code"). The Company has no deviations from the code provisions as set out in the Code.



## RESULTS

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Group for the nine months and three months ended 30 September 2007 (the "Review Periods"), together with the comparative unaudited figures of the corresponding periods in 2006, as follows:

	Notes	Unaudited Nine Months Ended 30 September		Unaudited Three Months Ended 30 September	
		2007 US\$'000	2006 US\$'000 <i>Restated</i>	2007 US\$'000	2006 US\$'000 <i>Restated</i>
<b>Turnover/Revenue</b>	3	21,811	6,637	9,331	2,683
Loss on financial assets at fair value through profit or loss		(17,859)	(24,356)	(14,784)	(105,447)
Gain on financial liabilities at fair value through profit or loss		1,147	3,717	2,040	4,130
Provision for impairment of interest in oil and gas exploration prospects		(15,000)	–	–	–
Other income	3	2,107	3,729	1,077	604
Administrative expenses		(41,482)	(49,233)	(14,584)	(13,637)
Distribution expenses		(136)	(80)	(9)	(21)
Other operating expenses		(5,630)	(4,852)	(1,024)	(2,230)
<b>Loss from operations</b>		(55,042)	(64,438)	(17,953)	(113,918)
Finance costs		(925)	(2,221)	(317)	(379)
Excess over the cost of acquisition of a subsidiary		–	959	–	–
Share of losses of associates		(177)	(168)	(97)	(59)
Share of profit of a jointly controlled entity		47	20	17	15
<b>Loss before taxation</b>		(56,097)	(65,848)	(18,350)	(114,341)
Taxation	4	(1,626)	(133)	(689)	(36)
<b>Loss for the period</b>		(57,723)	(65,981)	(19,039)	(114,377)
<b>Attributable to:</b>					
Equity holders of the Company		(61,452)	(53,447)	(18,507)	(92,539)
Minority interests		3,729	(12,534)	(532)	(21,838)
Loss for the period		(57,723)	(65,981)	(19,039)	(114,377)
<b>Dividend</b>		–	–	–	–
<b>Loss per share attributable to equity holders of the Company</b>		<i>US cents</i>	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>
– Basic	5	(1.83)	(1.74)	(0.55)	(2.75)

# NOTES TO THE UNAUDITED CONSOLIDATED RESULTS

## **1. Basis of presentation**

The Company acts as the holding company of the Group. The Group is principally engaged in the business of merchant banking, asset management, venture capital fund management and direct investment. The Company is incorporated in the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is 2701, Citibank Tower, 3 Garden Road, Central, Hong Kong.

The Board has adopted International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board. The unaudited consolidated financial statements comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited consolidated financial statements have been prepared under historical cost basis except for revaluation of certain financial instruments which are measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial statements, are consistent with those set out in the Company's annual audited consolidated financial statements for the year ended 31 December 2006.

Certain comparative figures in respect of the financial liability at fair value through profit or loss have been reclassified to conform with the presentation of the Company's annual audited consolidated financial statements for the year ended 31 December 2006.

These consolidated financial statements for the nine months ended 30 September 2007 are unaudited but have been reviewed by the audit committee of the Company.

## **2. Principal accounting policies**

The principal accounting policies adopted to prepare the unaudited consolidated financial statements are consistent with those adopted to prepare the Company's annual audited consolidated financial statements for the year ended 31 December 2006.

## **3. Turnover/Revenue and other income**

Turnover comprises fees for corporate finance and other advisory services, fund management fees and wealth management services fees.

Other income mainly comprises interest income, profits on disposal of investments and bad debt recoveries.

#### 4. Taxation

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Current tax				
– Hong Kong tax	1,583	–	665	–
– Overseas tax	43	133	24	36
	<u>1,626</u>	<u>133</u>	<u>689</u>	<u>36</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong for the three months and nine months ended 30 September 2007. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions.

No recognition of potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential tax assets is uncertain.

#### 5. Loss per share attributable to equity holders of the Company

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Loss attributable to equity holders of the Company	<u>(61,452)</u>	<u>(53,447)</u>	<u>(18,507)</u>	<u>(92,539)</u>

	Unaudited nine months ended 30 September		Unaudited three months ended 30 September	
	2007	2006	2007	2006
	(Number) Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>3,359,291,512</u>	<u>3,075,980,694</u>	<u>3,360,098,647</u>

No diluted earnings per share is shown for the three months and nine months ended 30 September 2007, as the outstanding share options were anti-dilutive.

## 6. Movement in reserves

	Share premium US\$'000	Capital reserve US\$'000	Capital redemption reserve US\$'000	Employee share-based compensation reserve US\$'000	Investment revaluation reserve US\$'000	Foreign exchange reserve US\$'000	Convertible bond reserve US\$'000	(Accumulated losses)/ Retained profits US\$'000
At 1 January 2007	106,875	4,872	20	5,075	173	30	-	1,420
Surplus on revaluation	-	-	-	-	109	-	-	-
Exchange differences on consolidation	-	-	-	-	-	305	-	-
Net income directly in equity	-	-	-	-	109	305	-	-
Loss for the period	-	-	-	-	-	-	-	(61,452)
Total recognised income and expenses for the period	-	-	-	-	109	305	-	(61,452)
Issue of new shares upon exercise of share options	20	-	-	(4)	-	-	-	-
Employee share-based compensation	-	-	-	3,347	-	-	-	-
Effect on exercising share options of a subsidiary	-	-	-	(62)	-	-	-	-
At 30 September 2007 (Unaudited)	<u>106,895</u>	<u>4,872</u>	<u>20</u>	<u>8,356</u>	<u>282</u>	<u>335</u>	<u>-</u>	<u>(60,032)</u>
At 1 January 2006	52,853	9,241	11	778	36	(188)	-	62,129
Surplus on revaluation	-	-	-	-	134	-	-	-
Exchange differences on consolidation	-	-	-	-	-	113	-	-
Net income directly in equity	-	-	-	-	134	113	-	-
Loss for the period	-	-	-	-	-	-	-	(53,447)
Total recognised income and expenses for the period	-	-	-	-	134	113	-	(53,447)
Issue of new shares upon exercise of share options	29	-	-	(6)	-	-	-	-
Issue of convertible bond	-	-	-	-	-	-	4,793	-
Issue of new shares upon conversion on convertible bond	54,443	(4,369)	-	-	-	-	(4,793)	-
Employee share-based compensation	-	-	-	2,948	-	-	-	-
Effect on exercising share options of a subsidiary	-	-	-	(313)	-	-	-	-
Effect on repurchase of own shares	(318)	-	6	-	-	-	-	(6)
At 30 September 2006 (unaudited)	<u>107,007</u>	<u>4,872</u>	<u>17</u>	<u>3,407</u>	<u>170</u>	<u>(75)</u>	<u>-</u>	<u>8,676</u>

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2007 (nine months ended 30 September 2006: Nil).

## DISCLOSURE OF INTERESTS

### (a) Directors

As at 30 September 2007, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were 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 Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

#### (i) *Interests in the ordinary shares of the Company*

Name of Directors	Personal interest	Family interest	Corporate interest	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Ilyas Tariq Khan (Notes 1, 2 & 4)	82,494,076	-	413,611,794	496,105,870	16.16
Johnny Chan Kok Chung (Notes 3 & 5)	146,882,205	16,097,387	-	162,979,592	5.31
Joseph Tong Tze Kay	5,000,000	-	-	5,000,000	0.16
Daniel Yen Tzu Chen	2,000,000	-	-	2,000,000	0.07
Peter McIntyre Koenig	3,500,000	-	-	3,500,000	0.11

*Note 1:* TW Indus Limited held 188,728,147 ordinary shares. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

*Note 2:* ECK & Partners Limited held 224,883,647 ordinary shares. ECK & Partners Limited was beneficially owned as 88.86% by Ilyas Tariq Khan. Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, he is deemed to be interested in 224,883,647 ordinary shares owned by ECK & Partners Limited.

*Note 3:* Yuda Udomritthiruj held 16,097,387 ordinary shares. Yuda Udomritthiruj, an employee of a subsidiary of the Company, is the wife of Johnny Chan Kok Chung and, accordingly, he is deemed to have interests in her shares.

*Note 4:* From 2 October 2007 to 4 October 2007, after the quarter under review, TW Indus Limited has purchased 750,000 ordinary shares of the Company. TW Indus Limited was beneficially wholly owned by Ilyas Tariq Khan and, therefore Ilyas Tariq Khan was also deemed to have interests in these shares.

*Note 5:* From 2 October 2007 to 4 October 2007, after the quarter under review, Johnny Chan Kok Chung has purchased 750,000 ordinary shares of the Company.

**(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 Directors	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 total ordinary share capital of the Company in issue %
Ilyas Tariq Khan	26 April 2006	HK\$0.770	60,000,000	1.95
Johnny Chan Kok Chung	26 April 2006	HK\$0.770	60,000,000	1.95
Ahmad S. Al-Khaled	24 March 2006 29 January 2007	HK\$0.770 HK\$0.365	5,000,000 2,500,000	
			<hr/> 7,500,000	0.24
Daniel Yen Tzu Chen	24 March 2006 29 January 2007	HK\$0.770 HK\$0.365	5,000,000 2,500,000	
			<hr/> 7,500,000	0.24
Peter McIntyre Koenig	24 March 2006 29 January 2007	HK\$0.770 HK\$0.365	5,000,000 2,500,000	
			<hr/> 7,500,000	0.24
Joseph Tong Tze Kay	24 March 2006 29 January 2007	HK\$0.770 HK\$0.365	5,000,000 2,500,000	
			<hr/> 7,500,000	0.24

**(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 Associated Corporation**

Name of Directors	Associated 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 %
Ilyas Tariq Khan (Note)	Crosby Capital Partners (Hong Kong) Limited	1	110,001	110,002	0.04
Johnny Chan Kok Chung	Crosby Capital Partners (Hong Kong) Limited	30,000	-	30,000	0.01

Note: TW Indus Limited held 110,001 shares in Crosby Capital Partners (Hong Kong) Limited. TW Indus Limited was beneficially wholly-owned by Ilyas Tariq Khan.

Save as disclosed above, as at 30 September 2007, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

**(b) Disclosure of interests of Substantial Shareholders and Other Persons**

So far as is known to any Director or the chief executive of the Company, as at 30 September 2007, the following persons, other than the Directors of the Company, had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

**(i) Interests in the ordinary shares and underlying shares of the Company**

<b>Name</b>	<b>Number or approximate attributable number of ordinary shares</b>	<b>Aggregate long position in underlying shares of the Company</b>	<b>Approximate percentage or approximate attributable percentage holding of ordinary shares currently in issue and/or percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue</b>
Deutsche Bank Aktiengesellschaft	–	432,874,006	14.10%
PMA Capital Management Limited (Note 1)	388,926,005	–	12.67%
TBV Holdings Limited (Note 2)	302,055,000	–	9.84%
ECK & Partners Limited (Note 3)	224,883,647	–	7.32%
TW Indus Limited (Note 4)	188,728,147	–	6.15%
PMA Prospect Fund (Note 1)	185,097,520	–	6.03%

*Note 1:* PMA Capital Management Limited is the investment advisor of PMA Prospect Fund, both of which are Independent Third Parties. The interest of PMA Prospect Fund in 185,097,520 ordinary shares is included in the interest of PMA Capital Management Limited in 388,926,005 ordinary shares.

*Note 2:* TBV Holdings 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:* Since Ilyas Tariq Khan is entitled to exercise more than one third of the voting power at general meetings of ECK & Partners Limited, ECK & Partners Limited interest in 224,883,647 ordinary shares is duplicated in the 496,105,870 ordinary shares in which Ilyas Tariq Khan is interested as a Director.

*Note 4:* TW Indus Limited held a direct interest in 188,728,147 ordinary 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 188,728,147 ordinary shares which are duplicated within the 496,105,870 ordinary shares in which Ilyas Tariq Khan was interested as a Director.

**(ii) Interests in the non-voting convertible deferred shares of the Company**

<b>Name</b>	<b>Number or approximate attributable number of non-voting convertible deferred shares</b>	<b>Percentage which the aggregate long position in non-voting convertible deferred shares represents to the total non-voting convertible deferred shares currently in issue</b>
Simon Jeremy Fry (Note)	292,500,000	100%

*Note:* Simon Jeremy Fry is the Chief Executive Officer of Crosby Capital Partners Inc., which is a 81.15% subsidiary of the Company as at 30 September 2007. Further to the Company's announcement dated 31 March 2004, 292,500,000 non-voting convertible deferred shares were allotted to Simon Jeremy Fry. Simon Jeremy Fry has also held a direct interest in 110,186,587 ordinary shares. Simon Jeremy Fry was also granted 60 million options to subscribe for ordinary shares in the Company at an exercise price of HK\$0.77 per share on 26 April 2006.



### (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 2007, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Save as disclosed above, as at 30 September 2007, no other person had interests which were 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 between the first and tenth anniversary of the date of grant;
- the next thirty percent of the options between the second and tenth anniversary of the date of grant; and
- the remaining options between the third and tenth 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 2007
27 March 2002	248,244,700	HK\$0.0704	(247,944,700 )	300,000	300,000
18 March 2003	54,000,000	HK\$0.0350	(54,000,000 )	-	-
14 May 2003	15,000,000	HK\$0.0350	(10,000,000 )	-	-
18 June 2003	26,064,000	HK\$0.0350	(26,064,000 )	-	-
11 July 2003	312,000,000	HK\$0.0350	(312,000,000 )	-	-
1 December 2003	21,000,000	HK\$0.0350	(21,000,000 )	-	-
20 August 2004	15,000,000	HK\$0.0350	-	-	-
24 March 2006	40,000,000	HK\$0.7700	-	40,000,000	12,000,000
26 April 2006	180,000,000	HK\$0.7700	-	180,000,000	54,000,000
29 January 2007	10,000,000	HK\$0.3650	-	10,000,000	-
	<u>921,308,700</u>		<u>(671,008,700 )</u> <sup>(note)</sup>	<u>230,300,000</u>	<u>66,300,000</u>

Note: Includes 518,564,000 of share options that have lapsed and are not available for re-use.

4,000,000 options granted under the Share Option Scheme had been exercised during the nine months ended 30 September 2007.

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

So far as the Directors are aware, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates have any interests in a business which competes or may compete with the business of the Group.

### **AUDIT COMMITTEE**

The Company established an audit committee on 31 March 2000 with the written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive directors, Messrs. Joseph Tong Tze Kay, Daniel Yen Tzu Chen and Peter McIntyre Koenig. The primary duties of the audit committee 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 6 November 2007. The unaudited consolidated financial statements of the Company for the nine months ended 30 September 2007 has been reviewed by the audit committee.

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

The Company has not redeemed any of its shares during the nine months ended 30 September 2007 (nine months ended 30 September 2006: Nil). Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the nine months ended 30 September 2007 (nine months ended 30 September 2006: 5,662,000 ordinary shares were purchased by the Company at prices between HK\$0.43 and HK\$0.455 which were then cancelled).

By Order of the Board  
**Ilyas Tariq Khan**  
Chairman

Hong Kong, 8 November 2007

*As at the date of this report, the Directors of the Company are*

*Executive Director: Johnny Chan Kok Chung*

*Non-Executive Directors: Ilyas Tariq Khan, Ahmad S. Al-Khaled*

*Independent Non-Executive Directors: Daniel Yen Tzu Chen, Peter McIntyre Koenig  
and Joseph Tong Tze Kay*