Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

2004/2005

ANNUAL REPORT

Contents

Chairman's Statement

The Group recorded a loss attributable to shareholders of US$42.3 million (2004: profit of US$5.1 million) in the year ended 31 March 2005, representing a loss per share of 3.5 US cents (2004: earnings per share of 0.4 US cent). The loss was mainly attributable to the Group's share of loss after tax from Bridge Investment Holding Limited ("**BIH**" and together with its subsidiaries, the "**BIH Group**") of US$42.6 million. The revenue of the corporate investment business division increased significantly to US$2.8 million (2004: US$1.4 million), while the revenue of the asset management business division was reduced by 29.3% to US$0.8 million (2004: US$1.1 million), which was primarily due to the reduction in assets under management.

The value of shareholders' equity decreased by 47.2% to US$51.4 million (2004: US$97.3 million) over the previous year, which was primarily a result of the Company equity accounting the loss after tax from BIH of US$42.6 million including US$25.3 million in respect of BIH's impairment of US$62.9 million in its investment in Bridge Securities Co., Ltd ("**BSC**"). Net assets per share were 4.3 US cents (2004: 8.2 US cents), a decrease of 47.6% over the previous year.

I set out below a brief summary of the main elements of the loss after tax attributable to shareholders as follows:

	US$ million
Share of loss connected with BIH	(35.9)
Share of profit from other associates	0.7
Corporate investments	1.2
Asset management	(1.4)
Others	(0.1)
Loss before tax	(35.5)
Tax	(6.8)
Loss after tax attributable to shareholders	(42.3)

In terms of the consolidated balance sheet, the main elements consist of:

	US$ million
Stake in BIH	41.5
Value of technology related assets	3.0
Other net assets	6.9
Total shareholders' equity	51.4

Full details of the figures and summary are contained in this annual report and the Management's Discussion and Analysis section, respectively.

Chairman's Statement

On 26 August 2004, the shareholders approved the payment of a final dividend of 2.72 US cents per share. On the basis of the Company's then issued share capital, payment of the final dividend amounted to approximately US$32.5 million. Accordingly, together with the 2004 special interim dividend, the Directors have approved a distribution in aggregate of 3.015 US cents per share or 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning distributions received from BIH. The dividend of 2.72 US cents was paid on 17 September 2004.

During the year and up to the date of this annual report, no new shares, whether ordinary or deferred shares, were issued to third parties (2004: Nil) apart from 3.2 million shares, which were issued pursuant to the exercise of various options.

My fellow Director, Jamie Gibson, will provide an update concerning the main operations of the BIH Group, which is as follows:

1 BRIDGE INVESTMENT HOLDING LIMITED

1.1 REALISATION OF BRIDGE SECURITIES CO., LTD

The board of directors of BSC has approved on 23 June 2005 a KRW 100 billion mandatory capital reduction (the "**Mandatory Capital Reduction**"), pursuant to which BSC's shares will be repurchased by BSC mandatorily at KRW 3,380 (or US$3.3) per share, representing approximately 52.1% of BSC's net asset value as at 31 March 2005. It is expected that the Mandatory Capital Reduction will complete on or around 20 September 2005.

An extraordinary general meeting of BSC (the "**BSC EGM**") has been convened to be held on 4 August 2005, at which a resolution will be proposed to shareholders to consider and, if thought fit, approve the Mandatory Capital Reduction.

BIH will procure its subsidiaries to vote in favour of the Mandatory Capital Reduction at the BSC EGM.

As part of the Mandatory Capital Reduction, creditors of BSC are allowed to present their objection, if any, before 5 September 2005. Assuming that no creditors object, the BIH Group will receive approximately US$76.91 million, before taxes, on or around 20 September 2005. BIH expects that withholding taxes of approximately KRW 3.59 billion (or US$3.55 million) will be levied on the BIH Group in respect of the Mandatory Capital Reduction. It is therefore expected that the BIH Group will receive approximately US$73.36 million, net of estimated Korean taxes.

1 BRIDGE INVESTMENT HOLDING LIMITED (Continued)

1.1 REALISATION OF BRIDGE SECURITIES CO., LTD (Continued)

It is the intention of the BIH directors to distribute the net proceeds received from the Mandatory Capital Reduction to all shareholders, after making provision for sufficient working capital, including the payment of all trade creditors and outstanding Korean withholding taxes and interest accrued on the late payment of such withholding taxes amounting in aggregate to US$12.9 million. It is the BIH directors' intention that BIH will therefore distribute to all shareholders approximately US$60.57 million received from BSC equivalent to US$1.35 per share. However, the BIH directors will consider the amount of the distribution that BIH will make to all shareholders nearer the time the proceeds are paid by BSC and an appropriate update will be made to BIH shareholders in the usual manner.

An agreement was entered into on 24 June 2005 amongst, inter alia, BIH, certain of the BIH subsidiaries, the Company, RPCA (L) Limited (a wholly owned subsidiary of the Company), BSC and the labour union of BSC (the "**BSC Labour Union**"), pursuant to which the BSC Labour Union has confirmed its agreement to the Mandatory Capital Reduction, among others. In particular, it has undertaken that the BSC EGM will proceed without any interference from its members, the Korean Securities Industry Trade Union or any non-governmental organisation.

1.2 SHARE SALE OPTION AGREEMENT

The share sale option agreement relating to the sale of 62,341,329 BSC shares was entered into on 13 July 2005 amongst BIH, certain BIH subsidiaries, Golden Bridge Co., Ltd (the "**Purchaser**") and others (the "**Share Sale Option Agreement**"), which has replaced the call option agreement dated 24 June 2005 entered into amongst the same parties (the "**Call Option Agreement**").

Pursuant to the Share Sale Option Agreement, BIH, among others, has agreed to sell to the Purchaser its BSC shares (such shares will be reduced by 41.2231177%, representing the number of shares purchased by BSC pursuant to the Mandatory Capital Reduction), at a total consideration of KRW 33.98 billion (or US$33.61 million). Of the consideration of KRW 33.98 billion, an initial consideration of KRW 3.4 billion (or US$3.36 million) in cash was paid by the Purchaser on 29 June 2005 under the Call Option Agreement for the grant of a call option over the said 62,341,329 BSC shares.

BIH will receive approximately US$106.7 million in respect of the Mandatory Capital Reduction and the sale of its BSC shares, net of estimated Korean taxes.

1 BRIDGE INVESTMENT HOLDING LIMITED (Continued)

1.2 SHARE SALE OPTION AGREEMENT (Continued)

If both the Mandatory Capital Reduction and share sale are completed in accordance with the terms indicated above, BIH anticipates making two or more distributions for a total amount of approximately US$2.10 per share or US$94.18 million. The BIH directors hope that the distributions shall be made not later than 31 October 2005.

1.3 OPERATIONAL PERFORMANCE

1.3.1 Summary

BIH recorded a loss attributable to shareholders of US$106.1 million (2004: profit of US$8.3 million) for the year ended 31 March 2005, representing a loss per share of US$2.37 (2004: earnings per share of US$0.18).

The change in results is mainly due to the following items:

i) Operating Income:

BSC generated an operating loss before significant non-operating items and tax of approximately US$3.6 million, which was consolidated by BIH.

ii) Significant Non-Operating Gains:

BIH booked the following significant non-operating gains:

- BSC realised a gain of KRW 6.9 billion (or US$6.8 million) from the sale of its BSC Building and Regent Securities Building to a third party for a consideration in aggregate of KRW 71.4 billion (or US$61.5 million), which was consolidated by BIH.
- BIH recognised an unrealised revaluation gain of US$5.4 million from BSC's holding of shares in the Korea Exchange.

Chairman's Statement

1 BRIDGE INVESTMENT HOLDING LIMITED (Continued)

1.3 OPERATIONAL PERFORMANCE (Continued)

1.3.1 Summary (Continued)

iii) Significant Non-Operating Expenses:

BIH booked the following significant non-operating charges:

- BSC incurred restructuring charges totaling KRW 34.2 billion (or US$30.9 million) in respect of an early retirement programme ("**ERP**"), loyalty bonuses paid to non-retiring staff and the cost of closing 19 branches following the ERP, which were consolidated by BIH.
- The BIH Group paid Korean withholding tax of US$2.4 million on 25 June 2004 concerning the share split that was approved by the BSC directors on 13 May 2004.
- The BIH Group paid Korean withholding tax of US$8.1 million concerning the capital reduction by BSC of 150 million shares at KRW 1,000 per share on 16 August 2004.
- BIH made a provision of US$5.9 million concerning additional withholding tax imposed by the National Tax Service of Korea on the deemed dividends received from BSC in the years of assessment of 2000, 2003 and 2004.
- Litigation commenced by Peter Everington and Romi Williamson against BIH was settled.
- The BIH directors decided to make a provision of US$62.9 million for the impairment of its investment in BSC, based on the proceeds likely to be received from the Mandatory Capital Reduction and the subsequent sale of the BIH Group's shares in BSC to the Purchaser.

Chairman's Statement

1 BRIDGE INVESTMENT HOLDING LIMITED (Continued)

1.3 OPERATIONAL PERFORMANCE (Continued)

1.3.2 Balance Sheet

Shareholders' equity decreased by 54.5% to US$103.3 million as at 31 March 2005 from US$227.2 million as at 31 March 2004. The decrease was due to (i) payment of a dividend of US$89.6 million to shareholders on 20 August 2004, and (ii) an operating loss of US$106.1 million (including the provision for impairment of US$62.9 million on the BIH Group's investment in BSC as mentioned above) offset by (iii) an unrealised foreign exchange revaluation surplus of US$21.0 million, and (iv) derecognition of negative goodwill of US$50.8 million in retained earnings, due to the adoption of the new International Financial Reporting Standard 3 "Business Combinations". Net assets per share were US$2.31.

1.3.3 Funding

As at 31 March 2005, the BIH Group's cash balance excluding BSC was US$0.4 million. BSC completed on 16 August 2004 a mandatory buy back of 150 million shares at KRW 1,000 per share at a total cost of KRW150 billion. BSC therefore mandatorily purchased 67.637667% of each shareholder's interest in BSC. Accordingly, the BIH Group received KRW 116.63 billion (or US$100.7 million) before payment of Korean withholding tax of KRW 9.3 billion (or US$8.1 million).

BIH paid a dividend of US$2.00 per share on 20 August 2004.

1.3.4 Investments

The BIH Group owns 77.75% of the outstanding share capital of BSC, being the BIH Group's only operating company. During the year, the BIH Group acquired 225,097 BSC shares at an average price per share of KRW 3,273, which preceded the share split of 3.9 shares for every one share held that was approved by the BSC directors on 13 May 2004. As a result of this share split, the BIH Group paid Korean withholding tax of KRW 2.7 billion (or US$2.4 million) on 25 June 2004.

In June 2004, BSC completed the disposal of 5.5 million Treasury Shares at an average price per share of KRW 830.90 to facilitate the retention of BSC's listing on the Korea Exchange, which has reduced the BIH Group's interest in BSC to 77.75% from 79.73%.

Chairman's Statement

1 BRIDGE INVESTMENT HOLDING LIMITED (Continued)

1.4 SIGNIFICANT DEVELOPMENTS

Below is a summary of the more significant developments concerning the realisation of BIH's interest in BSC:

- BIH paid a dividend of US$2.00 per share on 20 August 2004.
- BSC is in the process of completing, on or around 20 September 2005, the Mandatory Capital Reduction which is equivalent to 52.1% of the shareholders' funds of BSC as at 31 March 2005.
- On 13 July 2005, the BIH Group signed the Share Sale Option Agreement with the Purchaser for the sale of all its BSC shares for a total consideration of KRW 33.98 billion (approximately US$33.61 million), which has replaced the Call Option Agreement.

If both the Mandatory Capital Reduction and share sale are completed in accordance with the terms indicated above, BIH anticipates making two or more distributions for a total amount of approximately US$2.10 per share or US$94.18 million. The BIH directors hope that the distributions shall be made not later than 31 October 2005.

2 BIH DISTRIBUTION

As noted above, your Directors understand that it is the intention of the BIH directors to distribute the net proceeds received from the Mandatory Capital Reduction to BIH shareholders, after making provision for sufficient working capital, including payment of all trade creditors and outstanding Korean withholding taxes and interest accrued on the late payment of such withholding taxes amounting in aggregate to US$12.90 million. On that premise, the Directors expect the Company to receive approximately US$24.35 million from BIH, net of estimated Korean taxes. It is the intention of your Directors that the Company will distribute 90% of the net proceeds received from BIH, subject to the Group retaining sufficient working capital for the next 24 months. Your Directors will consider the amount of the distribution that the Company will make to all shareholders nearer the time the proceeds are paid to BIH shareholders and an appropriate announcement will be made to shareholders in the usual manner.

Chairman's Statement

2 BIH DISTRIBUTION (Continued)

If the Share Sale Option Agreement completes whereby BIH's BSC shares are purchased by the Purchaser, it is, as far as the Directors understand, the intention of the BIH directors to distribute the net proceeds received from the Purchaser to BIH shareholders, after making provision for sufficient working capital, including payment of all trade creditors and outstanding Korean withholding taxes and interest accrued on the late payment of such withholding taxes amounting in aggregate to US$12.90 million. On that premise, the Directors expect the Company to receive approximately US$13.52 million from BIH, net of estimated Korean taxes. It is the intention of your Directors that the Company will distribute 90% of the net proceeds received from BIH, subject to the Group retaining sufficient working capital for the next 24 months. Your Directors will consider the amount of the distribution that the Company will make to all shareholders nearer the time the proceeds are paid to BIH shareholders and an appropriate announcement will be made to shareholders in the usual manner.

On the basis of the above estimation, the total proceeds to be received by the Company from BIH in respect of the Mandatory Capital Reduction and the sale of BIH's BSC shares, net of estimated Korean taxes, will amount to approximately US$37.87 million.

3 FUND MANAGEMENT

The Group has assets under management of US$27.1 million. During the year, Asian Opportunity Fund 1998 - II was wound up after returning the bulk of its investments in cash to shareholders. In addition, during the year and up to the date of this annual report, Asian Opportunity Fund 1998 - I and Undervalued Assets Property Fund – Series Two have returned in aggregate US$3.3 million and US$7.9 million respectively to their shareholders. It is the Group's intention that it will focus entirely on its corporate investments, including in particular its recent announcements relating to the establishment of a joint venture company for the purposes of exploring, mining and processing base metals in the People's Republic of China (the "**PRC**")(see below for further information).

Chairman's Statement

4 TECHNOLOGY INVESTMENTS

The Group's 49.9% associate, Regent Markets Holdings Limited ("**Regent Markets**", formerly known as Exchangebet.com Holdings Limited), provides online financial betting services via the websites *betonmarkets.com* and *betonmarkets.co.uk*. The group has continued to perform in the year ended 31 March 2005, achieving turnover of US$72 million, gross profit of US$2.9 million, and net profit after tax of US$1.1 million. The group however suffered some setbacks such as a slow start to turnover and profits in 2005 and an increased competitive environment. However the group remains on track with a growth strategy targeted at the United Kingdom and China markets, supported by its core strengths in IT and compliance.

Regent Markets has offices in Malta, the Isle of Man, and Cyberjaya, Malaysia, and operates via bookmakers licenses in the United Kingdom, Isle of Man, and Malta. The company's growth leverages from its low cost bases in Malta and IT centre in Malaysia, enabling it to generate organic profits, which are invested into marketing, research & development and further expansion.

5 OUTLOOK

The Group is committed to realising its investment in BIH and we are hopeful that the BIH directors will achieve this by 31 October 2005.

As you may know from the Company's announcement dated 4 July 2005, the Company entered into a cooperation agreement on 23 June 2005 with Red Dragon Resources Corporation ("**RDRC**"), among others, for the conditional acquisition of all the issued share capital of RDRC for a total consideration of US$4.8 million. The Company has paid US$3.5 million to-date for an 80% equity interest in RDRC, with the balance due in consideration shares subject to the approval of shareholders at the Company's extraordinary general meeting that is expected to take place in September 2005.

RDRC is currently in discussions with a Chinese company with the view to establishing a joint venture company (the "**JV Company**") for the purposes of exploring, mining, processing and selling base metals in the PRC. If the JV Company is established, RDRC can acquire an 80% interest for a cash investment of US$27 million. Such cash investment will be funded through a combination of the Company's internal working capital resources and external financing (by way of equity and/or debt financing), the relative proportions of which have not yet been determined.

5 OUTLOOK (Continued)

Your Directors believe that the Company will capture a good opportunity for investment in the minerals exploration, mining and processing industry in the PRC in the form of an investment in the JV Company. In particular, shareholders should note that the current investment opportunity, which is the subject of the joint venture negotiations is a profitable mine currently mining, processing and selling certain types of base metals in the PRC.

The Company will continue to be an investment holding company and as such is regularly evaluating and considering new investment opportunities particularly in the light of the need for reinvestment of part of the proceeds to be received from BIH. Your Directors believe that the current investment opportunity can, if successfully completed, provide an excellent opportunity for creating shareholder value.

Your Directors remain committed towards taking steps that will enhance the value of all shareholders' investment in the Company.

I would like to thank my fellow Directors and colleagues for all their hard work during the past year.

Anthony Baillieu

Hong Kong, 21 July 2005

Report of the Directors

The Directors of the Company submit herewith their report and the audited financial statements of the Company and the Group for the year ended 31 March 2005 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Company's principal activity was investment holding, and the Group's principal activities consisted of asset management; provision of investment advisory services; corporate finance and advisory services; corporate investment; and internet retailing.

Principal activities of the respective subsidiaries of the Company during the year are set out in note 12 to the Financial Statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2005 are set out in the Consolidated Income Statement on page 49.

No interim dividend was declared during the year (2004: a special interim dividend of 0.295 US cent per share), and the Directors do not recommend the payment of a final dividend for the year (2004: 2.72 US cents per share).

Report of the Directors

SUMMARY FINANCIAL INFORMATION

The results and the assets and liabilities of the Group for the current and the last four financial years (extracted from the audited financial statements and reclassified as appropriate) are set out below:

Results:

	For the year ended 31 March				
	2005 US$'000	2004 US$'000	2003 US$'000	2002 US$'000	2001 US$'000
Turnover	3,425	1,512	564	4,959	(744)
Revenue less expenses	158	(2,001)	(1,905)	(13,544)	(22,619)
Share of (losses)/profits of associates	(35,218)	7,445	(4,976)	16,143	(53,440)
Operating (loss)/profit on core activities	(35,060)	5,444	(6,881)	2,599	(76,059)
Losses on non-core activities	—	—	—	(8)	(22,193)
Operating (loss)/profit before interest, taxation and minority interests	(35,060)	5,444	(6,881)	2,591	(98,252)
Finance costs – interest on bank loans and overdraft	—	—	—	(145)	(358)
(Loss)/Profit before taxation	(35,060)	5,444	(6,881)	2,446	(98,610)
Taxation	(6,832)	(356)	(395)	(923)	(2,840)
(Loss)/Profit after taxation	(41,892)	5,088	(7,276)	1,523	(101,450)
Minority interests	(438)	(15)	16	2,030	3,119
Net (loss)/profit attributable to shareholders	(42,330)	5,073	(7,260)	3,553	(98,331)

Report of the Directors

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 March				
	2005 US$'000	2004 US$'000	2003 US$'000	2002 US$'000	2001 US$'000
Fixed assets	49	25	59	573	971
Intangible assets	—	—	—	—	628
Interests in associates and jointly controlled entities	43,023	92,392	78,912	78,960	64,332
Non-current investments in securities	6,491	3,922	4,562	7,422	10,276
Due from an associate	435	495	662	—	—
Current assets	2,232	1,543	3,667	8,398	21,780
Total assets	52,230	98,377	87,862	95,353	97,987
Current liabilities	395	1,098	2,670	8,299	9,826
Non-current liabilities	—	—	—	—	2,500
Total liabilities	395	1,098	2,670	8,299	12,326
Net assets	51,835	97,279	85,192	87,054	85,661

RESERVES

Details of movements in the reserves of the Group and the Company are set out in note 20 to the Financial Statements. The Company considers that only profits and share premium are distributable to shareholders.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 12 and 13 to the Financial Statements respectively.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 11 to the Financial Statements.

Report of the Directors

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and outstanding share options are set out below and in note 19 to the Financial Statements.

There were no changes in the Company's authorised share capital during the year. An aggregate of 3,180,000 new ordinary shares were issued and allotted during the year for a total consideration of HK$508,800 (approximately US$65,230), being HK$0.16 per share, upon exercise of options under the Employee Share Option Scheme of the Company. No additional ordinary shares were issued and allotted subsequent to the year end date or prior to the date of this report.

The Company has two share option schemes:

a. Share Option Scheme (2002)

A new share option scheme, named "Share Option Scheme (2002)" (the **"Share Option Scheme (2002)"**), was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002. The scheme shall continue in force until the tenth anniversary of its commencement date, which will be 15 November 2012.

The Share Option Scheme (2002) provides the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible participants (including directors, executives, employees, consultants and service providers of the Company and its subsidiaries). The scheme may, at the discretion of the Directors, be used in conjunction with any cash based compensation, incentive compensation or bonus plan.

The maximum number of shares available for issue upon exercise of all options to be granted under the scheme (excluding lapsed options) shall not exceed 110,017,428 shares, representing 10% of the ordinary share capital of the Company in issue as at the scheme's commencement date, being 15 November 2002, and 9.94% of the Company's total issued voting share capital as at 31 March 2005 and the date of this report and 9.04% of the enlarged voting share capital. The Company may seek shareholders' approval at a general meeting for "refreshing" the 10% limit under the scheme so that the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme (2002), when aggregated with any shares which may be issued upon exercise of options to be granted under other schemes of the Company, shall be 10% of the total issued ordinary share capital of the Company as at the date of approval of the "refreshed" limit. Options previously granted under the scheme (including those outstanding, cancelled or lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". The Company may also seek separate shareholders' approval at a general meeting for granting options beyond the 10% limit provided that the options in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. **Share Option Scheme (2002)** (Continued)

In any circumstances, the aggregate limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (2002) and any other schemes of the Company must not exceed 30% of the ordinary shares of the Company in issue from time to time.

The number of shares issued or issuable upon exercise of the options granted to any individual eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the ordinary shares of the Company in issue, subject to the restrictions on grants to the Directors, chief executive or substantial shareholders of the Company as set out in The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**").

Each grant of options to any of the Directors, chief executive or substantial shareholders of the Company, or any of their respective associates, under the scheme must be approved by the Company's independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the proposed offer of such grant representing in aggregate over 0.1% of the ordinary shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be subject to shareholders' approval.

An offer of the grant of an option shall remain open for acceptance by the eligible participant concerned for a period of 28 days inclusive of and from the date on which such offer is made to that eligible participant or such shorter period as the Directors may in their absolute discretion determine. An offer which remains capable of acceptance shall be deemed to have been accepted upon the date when the duly completed and signed form of acceptance together with a remittance for HK$10, being the consideration for the grant thereof, are received by the Company. The option shall, following such acceptance, be deemed to have been granted and to have taken effect on the date of offer.

Options granted under the Share Option Scheme (2002) entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant, provided that the option holder remains as an eligible participant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of offer of the relevant option. All entitlements of the option then remain unexercised will lapse.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. Share Option Scheme (2002) (Continued)

The exercise price is to be determined by the Directors at their absolute discretion when the option is offered, provided that in no event shall such price be less than the higher of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares as stated in the daily quotations sheet of the HK Stock Exchange on the date of offer, which must be a business day; and (iii) the average closing price of the ordinary shares as stated in the daily quotations sheets of the HK Stock Exchange for the five business days immediately preceding the date of offer.

Particulars of the options held under the Share Option Scheme (2002) during the year by various participants are as follow:

i. *Directors, Chief Executive and substantial shareholders*

As at 1 April 2004, no options were outstanding under the Share Option Scheme (2002). On 9 September 2004, options entitling the holders to subscribe, in stages, for an aggregate of 14,500,000 ordinary shares in the Company at the exercise price of HK$0.266 per share were granted to the Chief Executive Officer (also an executive Director) and an executive Director of the Company. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.27.

None of the outstanding options were vested, cancelled or lapsed during the year. Accordingly, as at 31 March 2005 and the date of this report, there were/are outstanding options entitling the Chief Executive Officer (also an executive Director) and an executive Director to subscribe, in stages, for an aggregate of 14,500,000 ordinary shares at the exercise price of HK$0.266 per share.

Particulars of the options granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed "Directors' Interests in Securities and Options" in this report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the year or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company, as referred to in the section headed "Substantial Shareholders" in this report, or their respective associates, at any time during the year or prior to the date of this report.

ii. *Participants in excess of individual limit*

No participants were granted with options (including both exercised and outstanding options) in respect of an aggregate number of shares in the Company which was in excess of the individual limit referred to in Rule 17.03(4) of the HK Listing Rules.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. **Share Option Scheme (2002)** (Continued)

iii. Full-time employees

As at 1 April 2004, no options were outstanding under the Share Option Scheme (2002). On 9 September 2004, options entitling the holders to subscribe, in stages, for an aggregate of 6,900,000 ordinary shares in the Company at the exercise price of HK$0.266 per share were granted to the full-time employees of the Group (excluding the Directors of the Company). Option-holders are entitled to subscribe for one-third of the number of shares subject to the option at each of the first, second and third anniversary dates after the date of grant but within 10 years from the date of grant. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.27.

None of the outstanding options were vested or cancelled during the year. An option in respect of 800,000 shares lapsed upon the resignation of a full-time employee of the Group. Accordingly, as at 31 March 2005 and the date of this report, there were/are outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 6,100,000 ordinary shares at the exercise price of HK$0.266 per share.

iv. Suppliers of goods and services

No options were granted to or held by suppliers of goods and services of the Company at any time during the year or prior to the date of this report.

v. Other participants

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the year or prior to the date of this report.

b. **Employee Share Option Scheme**

Following the adoption of the Share Option Scheme (2002) referred to in paragraph (a) above, the Company's employee share option scheme (the "**Employee Share Option Scheme**"), which was approved by the shareholders on 24 July 1996 (and was deemed to have commenced on 15 July 1994), as amended on 27 May 1998, was terminated. However, its provisions remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under such scheme prior to the date of such termination. Therefore, no new options were granted under the Employee Share Option Scheme during the year or prior to the date of this report.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

b. Employee Share Option Scheme (Continued)

Options currently outstanding under the Employee Share Option Scheme were granted on various dates and with various vesting schedules. Certain of the outstanding options entitle the holders to exercise the whole of the option at any time after the third anniversary date of the date of grant of the respective options but within 60 months from the date of grant. Other options, however, entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 60 months from the date of grant. All entitlements of the option then remain unexercised will lapse.

Particulars of the options held under the Employee Share Option Scheme during the year by various participants are as follow:

i. Directors, Chief Executive and substantial shareholders

As at 1 April 2004, there were outstanding options in respect of an aggregate of 2,500,000 ordinary shares in the Company held by a Director, who is the Chief Executive Officer of the Company, at the exercise price of HK$0.16 per share, excluding the outstanding options held by Karin Schulte (who resigned as a Director of the Company on 12 January 2004 but remained as a full-time employee of the Group until 8 April 2004) as at 1 April 2004 in respect of an aggregate of 2,583,333 shares which are included in the balance set out under sub-paragraph (iii) below headed "Full-time employees". During the year, no options were granted or cancelled or lapsed. The Chief Executive Officer of the Company exercised all rights under his outstanding and vested options and subscribed for an aggregate 2,500,000 shares at HK$0.16 per share. The closing price of the shares of the Company immediately before the date on which the options were exercised was HK$0.45. Accordingly, as at 31 March 2005 and the date of this report, there were/are no outstanding options held by the Directors or the Chief Executive Officer of the Company.

Particulars of the options granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed "Directors' Interests in Securities and Options" in this report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the year or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company, as referred to in the section headed "Substantial Shareholders" in this report, or their respective associates, at any time during the year or prior to the date of this report.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

b. Employee Share Option Scheme (Continued)

ii. Participants in excess of individual limit

No participants were granted with options (including both exercised and outstanding options) in respect of an aggregate number of shares in the Company which was in excess of the individual limit referred to in Rule 17.03(4) of the HK Listing Rules.

iii. Full-time employees

As at 1 April 2004, there were outstanding options entitling full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages from the respective dates of grant for a period of 60 months, for an aggregate of 3,563,333 ordinary shares in the Company at exercise prices ranging from HK$0.16 to HK$1.40 per share, including the outstanding options then held by Karin Schulte (who resigned as a Director of the Company on 12 January 2004 but remained as a full-time employee of the Group until 8 April 2004) in respect of an aggregate of 2,583,333 shares which are excluded from the balance set out under sub-paragraph (i) above headed "Directors, Chief Executive and Substantial Shareholders". During the year, no options were granted or cancelled. Vested options in respect of 680,000 shares were exercised at HK$0.16 per share. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK$0.383. Unexercised and unvested options of Karin Schulte in respect of an aggregate of 2,583,333 shares lapsed on 8 April 2004 when she ceased to be an eligible participant of the Employee Share Option Scheme. In addition, another unexercised option in respect of 100,000 shares at an exercise price of HK$1.40 per share lapsed upon expiry of the exercise period. Accordingly, as at 31 March 2005 and the date of this report, there was/is an outstanding and vested option entitling a full-time employee of the Group (not a Director of the Company) to subscribe for 200,000 ordinary shares at an exercise price of HK$1.06 per share.

iv. Suppliers of goods and services

No options were granted to or held by suppliers of goods and services of the Company at any time during the year or prior to the date of this report.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

b. **Employee Share Option Scheme** (Continued)

v. *Other participants*

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the year or prior to the date of this report.

Whenever options are granted, the Directors make a valuation of the options granted under the share option schemes under a modified Black Scholes option pricing model. This calculates a theoretical valuation assuming that the options involved are freely tradable.

Within this model, the volatility of the Company's share price is measured over the 260 trading days prior to the grant of the options. It is further assumed that the risk-free interest rate ruling is 4% per annum, that no dividends will be paid and that the options will not lapse prior to the latest exercise date.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

No shares in the Company were purchased or sold by the Company or any of its subsidiaries during the year, whether on the HK Stock Exchange or otherwise. The Company has not redeemed any of its securities during the year.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at all times during the year and as at the date of this report, the Company has complied with the public float requirement prescribed in the HK Listing Rules for the Company.

Report of the Directors

DIRECTORS

The Directors of the Company who held office during the year and up to the date of this report were:

Anthony Robert Baillieu *(Chairman)**
Jamie Alexander Gibson *(Chief Executive Officer)*
Cheung Mei Chu, Clara
James Mellon*
Julie Oates# (appointed on 28 September 2004)
Stawell Mark Searle#
Jayne Allison Sutcliffe*
Alexander Anderson Whamond*
Robert George Curzon Whiting#

* non-executive Directors
\# independent non-executive Directors

In accordance with Article 86(3) of the Company's Articles of Association, any Director appointed after the close of the last annual general meeting of the Company shall retire at the next annual general meeting of the Company but shall then be eligible for re-election. Any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

In accordance with Article 87, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation provided that the Chairman of the Board of Directors and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. A retiring Director shall be eligible for re-election.

Anthony Baillieu and Jamie Gibson shall not be subject to rotational retirement requirement under Article 87. Accordingly, Julie Oates will retire pursuant to Article 86(3) while Mark Searle and Jayne Sutcliffe will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders.

Report of the Directors

DIRECTORS (Continued)

Biographical details of the Directors who hold office as at the date of this report are as follows:

1. **Anthony Robert Baillieu**, aged 49, Australian and British, was appointed as an independent non-executive Director of the Company in April 2001 and the Chairman of the Board of Directors of the Company in May 2003. In order for Mr Baillieu to take up the much greater management involvement that is required of the Chairman, he was re-designated as a non-executive Director of the Company on 24 March 2004. He had a long career in insurance, stockbroking and asset management, with experience in the United Kingdom, Europe, Australia, the Middle East and Hong Kong. Having trained at Sedgwick Forbes in London, Mr Baillieu moved to Australia to form Fenchurch Insurance Brokers, which was eventually bought by Marsh & McLennon. He then joined Roach Tilley Grice, stockbrokers in Melbourne, becoming a partner responsible for establishing their offices in London, Singapore and Bahrain. Mr Baillieu was a founding director of Lowell Asset Management, a private Australian asset management and investment banking group. He also holds directorships and consultancies that span the fields of insurance and asset management. In 1992, Mr Baillieu established Anthony Baillieu and Associates (Hong Kong) Limited, an executive search firm specialising in financial services. He is a shareholder of Henderson Baillieu Holdings Limited, in which the Company has an indirect interest of 8%. Mr Baillieu is also director of certain subsidiaries of Regent Pacific Group and Dublin-listed funds managed by the Group.

2. **Jamie Alexander Gibson**, aged 39, British, joined Regent Pacific Group in April 1996 and was appointed as an executive Director and Chief Operating Officer of the Company in January 2002. On 16 May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of a number of subsidiaries of Regent Pacific Group and Bridge Securities Co., Ltd.

3. **Cheung Mei Chu, Clara**, aged 31, Chinese, joined Regent Pacific Group in March 2002 and was appointed as the Finance Director of the Company on 12 January 2004. Ms Cheung is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Prior to joining the Company, she has gained extensive experience in auditing and accounting with Deloitte Touche Tohmatsu. She is also director of certain subsidiaries of Regent Pacific Group and Bridge Securities Co., Ltd.

Report of the Directors

DIRECTORS (Continued)

4. **James Mellon**, aged 48, British, was appointed as an executive Director of the Company in July 1991 and the Chairman of the Board of Directors of the Company in April 1994 and held such positions until May 2002, except for the period from December 2000 to April 2001 during which he stepped down from the role of the Chairman. In May 2002, Mr Mellon was re-designated as a non-executive Director of the Company and resigned as the Chairman in May 2003. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group and funds managed by the Group, including private equity and Dublin-listed funds. Since the completion of a restructuring scheme of Regent Pacific Group and the Group's divestment in Charlemagne Capital Limited (formerly known as Regent Europe Limited) in June 2000 (the "**Restructuring Scheme**"), Mr Mellon has been non-executive Chairman of Charlemagne Capital Limited.

5. **Julie Oates**, aged 43, British, was appointed as an independent non-executive Director of the Company on 28 September 2004. She was trained with Pannell Kerr Forster in the Isle of Man and was qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and more recently has established her own accountancy practice. Mrs Oates gained experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. She is a member of The Society of Estate and Trust Practitioners and is licensed by the Isle of Man Government Financial Supervision Commission to provide corporate services.

6. **Stawell Mark Searle**, aged 62, British, has been an independent non-executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Currently, Mr Searle is a consultant of Hiscox Investment Management Limited, the investment division of Hiscox Plc, and a director of Invesco Perpetual European Investment Trust (a listed company on the London Stock Exchange).

Report of the Directors

DIRECTORS (Continued)

7. **Jayne Allison Sutcliffe**, aged 41, British, was appointed as the Group Corporate Finance Director in August 1991. Upon completion of the Restructuring Scheme (as defined above), Mrs Sutcliffe became a non-executive Director of the Company. Since then, she has been the Chief Executive of Charlemagne Capital Limited. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of certain subsidiaries of Regent Pacific Group.

8. **Alexander Anderson Whamond**, aged 45, British, was appointed as an executive Director of the Company in January 1999. Upon completion of the Restructuring Scheme (as defined above), Mr Whamond became a non-executive Director of the Company. He commenced his career in 1982 with White Weld Securities Limited. Subsequently, he worked at both Salomon Brothers and Morgan Stanley International in London. Prior to joining Regent Pacific Group in March 1998 as the head of the Group's head of Corporate Investments, Mr Whamond was a Managing Director of Peregrine Securities International Limited and a member of the executive committee of Peregrine Investment Holdings Limited. He is also director of certain subsidiaries of Regent Pacific Group and a private equity fund managed by the Group.

9. **Robert George Curzon Whiting**, aged 46, South African and British, was appointed as an independent non-executive Director of the Company on 24 March 2004. He has a Bachelor's degree in Economics from University of Capetown. He has extensive work experience in securities industry of Hong Kong, London and South Africa. After his first jobs as dealer and agency sales, he joined the International Derivatives desk of SG Warburg Securities, London in 1990, performing a generalist sales role covering convertible bonds, warrants, exchange trade options and futures and high yield debt. Thereafter, he joined Peregrine Hong Kong in 1992 as Director. He was mandated to set up and manage an equity derivative department in conjunction with a specialist risk manager, covering research and distribution, new issue product structures and a hedge and trading book. He was transferred to Peregrine London in mid 1993, where he was responsible for setting up and running their International Equity Capital Markets and Syndication operation. In February 1997, Mr Whiting became a Director of Credit Suisse First Boston (CSFB), Hong Kong and co-headed the Equity Capital Markets function throughout Asia ex Japan combining all equity, equity-related and derivative businesses. In 2001, Mr Whiting started and built up ARC Risk Management Group Plc, an AIM listed (London Stock Exchange) company, that combines a focused consulting and senior level training service with a fully comprehensive global information, advice and response capability covering a broad range of risk mitigation issues for both companies and individuals.

DIRECTORS (Continued)

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises three independent non-executive Directors, namely Julie Oates, Mark Searle and Robert Whiting, representing one-third of the Board. Pursuant to Paragraph 12B of Appendix 16 to the HK Listing Rules, each of the independent non-executive Directors has confirmed by an annual confirmation that he/she complied with the independence criteria set out in Rule 3.13. The Directors consider that all the three independent non-executive Directors to be independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). In addition, Clara Cheung, an executive Director, is a qualified accountant responsible for oversight of the Group's financial reporting procedures, in compliance of Rule 3.24.

None of the Directors has any relationships (either financial or business or family or other material/relevant relationship(s)) with any other Directors, senior management or substantial or controlling shareholders of the Company.

As disclosed in the Company's last annual report for the year ended 31 March 2004, the Directors have been informed by James Mellon on 15 July 2004 that the arrest warrant issued by the Korean prosecutor's office on 19 December 2000 was renewed in January 2004. The arrest warrant was issued against James Mellon pertaining to his alleged involvement in a conspiracy with Seung-Hyun Jin and Chang-Kon Koh to manipulate the share price of Regent Securities Co., Ltd, which was merged with Ileun Securities Co., Ltd in January 2002 and subsequently renamed Bridge Securities Co., Ltd, in Korea in November/December 2000. As far as the Board is aware, no proceedings have been issued or served against James Mellon since that time and neither have there been any further developments involving the Group.

James Mellon has informed the Board that he categorically denies these allegations and has retained leading Korean counsel to act on his behalf in disproving the Korean prosecutor's claims. James Mellon has also informed the Board that on 28 March 2001, he also submitted, via his Korean counsel, a comprehensive sworn affidavit disproving the alleged share manipulation. The Board has been informed by James Mellon on 15 July 2004 that the arrest warrant was re-issued on 14 January 2004 and will remain valid and effective until 12 March 2010 or otherwise such time as James Mellon returns to South Korea to assist with the investigation. As noted above, as far as the Board is aware, no proceedings have been issued or served on James Mellon to date. In these circumstances, the Board considers it entirely appropriate for James Mellon to remain on the Board of the Company as a Director.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has any unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment (other than statutory compensation).

DIRECTORS' SERVICE CONTRACTS (Continued)

None of the Directors of the Company has any unexpired service contract with the Company or any of its subsidiaries, which was entered into on or before 31 January 2004 and was exempt from the shareholders' approval requirement under Rule 13.68 of the HK Listing Rules but is required to be disclosed in this report pursuant to Paragraph 14A of Appendix 16 to the HK Listing Rules.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at 31 March 2005, the Directors of the Company had the following beneficial interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company or of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "**SFO**")), which were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to The Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the HK Listing Rules:

1. Securities of the Company

a. Ordinary shares of US$0.01 each

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % of holding**
Anthony Baillieu	A	Interests by controlled corporation	Long position	200,000	0.02%
Jamie Gibson		Beneficial owner	Long position	4,549,843	0.41%
Clara Cheung		—	—	—	—
James Mellon		Beneficial owner	Long position	37,088,500	3.35%
	B	Beneficiary of a trust	Long position	222,967,083	20.14%
Julie Oates		—	—	—	—
Mark Searle		Beneficial owner	Long position	1,750,000	0.16%
	C	Beneficiary of a trust	Long position	50,000	0.00%
Jayne Sutcliffe		Beneficial owner	Long position	14,727,260	1.33%
	D	Beneficiary of a trust	Long position	24,000,000	2.17%
Anderson Whamond	E	Beneficiary of a trust	Long position	5,000,000	0.45%
Robert Whiting		—	—	—	—

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

a. Ordinary shares of US$0.01 each (Continued)

* These numbers do not include the numbers of deferred shares in the issued capital of the Company and the ordinary shares to be issued upon exercise of the outstanding options under the Company's share option schemes held by the Directors, which are disclosed in sub-paragraphs (b) and (c) respectively below.

** The total issued ordinary share capital of the Company as at 31 March 2005 consisted of 1,106,900,089 ordinary shares.

b. Deferred shares of US$0.01 each

Indigo Securities Limited, a private company indirectly and wholly owned by the trustee of a settlement of which James Mellon is a beneficiary, holds 86,728,147 non-voting convertible deferred shares of US$0.01 each in issue in the capital of the Company.

Details of the rights of the deferred shares are set out in note 19 to the Financial Statements.

c. Options of the Company

Please refer to the section headed "Share Capital and Share Options" in this report and note 19 to the Financial Statements as to the details of the share option schemes of the Company.

As at 31 March 2005, the following Directors of the Company had personal interests in options granted under the Company's Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

Name of Director	Date of grant	Total number of shares subject to the option#	Subscription price per share (HK$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2004 – 8 September 2014	—	10.00
Clara Cheung	9 September 2004	3,500,000	0.266	9 September 2004 – 8 September 2014	—	10.00

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

c. Options of the Company (Continued)

As at 31 March 2005, there were no outstanding options held by any Director of the Company under the Company's Employee Share Option Scheme, which was terminated on 15 November 2002 but remains in full force in respect of outstanding options. During the year, Jamie Gibson exercised all rights under his outstanding options pursuant to the Employee Share Option Scheme and subscribed for an aggregate of 2,500,000 shares in the Company. Details of his options are as follows:

Date of grant	Total number of shares subject to outstanding options as at 1 April 2004##	Date of exercise	Number of shares subscribed	Subscription price per share (HK$)	Date of allotment
7 April 2001	1,000,000	17 August 2004	1,000,000	0.16	17 August 2004
27 April 2001	1,500,000	17 August 2004	1,500,000	0.16	17 August 2004

The options entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of grant. All entitlements then remain unexercised will lapse.

The options entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 60 months from the date of grant. All entitlements then remain unexercised will lapse.

Save for the above, during the year or prior to the date of this report, none of the Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Company's share option schemes and subscribed for shares in the Company; and no options were granted, cancelled or lapsed.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

2. Securities of associated corporations

a. *Ordinary shares of US$0.01 of AstroEast.com Limited (note F)*

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % of holding
Anthony Baillieu	A	Interests by controlled corporation	Long position	95,560	0.34%
Jamie Gibson		Beneficial owner	Long position	225,000	0.80%
Clara Cheung		—	—	—	—
James Mellon		—	—	—	—
Julie Oates		—	—	—	—
Mark Searle		—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	150,000	0.54%
Anderson Whamond		Beneficial owner	Long position	150,000	0.54%
Robert Whiting		—	—	—	—

b. *Ordinary shares of US$0.01 of bigsave Holdings plc (note F)*

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % of holding
Anthony Baillieu	A	Interests by controlled corporation	Long position	100,000	0.25%
Jamie Gibson		Beneficial owner	Long position	131,579	0.33%
Clara Cheung		—	—	—	—
James Mellon		—	—	—	—
Julie Oates		—	—	—	—
Mark Searle		—	—	—	—
Jayne Sutcliffe	D	Beneficiary of a trust	Long position	350,000	0.88%
Anderson Whamond		Beneficial owner	Long position	350,000	0.88%
Robert Whiting	G	Beneficiary of a trust	Long position	16,667	0.04%

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Notes:

A. The 200,000 shares in the Company are held by a nominee company owned by the family of Anthony Baillieu, through which shares and cash are held to individual family members' accounts. Such securities are held in Anthony Baillieu's individual account.

The 95,560 shares in AstroEast.com Limited and the 100,000 shares in bigsave Holdings plc are held by a company which is 80% beneficially owned by Anthony Baillieu.

B. The 222,967,083 shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.

C. The 50,000 shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.

D. The 24,000,000 shares in the Company and the 350,000 shares in bigsave Holdings plc are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.

E. The 5,000,000 shares in the Company are held by a pension fund, of which Anderson Whamond is the sole beneficiary.

F. AstroEast.com Limited and bigsave Holdings plc are indirect 51% and 64.3% owned subsidiaries of the Company respectively. The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the Financial Statements in this annual report.

G. The 16,667 shares in bigsave Holdings plc are held by a trust, of which Robert Whiting is one of the beneficiaries.

Save as disclosed herein, as at 31 March 2005 none of the Directors (or their associates) had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

Save as disclosed herein, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) did not grant to any Director of the Company (or their associates) any rights to subscribe for the equity or debt securities of the Company or of any of its associated corporations, or had there been any exercise of such options during the year or prior to the date of this report.

Report of the Directors

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

The following is a summary of connected transactions (as defined in Chapter 14A of the HK Listing Rules) of the Company and significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules), which subsisted at 31 March 2005 or at any time during the year, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company is/are or was/were materially interested, either directly or indirectly.

(1) A loan agreement dated 26 September 2001 was entered into between (a) the Company as lender and (b) AstroEast.com Limited ("**AstroEast**"), an indirect 51% owned subsidiary of the Company, as borrower, pursuant to which the Company agreed to grant an interest bearing secured loan facility of up to an amount of US$50,000 to AstroEast.

The facility is secured by AstroEast granting, at the request of the Company, a first priority perfected security interest in all its interests of at least 1,614,625 shares of Red Dragon Resources Corporation (formerly called iFuture.com Inc), which are listed on the TSX Venture Exchange of Canada. AstroEast must maintain such collateral with a minimum coverage of at least 300% of the amount outstanding in respect of the facility.

The loan agreement, at the time of execution, constituted a connected transaction of the Company under Chapter 14 of the HK Listing Rules then prevailing. However, the Directors of the Company were of the opinion that the facility, being interest bearing and secured by the collateral in the form of marketable securities valued at 300% of the amount outstanding, was granted on normal commercial terms. Additionally, they considered that it was in the ordinary and usual course of business of the Company to offer financial assistance to its subsidiaries from time to time. As a result, the loan agreement was not subject to any disclosure or shareholders' approval requirements as a connected transaction in accordance with the de minimis provision under Rule 14.24(5) of the HK Listing Rules then prevailing.

As at the date of the loan agreement, James Mellon, Anthony Baillieu and Karin Schulte were directors of AstroEast. In addition, Peter Everington, who ceased to be a Director of the Company on 7 January 2002, held an interest of less than 2% of its total issued share capital, and each of Anthony Baillieu, Julian Mayo, Jayne Sutcliffe, Anderson Whamond and Jamie Gibson, who was appointed a Director of the Company on 7 January 2002, held an interest of less than 1% of its total issued share capital. James Mellon resigned as a director of AstroEast on 3 June 2003 but was re-appointed on 5 February 2004. Julian Mayo resigned as the alternate to James Mellon in the Company on 18 June 2003, and Karin Schulte resigned as a director of AstroEast and the Company on 12 January 2004.

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

As at 31 March 2005, an amount of US$48,746.72, inclusive of accrued interest, was outstanding under the loan agreement. The outstanding amount, inclusive of accrued interest, has increased to US$49,888.80 as at the date of this report.

The loan agreement is, however, not a connected transaction of the Company under the new Chapter 14A of the HK Listing Rules, which took effect on 31 March 2004.

(2) Six facilities agreements dated 24 January 2002, 6 February 2002, 24 April 2002, 23 July 2002, 29 July 2002 and 1 November 2002 respectively were entered into between (a) bigsave Holdings plc ("**bigsave**"), an indirect 64.3% owned subsidiary of the Company, as borrower and (b) Burnbrae Limited as lender, pursuant to which Burnbrae Limited agreed to advance unsecured interest-bearing loan facilities of maximum amounts of GBP80,000 (approximately US$114,000), GBP300,000 (approximately US$427,500), GBP75,000 (approximately US$106,875), GBP25,000 (approximately US$35,625), GBP75,000 (approximately US$106,875) and GBP150,000 (approximately US$213,750) respectively to bigsave.

The facilities agreements constituted connected transactions of the Company under Chapter 14 of the HK Listing Rules then prevailing. However, they were not subject to any disclosure or shareholders' approval requirements as connected transactions in accordance with Rule 14.24(8) of the HK Listing Rules then prevailing. The Directors of the Company were of the opinion that as bigsave was not operationally profitable and in the current economic environment it was unlikely for bigsave to either obtain loan financing from a bank or raise equity capital, the facilities from Burnbrae Limited were the most feasible way for bigsave to obtain funding. They were of the opinion that the facilities were granted on normal commercial terms.

Burnbrae Limited is a private company wholly-owned by a trust, of which James Mellon is a beneficiary. At the time of the facilities agreements, David McMahon, who resigned as a Director of the Company on 31 March 2003, and Anderson Whamond were directors of Burnbrae Limited. James Mellon was a director of bigsave. Each of Anthony Baillieu, Dominic Bokor-Ingram, who resigned as a Director of the Company on 11 March 2002, Jamie Gibson, Julian Mayo, David McMahon, Jayne Sutcliffe, Anderson Whamond and Robert Whiting, who was appointed as a Director of the Company on 24 March 2004, was interested in less than 1% of the issued share capital of bigsave. David McMahon resigned as a director of Burnbrae Limited on 24 January 2003, and Julian Mayo resigned as the alternate to James Mellon in the Company on 18 June 2003.

As at 31 March 2005, an amount of GBP912,890 (approximately US$1,720,000), inclusive of accrued interest, was outstanding under the facilities agreements. The outstanding amount, inclusive of accrued interest, has increased to GBP941,332 (approximately US$1,773,000) as at the date of this report.

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

The facilities agreements are connected transactions of the Company under the new Chapter 14A of the HK Listing Rules, which took effect on 31 March 2004, but are not subject to any disclosure or shareholders' approval requirements as connected transactions in accordance with the new Rule 14A.65(4).

The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the financial statements in this annual report.

Save for the above, no connected transactions (as defined in Chapter 14A of the HK Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) of the Company, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company has/had a material interest, either directly or indirectly, subsisted at 31 March 2005 or at any time during the year ended 31 March 2005.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, subsisted as at 31 March 2005 or any time during the year, whereby any individual, firm or body corporate undertook the management and administration of the whole or any substantial part of any business of the Company.

RELEVANT TRANSACTIONS

As at 31 March 2005 and at any time during the year, none of the Directors of the Company owed any outstanding amount on any relevant transactions (including loans, quasi-loans and credit transactions) as required to be disclosed under Paragraph 28(8) of Appendix 16 to the HK Listing Rules and Section 161B of the Companies Ordinance of Hong Kong.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors, except for the independent non-executive Directors who are not subject to the disclosure requirement under Rule 8.10 of the HK Listing Rules, have declared that they are not interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the following persons (other than James Mellon, whose interests are set out in detail under the section headed "Directors' Interests in Securities and Options") had the following beneficial interests in the shares of the Company, which were recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO):

Name of shareholder	Class of shares	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % of holding**
Peter Devas Everington	Ordinary shares	Beneficial owner	Long position	26,800,000	2.42%
	Ordinary shares	Family interests	Long position	24,450,000	2.21%
	Ordinary shares	Beneficiary of a trust	Long position	24,841,210	2.24%
The State of Wisconsin Investment Board	Ordinary shares	Beneficial owner	Long position	82,567,940	7.46%

** The total issued ordinary share capital of the Company as at 31 March 2005 consisted of 1,106,900,089 ordinary shares.

Save for such interests, the Directors are not aware of any other persons who, as at 31 March 2005, had beneficial interests and short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests and short positions which they were deemed or taken to have under such provisions of the SFO).

BORROWINGS

There were no bank borrowings for the Group and the Company for both years ended 31 March 2005 and 2004.

RETIREMENT SCHEME

Details of the retirement scheme of the Group are set out in note 21 to the Financial Statements.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The Group's major customers are the investment fund companies for which it holds a fund management mandate. The percentage of turnover of asset management and corporate finance business accounted for by the five largest of these companies amounted to 90%. The largest single contribution by one fund company amounted to 51% of the turnover of asset management and corporate finance business of the Group.

It is the nature of these fund companies that the Company's Directors, their associates, or any shareholders of the Company could own shares in them.

The major suppliers of the Group provided less than 30% of the total purchase expenditure of the Group.

AUDITORS

The Financial Statements were audited by PricewaterhouseCoopers.

As responsibility for certain aspects of the audit business of KPMG (the partnership) was assumed by KPMG Audit LLC, a limited liability company, with effect from 1 October 2002, KPMG resigned and the Directors appointed KPMG Audit LLC as the Auditor of the Company in place of KPMG on 2 October 2002. Such appointment was ratified at the Company's annual general meeting held on 15 November 2002, and KPMG Audit LLC was re-appointed as the Auditor of the Company at the meeting.

At the Company's extraordinary general meeting held on 10 March 2003, PricewaterhouseCoopers were appointed as the Auditors of the Company in place of KPMG Audit LLC. KPMG Audit LLC indicated that it had no objection to the change of the Auditors of the Company. It confirmed that there were no circumstances connected with its resignation that it considered should be brought to the notice of the shareholders or creditors of the Company.

PricewaterhouseCoopers will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. An ordinary resolution has been proposed for the Company's annual general meeting for Year 2005 for the re-appointment of PricewaterhouseCoopers.

Report of the Directors

CORPORATE GOVERNANCE REPORT

Shareholders' attention is also drawn to the Corporate Governance Report included in this annual report, in compliance of Appendix 23 to the HK Listing Rules.

On Behalf of the Board

Anthony Baillieu
Chairman

Hong Kong, 21 July 2005

Management's Discussion and Analysis of the Group's Performance

Revenue and Profits

The Group recorded a loss after tax and minority interests of US$42.3 million for the year ended 31 March 2005.

The loss was mainly attributable to the Group's share of loss after tax of US$42.6 million (after adjustment in accordance with the Group's accounting policy) from its associate, Bridge Investment Holding Limited ("**BIH**"). BIH recorded a loss attributable to shareholders of US$106.1 million for the year ended 31 March 2005.

The BIH loss is mainly attributable to:

	US$ million
By business:	
- Bridge Securities Co., Ltd (before the following significant items)	(3.6)
- Profit on sale of properties (including the sale of the BSC Building and Regent Securities Building)	5.7
- Revaluation of the Korea Exchange	5.4
- Restructuring charge	(30.9)
- Impairment based on estimated proceeds from the Mandatory Capital Reduction (as defined in the Chairman's Statement) and subsequent sale	(62.9)
	(86.3)
- Corporate and other interests	(8.9)
Pre-tax loss	(95.2)
Write-down of deferred tax assets	(0.3)
Korean withholding tax	(16.4)
Minority interest	5.8
Net loss for the year	(106.1)

The revenue of the corporate investment business division increased significantly to US$2.8 million (2004: US$1.4 million), while the revenue of the asset management business division was reduced by 29.3% to US$0.8 million (2004: US$1.1 million), which was primarily due to the reduction in assets under management.

Management's Discussion and Analysis of the Group's Performance

Revenue and Profits (Continued)

The main elements of the loss are as follows:

	US$ million
Share of loss connected with BIH	
(after adjustment in accordance with the Group's accounting policy)	(35.9)
Share of profit from other associates	0.7
Corporate investments	1.2
Asset management	(1.4)
Others	(0.1)
Loss before tax	(35.5)
Tax	(6.8)
Loss after tax and minority interests	(42.3)

Balance Sheet

The shareholders' equity decreased by 47.2% to US$51.4 million from US$97.3 million during the year and BIH accounted for approximately 80.7% of the Group's total shareholders' equity as at 31 March 2005. The remaining Group assets comprised: (i) cash of US$1.1 million, (ii) technology investments of US$3 million and (iii) other corporate investments of US$5.8 million.

Dividend

On 20 August 2004, the Company received a dividend of US$36 million from BIH. On 26 August 2004, the Company's shareholders approved the payment of a final dividend of 2.72 US cents per share. On the basis of the Company's then issued share capital, payment of the final dividend amounted to approximately US$32.5 million. Accordingly, together with the 2004 special interim dividend, the Directors have approved a distribution in aggregate of 3.015 US cents per share or approximately 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning distributions received from BIH. The dividend was paid on 17 September 2004.

Management's Discussion and Analysis of the Group's Performance

Future Funding

As at 31 March 2005, the Group had US$1.1 million net cash or 2.1% of its total shareholders' equity, which does not take into account of the Group's holding of listed securities that amounts to US$4 million. There were no material charges against Group assets.

The Company's subsidiaries and associates may require funding as their businesses develop. It is expected that the bulk of such funding will be obtained from external sources but, dependent upon the amount and the duration, funding will also be made available by the Group from its internal resources.

Management of Risk

The Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries and associates. This exposure relates mainly to the translation between US dollars and non-US dollar currencies. The Group has not taken any currency hedge against the investments in Korea and United Kingdom due to their non-cash nature and the high cost such hedging would involve.

As BIH was responsible for approximately 80.7% of the total shareholders' equity as at 31 March 2005, the Company is exposed to the fluctuations in the equity values of BIH. The exposure is to the Korean economy, and its credit and equity markets. The responsibility for management of these risks rests with the BIH management.

Through investments of Interman Holdings Limited and Interman Limited in technology related ventures, the Group is exposed to the technology sector. The ability of these companies in controlling their operating cash requirements is key to their development and hence the value of the Group's investment in them. The Group closely monitors the operations and performance of these companies.

The Group will operate both equity market and currency hedges from time to time. Investment is carefully controlled, in accordance with parameters set by the Board, in short term situations where physical assets may be inappropriate. There is strict segregation between the investment management and settlement functions.

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2005, the amount of these margin deposits was US$275,000 (2004: US$185,000).

In terms of the total operations of the Group, activities of this nature are of limited materiality.

Management's Discussion and Analysis of the Group's Performance

Contingent Liabilities

The Group was not involved in any material litigation or disputes during the year ended 31 March 2005 apart from the action commenced by the former executive directors of BIH against BIH, which is described in the financial statements contained in this annual report.

Employees

The Group, including subsidiaries but excluding associates, employed approximately 10 employees at 31 March 2005. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by a remuneration committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole. During the year and up to the date of this annual report, options in respect of an aggregate of 21,400,000 ordinary shares in the Company were granted to eligible participants.

Corporate Governance Report

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the "**Code on CG Practices**") was introduced to Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HK Listing Rules**") in November 2004 to take effect on 1 January 2005 (and applicable to accounting periods commencing on or after 1 January 2005), with an exception in respect of the provisions on internal controls, which took effect on 1 July 2005 (and applicable to accounting periods commencing on or after 1 July 2005). Appropriate actions were duly taken by the Directors to put the Company in compliance of all code provisions in the Code on CG Practices, save that Article 87(1) of the Company's Articles of Association provides that notwithstanding any other provisions therein, the chairman of the board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Anthony Baillieu and Jamie Gibson shall therefore not be subject to rotational retirement requirement under Article 87. However, a special resolution has been proposed at the Company's forthcoming annual general meeting for an amendment to be made to the Articles of Association so that every Director, including the chairman of the board and the managing director, should be subject to retirement by rotation, in compliance of Code Provision A.4.2.

The Company has applied the principles of the Code on CG Practices since their adoption on 1 January 2005 as mentioned above in a manner consistent with best practices of a listed issuer. The primary responsibility for ensuring that the Code on CG Practices is complied with rests with the Directors with the full support of the Company's company secretary and its executive management.

BOARD OF DIRECTORS

The Board currently consists of nine Directors. The Directors of the Company who hold office as at the date of this report, accompanied by their respective biographical details, are listed in the Report of the Directors under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises three independent non-executive Directors, namely Julie Oates, Mark Searle and Robert Whiting, representing one-third of the Board. Pursuant to paragraph 12B of Appendix 16 to the HK Listing Rules, each of the independent non-executive Directors has confirmed by an annual confirmation that he/she complied with the independence criteria set out in Rule 3.13. The Directors consider that all the three independent non-executive Directors to be independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst them, Julie Oates, who was appointed on 28 September 2004, has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). In addition, Clara Cheung, an executive Director, is a qualified accountant responsible for oversight of the Group's financial reporting procedures, in compliance of Rule 3.24.

BOARD OF DIRECTORS (Continued)

In compliance of Code Provision A.4.1 of the Code on CG Practices, the letter of appointment of each of the seven non-executive Directors (including the independent Directors) provides that his/her appointment may be terminated by either party giving 30 calendar days' notice.

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation provided that the Chairman of the Board of Directors and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. A retiring Director shall be eligible for re-election. However, a special resolution has been proposed at the Company's forthcoming annual general meeting for an amendment to be made to the Articles of Association so that every Director, including the chairman of the board and the managing director, should be subject to retirement by rotation, in compliance of Code Provision A.4.2 of the Code on CG Practices.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

None of the Directors has any relationships (either financial or business or family or other material/relevant relationship(s)) with any other Directors, senior management or substantial or controlling shareholders of the Company.

The Directors held two board meetings since 1 January 2005, which were attended by all Directors except that James Mellon, Mark Searle and Jayne Sutcliffe were absent from one of the meetings. Sufficient notices were given to all Directors so as to ensure each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Adequate information was also supplied by the management to the Board in a timely manner to enable it to make informed decisions, which are made in the best interests of the Company.

BOARD OF DIRECTORS (Continued)

Resolutions were also passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary. In any event, the matters in which a substantial shareholder or a Director has a conflict of interest, which the Board has determined to be material, will be considered at a Board meeting but not to be dealt with by way of circulation of written resolutions or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a Board meeting). Pursuant to Rule 13.44 of the HK Listing Rules, interested Directors will be required to abstain from voting on any Board resolution in which they or any of their associates have a material interest and that they shall not be counted in the quorum present at the relevant Board meeting.

The Board is primarily responsible for leadership and control of the Company and is committed to make decisions in the interests of both the Company and its shareholders. However, the following duties of the Board have been delegated to the management:

(a) the daily operations of the Company, including the management of all aspects of the Company's principal activities, namely corporate investment and asset management;

(b) the financial operations of the Company, including the preparation of the monthly management accounts, interim report and annual report and the timely distribution to the Board;

(c) the company secretarial activities, including the preparation and timely despatch of minutes of Board meetings; and

(d) corporate and regulatory issues, including corporate strategy and planning, internal controls and compliance,

providing that the following shall always be subject to approval by a resolution of the Board:

- material capital commitment (material being defined as representing more than 5% of the Company's net assets based on the most recent financial information on hand);
- issuance, purchase or redemption of securities (including options);
- significant contracts with any Director (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) and connected transactions;
- relevant transactions (which are loans, quasi loans and credit transactions) with any Director as referred to in Paragraph 28(8) of Appendix 16 to the HK Listing Rules and Section 161B of the Companies Ordinance of Hong Kong;
- management contracts of service with any Director as referred to in Paragraph 28(10) of Appendix 16 to the HK Listing Rules and Section 162A of the Companies Ordinance of Hong Kong; and
- bank borrowings.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Anthony Baillieu is the Non-Executive Chairman of the Board of Directors, who provides leadership for the Board. He also ensures that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner.

Jamie Gibson is the Chief Executive Officer, who is responsible for the day-to-day management of the Company's business.

In order to ensure a balance of power and authority, the roles of the Chairman of the Board and the Chief Executive Officer are segregated and the division of their responsibilities has been established by the respective written terms of reference, in compliance of Code Provision A.2.1 of the Code on CG Practices. The Chairman, however, has delegated the following duties to the Chief Executive Officer or the Company Secretary so that:

(a) the Chief Executive Officer is enpowered to draw up and approve the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda; and

(b) the Company Secretary is enpowered to, with the guidance from the Chief Executive Officer, despatch the notice, agenda and accompanying Board papers to all Directors in a timely manner.

NOMINATION OF DIRECTORS

The Company did not establish a nomination committee.

During the year and prior to the date of this report, Julie Oates was appointed as an independent non-executive Director of the Company on 28 September 2004, in compliance of Rule 3.10(2) of the HK Listing Rules. Mrs Oates was appointed at a Board meeting attended by all Directors, except Clara Cheung and James Mellon. In the Board's opinion she has proved to possess the appropriate professional qualifications and accounting and related financial management expertise required under the said Rule 3.10(2). Apart from the appointment of Julie Oates, the Board did not appoint another Director. The terms, including Julie's remuneration, are substantially the same as the other Directors.

Corporate Governance Report

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 5 November 2004, with its written terms of reference adopted on 18 March 2005 in compliance of the code provisions in B.1 of the Code on CG Practices. It currently comprises two of the independent non-executive Directors, namely Mark Searle and Robert Whiting, and James Mellon (a non-executive Director) and is responsible to review and approve the remuneration packages of the Directors. The committee is chaired by James Mellon.

Since its establishment, the Remuneration Committee passed one set of written resolutions, signed by all members of the committee, with respect to certain issues relating to the service agreement of Jamie Gibson. Apart from the amendment to Jamie's service agreement, the Remuneration Committee did not meet to discuss the remuneration of the executive Directors. No Director was involved in deciding his/her own remuneration.

Terms of reference of the Remuneration Committee are available on request.

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance of Code Provision A.5.4 of the Code on CG Practices, a code for securities transactions by Directors and employees, on exactly the terms and required standard contained in The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the HK Listing Rules, was adopted by the Group on 31 March 2004. All Directors of the Company confirmed that they have complied with the Group's Code for Securities Transactions by Directors and Employees during the year.

Directors' interests in securities and options of the Company are set out in detail in the Report of the Directors under the section headed "Directors' Interests in Securities and Options".

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 March 2005 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

A report of the independent auditors with respect to the Company's financial statements for the year ended 31 March 2005 is included in this annual report.

Corporate Governance Report

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 11 March 1999, with written terms of reference, in compliance of the code provisions in C.3 of the Code on CG Practices. The committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

In compliance of Rule 3.21 of the HK Listing Rules, the Audit Committee currently comprises the three independent non-executive Directors, namely Julie Oates, Mark Searle and Robert Whiting, and two non-executive Directors (Anthony Baillieu and James Mellon). The committee is chaired by Robert Whiting. The Audit Committee is in compliance of Rule 3.21 of the HK Listing Rules.

The Audit Committee held one meeting since 1 January 2005 for the purposes of reviewing and approving the Company's final financial statements for the year ended 31 March 2005, which was attended by all members of the committee except James Mellon.

The Audit Committee discharged their duties in accordance with their terms of reference with no exceptions reported.

Terms of reference of the Audit Committee are available on request.

AUDITORS' REMUNERATION

The Audit Committee reviewed and approved the auditors' remuneration on the basis that it was fair and reasonable for the size and operations of the Group and such remuneration was in the best interest of the Company. In addition, the auditors received US$14,000 for performing corporate tax services for the Group during the year, which the Audit Committee believes is fair and reasonable for the services rendered. Apart from these services, the auditors did not provide any other services.

INTERNAL CONTROL

In anticipation of Code Provision C.2.1 of the Code on CG Practices to be applicable for the Company's financial period commencing on 1 April 2006, the Directors will engage an independent professional accounting firm to conduct a review of the Group's internal control systems, including financial, operational and compliance.

COMMUNICATION WITH SHAREHOLDERS

The Company will endeavour to respond to shareholders' queries in a timely manner via what it considers the most appropriate method of communication, including, but not limited to, participation at the Company's general meetings.

Report of the Independent Auditors

AUDITORS' REPORT TO THE SHAREHOLDERS OF REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 49 to 91 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Report of the Independent Auditors

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 July 2005

Consolidated Income Statement

For the year ended 31 March 2005

	Note	2005 US$'000	2004 US$'000
Turnover:	3		
Asset management and corporate finance		627	1,141
Corporate investment income and net realised and unrealised gains and losses on investments		2,798	369
Internet retailing		—	2
Other revenues		177	1,083
		3,602	2,595
Expenses:			
Staff costs	4	(1,975)	(3,073)
Rental and office expenses		(182)	(324)
Information and technology expenses		(188)	(237)
Marketing costs and commissions		(33)	(21)
Professional fees		(470)	(526)
Investment advisory fee		(204)	(124)
Other operating expenses		(392)	(291)
Operating profit/(loss) from ordinary activities	5	158	(2,001)
Share of (losses)/profits of associates		(35,218)	7,445
(Loss)/Profit before taxation		(35,060)	5,444
Taxation	7	(6,832)	(356)
(Loss)/Profit after taxation		(41,892)	5,088
Minority interests		(438)	(15)
Net (loss)/profit attributable to shareholders	8	(42,330)	5,073
Dividends	9	—	35,901
(Loss)/Earnings per share (US cent):	10		
- Basic		(3.5)	0.4
- Diluted		N/A	0.4

Consolidated Balance Sheet

As at 31 March 2005

	Note	2005 US$'000	2004 US$'000
Non-current assets:			
Fixed assets	11	49	25
Investments in associates	13	43,023	92,392
Investments in securities	14	6,491	3,922
Due from an associate	15	435	495
		49,998	96,834
Current assets:			
Cash and bank balances	16	1,063	703
Investments in securities	14	121	102
Accounts receivable	17	146	212
Prepayments, deposits and other receivables		902	526
		2,232	1,543
Current liabilities:			
Accounts payable, accruals and other payables	18	(395)	(1,098)
		(395)	(1,098)
Net current assets		1,837	445
Net assets		51,835	97,279
Share capital	19	11,936	11,904
Reserves	20	39,451	85,365
Shareholders' equity		51,387	97,269
Minority interests		448	10
Capital and reserves		51,835	97,279

Approved and authorised for issue by the Board of Directors on 21 July 2005.

Anthony Baillieu
Chairman

Jamie Gibson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2005

2005	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Asset revaluation reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
At 1 April 2004, as previously reported	11,904	(42,412)	114,309	3,735	1,204	8,529	97,269
Derecognition of negative goodwill by an associate (note 2(a))	—	20,418	—	—	—	—	20,418
At 1 April 2004, as restated	11,904	(21,994)	114,309	3,735	1,204	8,529	117,687
Foreign currency translation adjustment of an associate	—	—	—	—	—	8,431	8,431
Disposal of properties by an associate	—	3,735	—	(3,735)	—	—	—
Exercise of share options	32	—	34	—	—	—	66
Dividend paid	—	—	(32,467)	—	—	—	(32,467)
Loss for the year	—	(42,330)	—	—	—	—	(42,330)
At 31 March 2005	11,936	(60,589)	81,876	—	1,204	16,960	51,387
Representing:							
Company and subsidiaries	11,936	(18,830)	81,876	—	1,204	(1,623)	74,563
Associates	—	(41,759)	—	—	—	18,583	(23,176)
At 31 March 2005	11,936	(60,589)	81,876	—	1,204	16,960	51,387

2004	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Asset revaluation reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
At 1 April 2003	11,869	(44,057)	114,263	3,735	1,204	(1,822)	85,192
Foreign currency translation adjustment	—	—	—	—	—	10,428	10,428
Exercise of warrants	—	—	9	—	—	—	9
Exercise of share options	35	—	37	—	—	—	72
Dividend paid	—	(3,428)	—	—	—	(77)	(3,505)
Profit for the year	—	5,073	—	—	—	—	5,073
At 31 March 2004	11,904	(42,412)	114,309	3,735	1,204	8,529	97,269
Representing:							
Company and subsidiaries	11,904	(18,543)	114,309	—	1,204	(1,623)	107,251
Associates	—	(23,869)	—	3,735	—	10,152	(9,982)
At 31 March 2004	11,904	(42,412)	114,309	3,735	1,204	8,529	97,269

Consolidated Cash Flow Statement

For the year ended 31 March 2005

	Note	2005 US$'000	2004 US$'000
Cash flows from operating activities:			
(Loss)/Profit before taxation		(35,060)	5,444
Depreciation		18	39
Bad debts written off		38	9
Interest income		(6)	(5)
Dividend income from investments		(28)	(41)
Share of losses/(profits) of associates		35,218	(7,445)
Net unrealised profit on current other investments and derivatives		(83)	—
Net unrealised profit on non-current other investments		(2,034)	(123)
Net realised profit on disposal of non-current other investments		(307)	(37)
Net realised profit on disposal of current other investments		(332)	(239)
Loss on disposal of fixed assets		10	—
Write-back of provisions for corporate finance expenses		—	(1,270)
Decrease in accounts receivable		28	495
(Increase)/Decrease in prepayments, deposits and other receivables		(283)	144
Decrease in accounts payable, accruals and other payables		(703)	(302)
Cash used in operations		(3,524)	(3,331)
Income tax paid		(7)	—
Net cash outflow from operating activities		(3,531)	(3,331)
Cash flows from investing activities:			
Purchase of non-current other investments		(1,259)	(206)
Purchase of current other investments		(940)	(204)
Proceeds from disposal of current other investments		1,243	508
Proceeds from disposal of non-current other investments		1,064	1,004
Purchase of fixed assets		(52)	(4)
Proceeds from disposal of fixed assets		1	1
Decrease in amount due from an associate		60	167
Interest received		6	5
Dividend received from other investments and associates		36,170	3,975
Net cash inflow from investing activities		36,293	5,246
Cash flows from financing activities:			
Proceeds from exercise of share options		66	72
Proceeds from exercise of warrants		—	9
Dividend paid		(32,467)	(3,505)
Net cash outflow from financing activities		(32,401)	(3,424)
Net increase/(decrease) in cash and cash equivalents		361	(1,509)
Effects of foreign currency fluctuations		(1)	98
Cash and cash equivalents at the beginning of the year		703	2,114
Cash and cash equivalents at the end of the year	16	1,063	703

Company Balance Sheet

As at 31 March 2005

	Note	2005 US$'000	2004 US$'000
Non-current assets:			
Investments in subsidiaries	12	2,504	3,005
Investments in associates	13	41,496	62,918
Investments in securities	14	2,273	445
Due from an associate	15	430	490
		46,703	66,858
Current assets:			
Cash and bank balances	16	620	175
Accounts receivable	17	—	33
Due from subsidiaries	12	4,295	12,569
Prepayments, deposits and other receivables		368	74
		5,283	12,851
Current liabilities:			
Accruals and other payables	18	(250)	(948)
Due to subsidiaries	12	(7,294)	(7,201)
		(7,544)	(8,149)
Net current (liabilities)/assets		(2,261)	4,702
Net assets		44,442	71,560
Share capital	19	11,936	11,904
Reserves	20	32,506	59,656
Shareholders' equity		44,442	71,560

Approved and authorised for issue by the Board of Directors on 21 July 2005.

Anthony Baillieu
Chairman

Jamie Gibson
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2005

1. THE COMPANY

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. Its registered office is at P O Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company's shares are listed on The Stock Exchange of Hong Kong Limited and Frankfurt Stock Exchange.

The Company's principal activity was investment holding, and the Group's principal activities consisted of asset management; provision of investment advisory services; corporate finance and advisory services; corporate investment; and internet retailing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

a. Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). They have been prepared under the historical cost convention except that other investments are valued at fair value, as explained in the accounting policy for investments below.

During the year, the HKICPA issued a number of new Hong Kong Financial Reporting Standards ("**HKFRS**") and revised Hong Kong Accounting Standards ("**HKAS**") (together "**new HKFRSs**") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has changed certain of its accounting policies following the early adoption of HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets". The early adoption of HKFRS 3 resulted in an increase in retained earnings of approximately US$20.4 million as at 1 April 2004. This was a result of the derecognition of the negative goodwill balance by an associate as at that date.

Other than the three new HKFRSs mentioned above, the Group has not adopted the other new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of the other new HKFRSs, but is not in a position to state whether these other new HKFRSs would have a significant impact on its results of operations and financial position.

b. Reporting currency

The reporting currency of the Group is United States dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Consolidation (Continued)

(ii) Associates

An associate is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and the Company or the Group has significant influence over its management, including participation in the financial and operating policy decisions.

The Group's share of the post-acquisition results is included in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for impairment losses deemed necessary by the Directors.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

The investments in associates are stated in the Company's balance sheet at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

d. Fixed assets and depreciation

Fixed assets comprising furniture and fixtures, computer and other equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each asset less accumulated impairment losses over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Other equipment	4 years

The gain or loss on disposal or retirement of fixed assets recognised in the income statement is the difference between the sales proceeds and the carrying amount of the relevant assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

f. Investments in securities

Investments are classified as investment securities and other investments.

(i) Investment securities are stated in the balance sheet at cost less any provision for impairment loss.

The carrying amounts of investment securities are reviewed as at each balance sheet date in order to assess whether the fair values have declined below the carrying amounts. When a decline has occurred, the carrying amount is reduced to the fair value unless there is evidence that the decline is temporary. The impairment loss is recognised as an expense in the income statement.

This impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments are stated in the balance sheet at fair value. At each balance sheet date, the net unrealised gains or losses arising from changes in fair value are recognised within turnover in the income statement. Fair value for listed securities is quoted market price at the balance sheet date. Fair value for unlisted equity securities is directors' valuation, which may be based on net asset value or cost less provision for impairment loss of investments.

For unlisted open-ended investment companies, mutual funds and unit trusts, fair value is based on the latest reported net asset value of such investments at the balance sheet date as provided by the respective administrators.

(iii) Profits or losses on disposal of other investments are accounted for within turnover in the income statement as they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals net of any incentives received from the lessors on operating leases are charged to the income statement on a straight-line basis over the lease terms.

h. Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

i. Derivatives

Off-balance sheet financial instruments include derivatives, such as forwards, futures and options contracts, undertaken by the Group in foreign exchange, commodity and equity markets. Transactions undertaken for trading purposes are re-measured to their fair value. Fair values for forwards, futures and options contracts are quoted market prices at the balance sheet date. Unrealised profits on trading derivatives which are marked to market are included in "prepayments, deposits and other receivables". Unrealised losses on trading derivatives which are marked to market are included in "accounts payable, accruals and other payables".

j. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

l. Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

m. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

n. Translation of foreign currencies

The Company maintains its accounting records in United States dollars. Foreign currency transactions are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. Exchange differences are recognised in the income statement.

The balance sheets of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statements are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

o. Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) investment management, advisory and administration fees; and other corporate finance and advisory fees and commissions contractually receivable by the Group are recognised in the period in which the respective fees are earned. Performance fees arising upon the achievement of specified targets are recognised at the respective funds' year-ends only when such performance fees are confirmed as receivable;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Revenue recognition (Continued)

(ii) profit or loss on disposal of other investments and investment securities is recognised in the income statement on a trade date basis when the relevant transactions are executed;

(iii) interest is recognised on a time apportioned basis, taking into account the principal amounts outstanding and the interest rates applicable; and

(iv) dividend income is recognised when the right to receive payment is established.

p. Turnover

Turnover principally includes:

(i) investment management, performance and administration fees from asset management business;

(ii) corporate finance and advisory fees and commission income from corporate advisory services; and

(iii) realised and unrealised profits or losses and dividend income from investments in securities.

q. Employee benefits

(i) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(ii) Pension obligations

The Group operates a defined contribution plan, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant Group companies.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions depending on the nature of the plans under the scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Employee benefits (Continued)

(iii) Stock options

The stock options granted are not recorded as expenses. When the options are exercised, the proceeds received net of amount of transaction costs are credited to share capital (nominal value) and share premium.

r. Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, investments in securities, receivables, prepayments and deposits and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

3. SEGMENTED INFORMATION

Segmented information is presented in respect of the Group's business and geographical segments. Business segmented information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

The Group comprises four business segments as follows:

Asset management	:	management and administration of assets entrusted by the shareholders of various mutual funds, including private equity and Dublin-listed funds
Corporate finance	:	provision of investment advisory services to associates and third parties
Corporate investment	:	investment in corporate entities, both listed and unlisted
Internet retailing	:	sale of customer goods on the Internet

Inter-segment revenues arising from inter-segment transactions are conducted at competitive market prices charged to external customers. Those revenues are eliminated on consolidation.

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2005

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Inter-segment elimination US$'000	Others US$'000	Consolidated US$'000
Revenue from external customers	802	2	2,798	—	—	—	3,602
Inter-segment revenue	1	—	3	—	(4)	—	—
	803	2	2,801	—	(4)	—	3,602
Segment results	(999)	(58)	1,223	(8)	—	—	158
Unallocated operating expenses							—
Profit from operations							158
Share of losses of associates							(35,218)
Taxation							(6,832)
Minority interests							(438)
Net loss attributable to shareholders							(42,330)

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Others US$'000	Consolidated US$'000
Segment assets	558	53	7,178	5	1,413	9,207
Investments in associates	—	—	—	—	43,023	43,023
Total assets	558	53	7,178	5	44,436	52,230
Segment liabilities	85	27	34	6	243	395

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2005 (Continued)

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Consolidated US$'000
Depreciation and amortisation	18	—	—	—	18
Capital expenditure incurred	52	—	—	—	52

For the year ended 31 March 2004

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Inter-segment elimination US$'000	Others US$'000	Consolidated US$'000
Revenue from external customers	1,136	88	1,369	2	—	—	2,595
Inter-segment revenue	2	—	3	—	(5)	—	—
	1,138	88	1,372	2	(5)	—	2,595
Segment results	(1,073)	(239)	(679)	(10)	—	—	(2,001)
Unallocated operating expenses							—
Loss from operations							(2,001)
Share of profits of associates							7,445
Taxation							(356)
Minority interests							(15)
Net profit attributable to shareholders							5,073

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2004 (Continued)

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Others US$'000	Consolidated US$'000
Segment assets	904	48	3,752	63	1,218	5,985
Investments in associates	—	—	—	—	92,392	92,392
Total assets	904	48	3,752	63	93,610	98,377
Segment liabilities	96	26	25	4	947	1,098

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Consolidated US$'000
Depreciation and amortisation	31	4	—	4	39
Capital expenditure incurred	4	—	—	—	4

Geographical segments

The Group's business is managed on a world-wide basis. Asia Pacific is a major market for its asset management business while North America and Western Europe are the major markets for its corporate investments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, investing funds or corporate investments.

There are no sales between the geographical segments.

3. SEGMENTED INFORMATION (Continued)

Geographical segments (Continued)

For the year ended 31 March 2005

	North America US$'000	Asia Pacific US$'000	Australasia US$'000	Eastern Europe US$'000	Western Europe US$'000	Others US$'000	Total US$'000
Revenue from external customers	1,480	1,722	—	—	412	(12)	3,602
Segment assets	2,007	7,015	—	—	185	—	9,207
Capital expenditure incurred during the year	—	52	—	—	—	—	52

For the year ended 31 March 2004

	North America US$'000	Asia Pacific US$'000	Australasia US$'000	Eastern Europe US$'000	Western Europe US$'000	Others US$'000	Total US$'000
Revenue from external customers	331	1,898	48	2	312	4	2,595
Segment assets	—	5,905	—	—	80	—	5,985
Capital expenditure incurred during the year	—	4	—	—	—	—	4

4. STAFF COSTS

	2005 US$'000	2004 US$'000
Wages and salaries	1,960	1,786
Discretionary bonuses	—	1,267
Pension costs - defined contribution plans	15	20
	1,975	3,073

The amount includes Directors' remuneration in respect of service in the current year (note 6).

5. OPERATING PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

Operating profit/(loss) from ordinary activities is stated after charging/crediting the following:

	2005 US$'000	2004 US$'000
After charging:		
Auditors' remuneration	158	130
Bad debts written off	38	9
Depreciation on owned fixed assets	18	39
Loss on disposal of fixed assets	10	—
Operating lease rental on property	117	184
After crediting:		
Write-back of provisions for corporate finance expenses	—	1,270
Net realised profit on disposal of current other investments*	332	239
Net realised profit on disposal of non-current other investments*	307	37
Interest income on bank deposits*	6	5
Dividend income from investments*	28	41
Net unrealised profit on current other investments and derivatives*	83	—
Net unrealised profit on non-current other investments*	2,034	123

* Included in turnover

6. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' REMUNERATION

Remuneration excludes amounts relating to share options (see note 19 below). There were no benefits in kind paid or payable to the Directors during the year.

	2005 US$'000	2004 US$'000
Executive Directors:		
Fees	—	—
Basic salaries and other emoluments	1,405	1,297
Discretionary bonuses		
- in respect of service in the current year	—	392
- in respect of service in the prior years	392	716
Retirement scheme contributions	3	3
	1,800	2,408
Non-Executive Directors:		
Fees	149	85
Basic salaries and other emoluments	50	44
Discretionary bonuses		
- in respect of service in the current year	—	180
- in respect of service in the prior years	198	125
	397	434

Directors' fees disclosed above include US$50,000 (2004: US$15,000) paid to independent non-executive Directors.

6. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' REMUNERATION (Continued)

The remuneration of Directors fell within the following bands:

		Number of Directors 2005	Number of Directors 2004
HK$Nil-HK$500,000	(US$Nil-US$64,308)	6	6
HK$500,001-HK$1,000,000	(US$64,309-US$128,617)	—	1
HK$1,000,001-HK$1,500,000	(US$128,618-US$192,925)	1	1
HK$1,500,001-HK$2,000,000	(US$192,926-US$257,234)	1	—
HK$2,500,001-HK$3,000,000	(US$321,544-US$385,852)	—	1
HK$4,500,001-HK$5,000,000	(US$578,779-US$643,086)	—	1
HK$11,500,001-HK$12,000,000	(US$1,479,100-US$1,543,408)	—	1
HK$12,500,001-HK$13,000,000	(US$1,607,717-US$1,672,025)	1	—
		9	11

There was no arrangement under which a Director had waived or had agreed to waive any remuneration.

Highest paid individuals

Of the five highest paid individuals, three (2004: five) were Directors of the Company and their remuneration has been included in the Directors' remuneration. Details of the remuneration of the remaining highest paid individuals are as follows:

	2005 US$'000	2004 US$'000
Basic salaries and other emoluments	149	—
Retirement scheme contributions	3	—
	152	—

The above remuneration of the employees fell within the following bands:

		Number of employees 2005	Number of employees 2004
HK$Nil-HK$500,000	(US$Nil-US$64,308)	1	—
HK$500,001-HK$1,000,000	(US$64,309-US$128,617)	1	—
		2	—

7. TAXATION

Income Statement:

	2005 US$'000	2004 US$'000
Group:		
Overseas taxation		
- Under-provisions in prior years	7	—
Share of tax of associates	6,825	356
	6,832	356

No provision for Hong Kong or overseas profits tax has been made in these financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the year.

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2005 US$'000	2004 US$'000
(Loss)/Profit before share of (losses)/profits of associates and taxation	158	(2,001)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	28	(350)
Income not subject to taxation	(492)	(330)
Expenses not deductible for taxation purposes	387	565
Tax effect of tax losses not recognised	77	115
Underprovision in prior year	7	—
	7	—
Share of tax of associates	6,825	356
Taxation charge	6,832	356

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of US$4,108,000 (2004: US$3,666,000) to carry forward against future taxable income. The tax loss has no expiry date.

8. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company amounted to US$5,283,000 (2004: US$3,540,000).

9. DIVIDENDS

	2005 US$'000	2004 US$'000
Special interim, paid, of Nil (2004: 0.295 US cent) per share	—	3,505
Proposed, of Nil (2004: 2.72 US cents) per share	—	32,396
	—	35,901

10. (LOSS)/EARNINGS PER SHARE

a. The calculation of basic (loss)/earnings per share is based on the net loss attributable to shareholders for the year of US$42,330,000 (2004: net profit of US$5,073,000) and on the weighted average of 1,192,558,921 (2004: 1,187,858,938) shares of the Company in issue during the year.

b. No diluted loss per share is presented for the year ended 31 March 2005 as the outstanding share options were anti-dilutive. The diluted earnings per share for the year ended 31 March 2004 was based on the net profit attributable to shareholders for the year of US$5,073,000 and on 1,189,783,702 shares, which was the sum of the weighted average number of shares in issue during the year of 1,187,858,938 shares plus the weighted average number of 1,924,764 shares deemed to be issued at no consideration if all the Company's outstanding share options had been exercised.

11. FIXED ASSETS

Group:

	Furniture and fixtures US$'000	Computer and other equipment US$'000	Total US$'000
Cost:			
At 1 April 2004	137	391	528
Additions	33	19	52
Disposal	(27)	(71)	(98)
Exchange adjustment	1	—	1
At 31 March 2005	144	339	483
Accumulated depreciation:			
At 1 April 2004	125	378	503
Charge for the year	8	10	18
Disposal	(17)	(70)	(87)
At 31 March 2005	116	318	434
Net book value:			
At 31 March 2005	28	21	49
At 31 March 2004	12	13	25

The Company has no fixed assets.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	US$'000	US$'000
Unlisted shares		
At cost	61,830	61,830
Less: Impairment loss	(59,326)	(58,825)
	2,504	3,005

Other balances with subsidiaries are included in current assets and current liabilities. These balances are unsecured, interest free and repayable on demand.

Particulars of the principal subsidiaries at 31 March 2005 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Alphorn Management Limited	Cayman Islands	Ordinary share of US$1	—	100%	Investment holding
AstroEast.com (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$20	—	51%	Internet services
AstroEast.com Limited	Cayman Islands	Ordinary shares of US$280,222	—	51%	Investment holding
Capital Nominees Limited	British Virgin Islands	Ordinary share of US$1	—	100%	Corporate finance and structuring
Cycletek Investments Limited	British Virgin Islands	Ordinary shares of US$490,261	—	91.7%	Investment holding
Interman Holdings Limited	British Virgin Islands	Ordinary shares of US$41,500	100%	—	Investment holding

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Interman Limited	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding
Regent Fund Management (Asia) Limited (formerly iRegent Fund Management (Asia) Limited)	Cayman Islands	Ordinary shares of US$100	100%	—	Asset management
Regent Corporate Finance Limited	Cayman Islands	Ordinary shares of US$2	100%	—	Corporate finance
Regent Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$5 million	100%	—	Provision of management services
RPG (Bahamas) Limited	Bahamas	Ordinary shares of US$134,220	100%	—	Investment holding
Regent Financial Services Limited	Hong Kong	Ordinary shares of HK$5 million	—	100%	Marketing of unit trusts, investment holding and advisory services
Regent Fund Management Limited	Cayman Islands	Ordinary shares of US$150,000	—	100%	Asset management

13. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Unlisted shares				
At cost	—	—	92,061	92,061
Less: Impairment loss	—	—	(50,565)	(29,143)
	—	—	41,496	62,918
Share of net assets:				
- Unlisted	43,023	92,392	—	—
	43,023	92,392	41,496	62,918

Particulars of the principal associates at 31 March 2005 are as follows:

Name of associate	Place of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Eclipse Investment Holdings Limited*	British Virgin Islands	Ordinary shares of HK$7.8 million	—	38.5%	Travel agency
Regent Markets Holdings Limited*	British Virgin Islands	Ordinary shares of US$20,000	49.9%	—	Online betting
Bridge Investment Holding Limited ("**BIH**")	Cayman Islands	Ordinary shares of US$4,481,268	40.2%	—	Investment holding

Eclipse Investment Holdings Limited principally operates in Hong Kong. Regent Markets Holdings Limited has its principal centre of operation in Malta. BIH's principal operating subsidiary, Bridge Securities Co., Ltd ("**BSC**"), operates in Korea.

* The financial statements of these associates for the year ended 31 March 2005 were not audited by PricewaterhouseCoopers. The aggregate net assets of the associates not audited by PricewaterhouseCoopers amounted to approximately 3% of the Group's net assets.

13. INVESTMENTS IN ASSOCIATES (Continued)

As the value of the Group's holding in BIH (collectively with its subsidiaries, the "**BIH Group**") is significant to the Group, further details regarding the results of BIH for the year ended 31 March 2005 and balance sheet as at 31 March 2005 are disclosed as follows:

Results information (as adjusted to the Group's accounting policies):

	Continuing Operations		Discontinuing Operations*		Total	
	2005 US$'000	2004 US$'000	2005 US$'000	2004 US$'000	2005 US$'000	2004 US$'000
Revenues	253	2,865	56,575	91,995	56,828	94,860
(Loss)/Profit from operations	(8,868)	5,329	(83,300)#	19,788	(92,168)	25,117
Interest expense	(2)	(327)	(2,546)	(3,660)	(2,548)	(3,987)
Share of loss of an associate	—	—	(458)	(308)	(458)	(308)
(Loss)/Profit before taxation	(8,870)	5,002	(86,304)	15,820	(95,174)	20,822
Taxation	(16,386)	—	(316)	(887)	(16,702)	(887)
Minority interest	—	—	5,792	(3,330)	5,792	(3,330)
Net (loss)/profit for the year	(25,256)	5,002	(80,828)	11,603	(106,084)	16,605

13. INVESTMENTS IN ASSOCIATES (Continued)

Balance Sheet information (as adjusted to the Group's accounting policies):

	2005 US$'000	2004 US$'000
Fixed assets*	2,366	69,115
Investment in an associate	—	443
Investments*	18,091	46,693
Negative goodwill (note)	—	(50,828)
Other non-current assets*	7,406	35,005
Total non-current assets	27,863	100,428
Current assets	222,794	326,157
Current liabilities	(98,393)	(127,118)
Non-current liabilities	(417)	(596)
Net assets	151,847	298,871
Share capital	4,481	4,481
Reserves	98,815	222,706
Shareholders' equity	103,296	227,187
Minority interest	48,551	71,684
Capital and reserves	151,847	298,871

Note: Negative goodwill of US$50,828,000 as at 1 April 2004 was derecognised with a corresponding adjustment to retained earnings as a result of BIH's adoption of International Financial Reporting Standard 3 "Business Combinations".

13. INVESTMENTS IN ASSOCIATES (Continued)

* On 23 June 2005, the BSC directors approved a KRW 100 billion (or US$98.5 million) mandatory capital reduction (the "**Mandatory Capital Reduction**") (note 25(b)). On 13 July 2005, certain BIH subsidiaries (the "**BIH Subsidiaries**"), among others, entered into a share sale option agreement (the "**Share Sale Option Agreement**") with a third party to dispose of its investment in BSC (the "**Share Sale**") (note 25(b)). As a result, BSC's results were classified as discontinuing operation of the BIH Group.

The total proceeds from the Mandatory Capital Reduction and the Share Sale attributable to BIH are approximately KRW 108.1 billion (or US$106.5 million). An impairment loss of US$62,985,000 is recognised in BIH's financial statements as such consideration is less than the carrying amount of the investment in BSC. The impairment loss is allocated to reduce the carrying amount of the assets of BSC as follows:

	2005 US$'000
Property and equipment	6,964
Non-current investments	34,210
Non-current other receivables and deposits	21,811
	62,985

The impairment loss of US$62,985,000 is included in the loss from operations of BSC as discontinuing operations.

As at 31 March 2004, BIH was involved in litigation with BIH's former executive directors, Peter Everington and Romi Williamson (together the "**Claimants**"). On 20 January 2005, the Claimants and BIH signed a settlement agreement as full and final settlement of their claim.

14. INVESTMENTS IN SECURITIES

The Group's and the Company's investments can be analysed as follows:

Non-current investments:

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Investment securities, at cost:				
Club debentures	19	19	19	19
Other investments, at fair value:				
Listed equity securities				
- in Hong Kong	1,704	365	1,704	365
- outside Hong Kong (note a)	2,218	306	550	—
Unlisted equity securities (note b)	2,550	3,232	—	61
	6,472	3,903	2,254	426
	6,491	3,922	2,273	445

Current investments:

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Other investments, at fair value:				
Listed equity securities - outside Hong Kong	113	—	—	—
Unlisted equity securities	8	102	—	—
	121	102	—	—

All the above other investments are in corporate entities.

14. INVESTMENTS IN SECURITIES (Continued)

Notes:

a. As at 31 March 2005, the Group held shares in BSC amounting to US$359,000 (2004: US$224,000). Such shares are subject to sale in the Share Sale Option Agreement entered into with a third party subsequent to the year end (note 25(b)).

b. Included in the Group's unlisted equity securities was a close-ended fund amounting to US$2.4 million (2004: US$3.1 million) managed by Regent Fund Management (Asia) Limited (formerly iRegent Fund Management (Asia) Limited), a wholly-owned subsidiary of the Company.

15. DUE FROM AN ASSOCIATE

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Bridge Investment Holding Limited				
- Advance	435	495	430	490

The amount was unsecured, interest-free and not repayable within twelve months.

16. CASH AND BANK BALANCES

Cash and bank balances of the Group and the Company are analysed as follows:

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Cash and balances with banks	377	431	49	40
Money at call and short notice	686	272	571	135
Total cash and bank balances	1,063	703	620	175

The Group's subsidiary maintains clients' trust accounts with banks as part of its normal business transactions. At 31 March 2005, included in the Group's cash and balances with banks were clients' trust accounts of US$28,000 (2004: US$28,000).

17. ACCOUNTS RECEIVABLE

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
1 to 3 months old	123	151	—	—
More than 3 months old but less than 12 months old	23	61	—	33
Total accounts receivable	146	212	—	33

The Group applies credit policies appropriate to the particular business circumstances concerned but generally requires outstanding amounts to be paid within 30 days of invoice.

18. ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	US$'000	US$'000	US$'000	US$'000
Due within 1 month or on demand	2	36	—	—
Due after 3 months but within 6 months	—	40	—	—
More than 6 months	87	18	—	—
Total accounts payable	89	94	—	—
Accruals and other payables	306	1,004	250	948
Total accounts payable, accruals and other payables	395	1,098	250	948

As at 31 March 2004, an amount of US$640,000 included in accruals and other payables represented a provision for bonuses for the Group and the Company.

Included in accounts payables were those clients' payables placed in clients' trust accounts amounted to US$28,000 as at 31 March 2005 (2004: US$28,000).

19. SHARE CAPITAL

	Company	
	2005	2004
	US$'000	US$'000
Authorised:		
2,000,000,000 ordinary shares of US$0.01 each	20,000	20,000
550,000,000 unclassified shares of US$0.01 each, which may be issued as ordinary shares or as non-voting convertible deferred shares of US$0.01 each	5,500	5,500
	25,500	25,500
Issued and fully paid:		
1,106,900,089 (31 March 2004: 1,103,720,089) ordinary shares of US$0.01 each	11,069	11,037
86,728,147 non-voting convertible deferred shares of US$0.01 each	867	867
	11,936	11,904

During the year, an aggregate of 3,180,000 new ordinary shares were issued and allotted for a total consideration of HK$508,800 (approximately US$65,230), being HK$0.16 per share, upon exercise of options under the Employee Share Option Scheme of the Company.

No additional ordinary shares were issued and allotted subsequent to the year end date or prior to the date of this report.

Rights of the Deferred Shares

The non-voting convertible deferred shares of US$0.01 each in the capital of the Company (the "**Deferred Share(s)**") shall rank for dividends pari passu to ordinary shares of the Company from time to time in issue. Each Deferred Share shall confer on the holder thereof pari passu rights to ordinary shares on a winding up or other return of capital.

Each Deferred Share carries a conversion right to convert into one ordinary share of US$0.01 in the capital of the Company commencing six months from the date of issue (9 June 2000). The shares issued and allotted upon conversion of the Deferred Shares (the "**Conversion Shares**") shall, when issued, rank pari passu in all respects with all other ordinary shares of the Company in issue on the date of conversion.

19. SHARE CAPITAL (Continued)

Rights of the Deferred Shares (Continued)

No application was made for the listing of the Deferred Shares on The Stock of Exchange of Hong Kong Limited (the "**HK Stock Exchange**"). However, application has been made to the HK Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Holders of the Deferred Shares are entitled to receive notices of the general meetings of the Company but not to attend and vote thereat. The Deferred Shares are transferable with the prior written consent of the Directors of the Company and with prior notice to the HK Stock Exchange.

During the year ended 31 March 2005, no Deferred Shares were converted into ordinary shares (2004: Nil). No Deferred Shares were converted into ordinary shares subsequent to the year end date or prior to the date of this report.

Share options

a. *Share Option Scheme (2002)*

A new share option scheme, named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"), was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002. The scheme shall continue in force until the tenth anniversary of its commencement date, which will be 15 November 2012.

As at 1 April 2004, no options were outstanding under the Share Option Scheme (2002) (1 April 2003: Nil). During the year, options in respect of an aggregate of 21,400,000 ordinary shares in the Company were granted on 9 September 2004, entitling the holders to subscribe, in stages, for one-third of the number of shares subject to the option at each of the first, second and third anniversary dates after the date of grant at the exercise price of HK$0.266 per share (2004: Nil). Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of grant. All entitlements of the option then remain unexercised will lapse.

19. SHARE CAPITAL (Continued)

Share options (Continued)

a. Share Option Scheme (2002) (Continued)

During the year, none of the outstanding options were vested (2004: Nil) or cancelled (2004: Nil). An option in respect of 800,000 shares lapsed upon the resignation of a full-time employee of the Group (2004: Nil). Accordingly, as at 31 March 2005 and the date of this report, there were/are outstanding options entitling the holders to subscribe, in stages, for an aggregate of 20,600,000 ordinary shares at the exercise price of HK$0.266 per share (31 March 2004: Nil), representing 1.86% (31 March 2004: Nil) of the Company's then issued voting share capital and 1.83% (31 March 2004: Nil) of the enlarged voting share capital. All such outstanding options are not vested (31 March 2004: Nil). Exercise in full of the outstanding options would result in the issue of 20,600,000 additional ordinary shares for aggregate proceeds, before expenses, of HK$5,479,600 (approximately US$702,510).

Details of the Share Option Scheme (2002) and particulars of the options held under the scheme during the year by various participants are set out under the section headed "Share Capital and Share Options" in the Report of the Directors of this annual report.

b. Employee Share Option Scheme

Following the adoption of the Share Option Scheme (2002) referred to in paragraph (a) above, the Company's employee share option scheme (the "**Employee Share Option Scheme**"), which was approved by the shareholders on 24 July 1996 (and was deemed to have commenced on 15 July 1994), as amended on 27 May 1998, was terminated. However, its provisions remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under such scheme prior to the date of such termination. Therefore, no new options were granted under the Employee Share Option Scheme during the year or prior to the date of this date.

Options currently outstanding under the Employee Share Option Scheme were granted on various dates and with various vesting schedules. Certain of the outstanding options entitle the holders to exercise the whole of the option at any time after the third anniversary date of the date of grant of the respective options but within 60 months from the date of grant. Other options, however, entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 60 months from the date of grant. All entitlements of the option then remain unexercised will lapse.

19. SHARE CAPITAL (Continued)

Share options (Continued)

b. Employee Share Option Scheme (Continued)

As at 1 April 2004, under the Employee Share Option Scheme there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 6,063,333 (1 April 2003: 13,600,000) ordinary shares in the Company at exercise prices ranging from HK$0.16 to HK$1.40 per share, amongst which options in respect of 4,180,002 shares or 68.94% (1 April 2003: 6,466,662 shares or 47.55%) were vested. During the year, no options were granted (2004: Nil) or cancelled (2004: Nil). Vested options in respect of an aggregate of 3,180,000 shares were exercised at HK$0.16 per share (2004: options in respect of 3,520,001 shares). Unvested and expired options in respect of an aggregate of 2,683,333 shares (2004: options in respect of 4,016,666 shares) lapsed. Accordingly, as at 31 March 2005 and the date of this report, there was/is an outstanding and vested option entitling its holder to subscribe for 200,000 ordinary shares (31 March 2004: 6,063,333 shares) at the exercise price of HK$1.06 per share, representing 0.02% (31 March 2004: 0.55%) of the Company's then issued voting share capital and 0.02% (31 March 2004: 0.55%) of the enlarged voting share capital. Exercise in full of the outstanding option would result in the issue of 200,000 additional ordinary shares for aggregate proceeds, before expenses, of approximately HK$212,000 (approximately US$27,180).

Details of the Employee Share Option Scheme and particulars of the options held under the scheme during the year by various participants are set out under the section headed "Share Capital and Share Options" in the Report of the Directors of this annual report.

20. RESERVES

	Accumulated losses US$'000	Share premium US$'000	Asset revaluation reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group						
At 1 April 2003	(44,057)	114,263	3,735	1,204	(1,822)	73,323
Foreign currency translation adjustment	—	—	—	—	10,428	10,428
Exercise of warrants	—	9	—	—	—	9
Exercise of share options	—	37	—	—	—	37
Dividend paid	(3,428)	—	—	—	(77)	(3,505)
Profit for the year	5,073	—	—	—	—	5,073
At 31 March 2004, as previously reported	(42,412)	114,309	3,735	1,204	8,529	85,365
Derecognition of negative goodwill by an associate (note 2(a))	20,418	—	—	—	—	20,418
At 31 March 2004, as restated	(21,994)	114,309	3,735	1,204	8,529	105,783
Foreign currency translation adjustment of an associate	—	—	—	—	8,431	8,431
Disposal of properties by an associate	3,735	—	(3,735)	—	—	—
Exercise of share options	—	34	—	—	—	34
Dividend paid	—	(32,467)	—	—	—	(32,467)
Loss for the year	(42,330)	—	—	—	—	(42,330)
At 31 March 2005	(60,589)	81,876	—	1,204	16,960	39,451

20. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company					
At 1 April 2003	(58,236)	116,528	1,204	79	59,575
Profit for the year (note 8 above)	3,540	—	—	—	3,540
Exercise of warrants	—	9	—	—	9
Exercise of share options	—	37	—	—	37
Dividend paid	(3,428)	—	—	(77)	(3,505)
At 31 March 2004	(58,124)	116,574	1,204	2	59,656
Profit for the year (note 8 above)	5,283	—	—	—	5,283
Exercise of share options	—	34	—	—	34
Dividend paid	—	(32,467)	—	—	(32,467)
At 31 March 2005	(52,841)	84,141	1,204	2	32,506

21. EMPLOYEE BENEFITS

The Group has operated a defined contributory staff retirement scheme in Hong Kong which has complied with all the respective requirements of the Occupational Retirement Schemes Ordinance ("**ORSO**") since April 1991. On 1 December 2000, the above scheme was terminated and transferred to a new mandatory provident fund scheme (the "**MPF Scheme**") which complies with all the respective requirements under the Mandatory Provident Fund Ordinance (the "**MPF Ordinance**"). All assets under the schemes are held separately from the Group under independently administered funds. The MPF Scheme has two plans. Plan A is available to those employees who were transferred from the old ORSO scheme and contributions are based on a specific percentage of the basic salary of the eligible employees. Plan B is available to all other employees in Hong Kong and contributions follow the minimum requirements of the MPF Ordinance.

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year, there were forfeited contributions of US$1,000 (2004: U$16,000) and the Group's contribution was US$15,000 (2004: US$20,000).

22. OFF BALANCE SHEET EXPOSURES

Derivatives

At 31 March 2005, there were outstanding forwards and futures contracts with notional amounts of approximately US$1,734,000 (2004: US$1,811,000) and US$462,000 (2004: US$421,000) respectively undertaken by the Group in the foreign exchange and equity markets.

A realised profit of US$86,000 (2004: US$38,000) and a realised loss of US$47,000 (2004: US$89,000) were made from forwards and futures trading respectively during the year. An unrealised profit of US$55,000 (2004: loss of US$16,000) and US$17,000 (2004: loss of US$4,000) were recorded from forwards and futures trading respectively as at the balance sheet date.

In the course of the Group's normal trading in derivatives, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2005, the amount of these margin deposits amounting to US$275,000 (2004: US$185,000) was included in the "prepayments, deposits and other receivables".

Lease commitments

Group

	2005 US$'000	2004 US$'000
At 31 March 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
- within 1 year	97	112
- in the 2nd to 5th year, inclusive	102	186
	199	298
Plant and equipment:		
- within 1 year	—	2
	—	2

22. OFF BALANCE SHEET EXPOSURES (Continued)

Lease commitments (Continued)

Group *(Continued)*

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

Company

The Company has no lease commitments.

Capital commitments

The Group and the Company have no capital commitments at 31 March 2005.

23. MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of material related party contracts or transactions of the Group during the year. All such transactions were entered into in the ordinary course of business of the Group.

For the purposes these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

23. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(1) A shareholders' agreement dated 15 May 2002 (the "**KOL Shareholders' Agreement**") was entered into between (a) the Company and (b) The State of Wisconsin Investment Board ("**SWIB**") relating to BIH (then known as KoreaOnline Limited), a 40.2% owned associate of the Company. The KOL Shareholders' Agreement superseded the share transfer agreement dated 15 October 1999.

On 1 May 2003, (i) the Company; (ii) SWIB; and (iii) BIH entered into a new shareholders' agreement regarding the shareholdings of SWIB and the Company in BIH (the "**BIH Shareholders' Agreement**"). Amongst other things, the Company, SWIB and BIH agreed in the BIH Shareholders' Agreement to explore ways in which to realise the investment of the Company and SWIB in BIH in the most effective and profitable manner. The BIH Shareholders' Agreement superseded the KOL Shareholders' Agreement.

SWIB currently holds a 7.46% interest in the total issued voting share capital of the Company and a 26.8% interest in the total issued share capital of BIH.

(2) On 24 March 2003, an operational support agreement was entered into between (a) Regent Financial Services Limited, an indirectly wholly-owned subsidiary of the Company, as service provider and (b) BIH relating to the provision of a range of accounting and other related services by Regent Financial Services Limited to BIH at fixed monthly fee of US$2,000, which was increased to US$5,000 with effect from 1 March 2004 pursuant to a side letter dated 1 March 2004.

An aggregate of US$60,000 was received during the year ended 31 March 2005 and US$15,000 was received subsequent to the year end date and prior to the date of this annual report.

(3) On 4 March 2005, the Company as lender and each of (a) KoreaOnline (Labuan) Limited; (b) RPG (L) Ltd; and (c) SWKOL (Labuan) Limited, all being wholly-owned subsidiaries of BIH, as borrower, entered into a loan agreement where the Company agreed to offer each of the borrower an interest-bearing unsecured loan facility of US$100,000. Interest on the amount outstanding from time to time under the facilities would accrue at one month US dollar LIBOR, plus 2%.

An amount of US$300,000 was drawn on 10 March 2005, which was repaid in full on 17 March 2005.

24. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified in the tax reconciliation (note 7) and the results of BIH shown in the investments in associates (note 13) for presentation purpose.

25. POST BALANCE SHEET EVENTS

(a) On 14 February 2005, the BIH Subsidiaries, RPCA (L) Limited ("**RPCA**", a wholly-owned subsidiary of the Company), SWIB and Leading Investment and Securities Co., Ltd ("**Leading**") entered into an acquisition agreement (the "**Acquisition Agreement**") in relation to the acquisition by Leading of, in aggregate, 62,341,329 common shares of BSC at a cash consideration of KRW 131 billion (or US$129 million). On 31 March 2005, BSC and Leading entered into a merger agreement (the "**Merger Agreement**"). The completion of the Acquisition Agreement and the Merger Agreement was conditional upon the granting of approval of the Financial Supervisory Commission of Korea (the "**FSC**").

On 24 May 2005, BSC's external auditor issued a disclaimer opinion in respect of BSC's financial statements prepared under financial accounting standards generally accepted in the Republic of Korea for the year ended 31 March 2005 due to the uncertainty over whether BSC would remain as a going concern for the year ending 31 March 2006. This uncertainty arose as a result of a shareholders' proposal by the BIH Subsidiaries for the voluntary dissolution of BSC and the uncertainty over whether the FSC would approve the merger with Leading. Accordingly, the Korea Exchange suspended the trading of BSC's shares with effect from 25 May 2005. The Directors were informed by BIH on 27 May 2005 that the FSC did not approve the proposed merger between BSC and Leading at its meeting on 27 May 2005.

(b) On 24 June 2005, a call option agreement (the "**Call Option Agreement**") was entered into amongst the BIH Subsidiaries, RPCA and SWIB (collectively the "**Sellers**") and Golden Bridge Co., Ltd (the "**Purchaser**"), pursuant to which the Sellers have agreed to grant a call option over the 62,341,329 shares currently held by the Sellers in BSC to the Purchaser at an initial consideration of KRW 3.81 billion (or US$3.8 million) in cash (the "**Initial Consideration**") which has been paid by the Purchaser to the Sellers on 29 June 2005. The BIH Subsidiaries and RPCA have received KRW 3.4 billion (or US$3.4 million) and KRW 0.02 billion (or US$0.02 million) respectively from the Initial Consideration.

The Share Sale Option Agreement relating to the sale of 62,341,329 BSC shares (the "**Sale Shares**") was entered into on 13 July 2005 amongst BIH, the BIH Subsidiaries, the Purchaser and others, which replaced the Call Option Agreement. Pursuant to the Share Sale Option Agreement, BIH, among others, has agreed to sell to the Purchaser its BSC shares (such shares will be reduced by 41.2231177%, representing the number of shares purchased by BSC pursuant to the Mandatory Capital Reduction), at a total consideration of KRW 33.98 billion (or US$33.46 million).

25. POST BALANCE SHEET EVENTS (Continued)

On 23 June 2005, the BSC directors approved a KRW 100 billion (or US$98.5 million) Mandatory Capital Reduction, pursuant to which BSC's shares will be repurchased by BSC mandatorily at KRW 3,380 (or US$3.3) per share. BSC extraordinary general meeting has been convened to be held on 4 August 2005, at which a resolution will be proposed to shareholders to consider and, if though fit, approve the Mandatory Capital Reduction. As part of the Mandatory Capital Reduction, creditors of BSC are allowed to present their objection, if any, before 5 September 2005. Assuming that no creditors object, BSC will mandatorily purchase 41.2231177% of each shareholder's interest in BSC on or around 20 September 2005. Accordingly, BSC will buy back 23,003,379 shares from the BIH Subsidiaries for cash at KRW 3,380 (or US$3.3) per share thus raising approximately KRW 77.75 billion (or US$76.6 million), before applicable taxes, for the BIH Subsidiaries. The BIH Subsidiaries will receive approximately US$73.36 million, net of estimated Korean taxes.

The completion of the sale and purchase of the Sale Shares under the Share Sale Option Agreement is subject to a number of conditions, including the completion of the Mandatory Capital Reduction.

The total proceeds to be received by RPCA directly from BSC in respect of the Mandatory Capital Reduction and the sale of the Sale Shares, net of estimated Korean taxes, will amount to US$600,000.

(c) On 23 June 2005, the Company entered into a cooperation agreement with Red Dragon Resources Corporation ("**RDRC**", a limited liability company incorporated under the laws of the British Virgin Islands), the sole shareholder of RDRC (the "**RDRC Shareholder**") and the beneficial owner of the share interests held by the RDRC Shareholder for the conditional acquisition of all the issued share capital in RDRC currently held by the RDRC Shareholder for a total consideration of US$4.805 million in instalments, such consideration comprising US$3.5 million by way of cash, and the remaining US$1.305 million by way of the issue by the Company of 158,128,584 ordinary restricted shares. Subsequent to the year end date and prior to the date of this annual report, the Company has already paid in aggregate US$3.5 million for an 80 per cent interest of the total issued share capital of RDRC.

(d) During May and June 2005, four assessment notices were received by BIH from the National Tax Service of Korea in respect of the withholding tax in the amount of KRW 6 billion (or US$5.9 million) payable by the BIH Group on the deemed dividends received from BSC in the years of assessment of 2000, 2003 and 2004. BIH has already made a provision for such withholding tax in its books at 31 March 2005.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21 July 2005.