

2003

INTERIM REPORT



Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

For the six months ended 30 September 2003

RESULTS

The directors (the “**Directors**” or the “**Board**”) of Regent Pacific Group Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) announce the unaudited results of the Group for the six months ended 30 September 2003, together with comparative figures for the corresponding period ended 30 September 2002, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2003

		(Unaudited)	
		For the six months ended	
		30 September	
	Note	2003 US\$'000	2002 US\$'000
Turnover:			
Asset management and corporate finance	2	766	1,007
Corporate investment income and net realised and unrealised gains and losses on investments		841	149
Internet retailing		1	16
Other revenues		1,040	341
		2,648	1,513
Expenses:			
Staff costs		(1,474)	(1,179)
Rental and office expenses		(178)	(293)
Information and technology expenses		(158)	(175)
Marketing costs and commissions		(9)	(10)
Professional fees		(111)	(96)
Other operating expenses		(180)	(385)
		538	(625)
Share of profits/(losses) of associates		2,226	(3,696)
Operating profit/(loss) from ordinary activities	3	2,764	(4,321)
Finance costs - interest on bank overdraft		—	(9)
Profit/(Loss) before taxation		2,764	(4,330)
Taxation	4	(272)	(631)
Profit/(Loss) after taxation		2,492	(4,961)
Minority interests		(7)	(1)
Net profit/(loss) attributable to shareholders		2,485	(4,962)
Dividend	5	3,501	—
Earnings/(Loss) per share (US cents)	6		
— Basic		0.21	(0.42)
— Diluted		0.21	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2003

		(Unaudited) As at 30 September 2003 US\$'000	(Audited) As at 31 March 2003 US\$'000
	<i>Note</i>		
Non-current assets:			
Fixed assets		34	59
Investments in associates		86,623	78,912
Investments in securities	7	4,984	4,562
		<u>91,641</u>	<u>83,533</u>
Current assets:			
Cash and bank balances	8	4,696	2,114
Investments in securities	7	103	167
Accounts receivable	9	547	716
Due from an associate		543	662
Prepayments, deposits and other receivables		632	670
		<u>6,521</u>	<u>4,329</u>
Current liabilities:			
Accounts payable, accruals and other payables	10	(1,056)	(1,400)
Provisions for corporate finance expenses		—	(1,270)
		<u>(1,056)</u>	<u>(2,670)</u>
Net current assets		<u>5,465</u>	<u>1,659</u>
Net assets		<u>97,106</u>	<u>85,192</u>
Share capital	11	11,869	11,869
Reserves		85,237	73,323
Shareholders' equity		<u>97,106</u>	<u>85,192</u>
Minority interests		—	—
Capital and reserves		<u>97,106</u>	<u>85,192</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	(Unaudited)	
	For the six months ended	
	30 September	
	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash outflow from operating activities	(1,228)	(2,592)
Net cash inflow from investing activities	4,079	2,709
Net cash inflow from financing activities	9	—
Increase in cash and cash equivalents	2,860	117
Cash and cash equivalents at the beginning of the period	2,114	5,111
Effects of currency fluctuations	(278)	92
Cash and cash equivalents at the end of the period	4,696	5,320
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	4,696	5,320

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

(Unaudited)

	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	—	—	—	—	—	9,420	9,420
Exercise of warrants	—	—	9	—	—	—	9
Profit for the period	—	2,485	—	—	—	—	2,485
At 30 September 2003	<u>11,869</u>	<u>(41,572)</u>	<u>114,272</u>	<u>3,735</u>	<u>1,204</u>	<u>7,598</u>	<u>97,106</u>

(Unaudited)

	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 2002	11,869	(36,797)	114,263	3,735	1,204	(7,267)	87,007
Foreign currency translation adjustment	—	—	—	—	—	8,633	8,633
Loss for the period	—	(4,962)	—	—	—	—	(4,962)
At 30 September 2002	<u>11,869</u>	<u>(41,759)</u>	<u>114,263</u>	<u>3,735</u>	<u>1,204</u>	<u>1,366</u>	<u>90,678</u>

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

I. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with the requirements of The Rules Governing the Listing of Securities (the “HK Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”), including compliance of Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”).

The condensed interim financial statements should be read in conjunction with the Company’s financial statements for the year ended 31 March 2003.

The same accounting policies adopted in the financial statements for the year ended 31 March 2003 have been applied to these condensed interim financial statements except that the Group has changed certain of its accounting policies following the adoption of SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The change to the Group’s accounting policies and the effect of adopting this new policy are set out below.

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.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively.

The adoption of this new SSAP has no material effect on the Group’s results and net asset value.

2. SEGMENTED INFORMATION

An analysis of the Group's revenue and results for the period by business segments is as follows:

For the six months ended 30 September 2003

(Unaudited)

	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Inter- segment elimination US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenue from external customers	726	80	1,841	1	—	—	2,648
Inter-segment revenue	1,294	—	1	—	(1,295)	—	—
	<u>2,020</u>	<u>80</u>	<u>1,842</u>	<u>1</u>	<u>(1,295)</u>	<u>—</u>	<u>2,648</u>
Segment results	(536)	(550)	1,632	(8)	—	—	538
Unallocated operating expenses	—	—	—	—	—	—	—
Profit from operations							538
Share of profits of associates	—	—	—	—	—	2,226	2,226
Taxation							(272)
Minority interests							(7)
Net profit attributable to shareholders							<u>2,485</u>

For the six months ended 30 September 2002

(Unaudited)

	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Inter- segment elimination US\$'000	Unallocated US\$'000	Consolidated US\$'000
Revenue from external customers	1,332	16	149	16	—	—	1,513
Inter-segment revenue	3	—	1	—	(4)	—	—
	<u>1,335</u>	<u>16</u>	<u>150</u>	<u>16</u>	<u>(4)</u>	<u>—</u>	<u>1,513</u>
Segment results	731	(266)	(194)	3	(97)	—	177
Unallocated operating expenses	—	—	—	—	—	(802)	(802)
Loss from operations							(625)
Share of losses of associates	—	—	—	—	—	(3,696)	(3,696)
Finance costs							(9)
Taxation							(631)
Minority interests							(1)
Net loss attributable to shareholders							<u>(4,962)</u>

3. OPERATING PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

	(Unaudited)	
	For the six months ended 30 September	
	2003 US\$'000	2002 US\$'000
After charging:		
Auditors' remuneration	28	21
Depreciation on owned fixed assets	30	48
Loss on disposal of fixed assets	—	2
Operating lease rental on property	95	149
Net unrealised loss on non-current other investments*	—	41
Net unrealised loss on current other investments*	3	36
Staff costs	1,474	1,179
After crediting:		
Net realised profit on disposal of current other investments*	84	191
Net realised profit on disposal of non-current other investments*	—	45
Interest income on bank deposits	3	25
Dividend income from investments*	2	4
Net unrealised profit on non-current other investments*	422	—

* Included in turnover

4. TAXATION

No provision for Hong Kong 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 period. Taxes on profits assessable in overseas countries have been calculated at the rates of taxation prevailing in such countries. Provision has been set aside in respect of all entities where the directors believe a liability exists.

The amount of taxation charged to the consolidated income statement represents:

	(Unaudited)	
	For the six months ended 30 September	
	2003 US\$'000	2002 US\$'000
Group:		
Overseas taxation	—	—
Share of tax of associates	272	631
Taxation charge	272	631

5. DIVIDEND

	(Unaudited)	
	For the six months ended	
	30 September	
	2003	2002
	US\$'000	US\$'000
Special interim, proposed, of 0.295 US cent (2002: Nil) per ordinary share	3,501	—

On 27 October 2003, the Directors declared a special interim dividend of 0.295 US cent per share for the year ending 31 March 2004. This proposed dividend is not reflected as a dividend payable in these condensed interim financial statements, but will be reflected as an appropriation of share premium for the year ending 31 March 2004.

6. EARNINGS/(LOSS) PER SHARE

- a. The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the period of US\$2,485,000 (2002: loss of US\$4,962,000) and on the weighted average of 1,186,915,193 (2002: 1,186,902,435) shares of the Company in issue during the period.
- b. The diluted earnings per share for the period ended 30 September 2003 is based on the net profit attributable to shareholders for the period of US\$2,485,000 and on the weighted average of 1,189,290,812 shares issued and issuable, calculated on the assumption that the Company's outstanding share options had been exercised. No diluted loss per share is presented for the period ended 30 September 2002 as the outstanding share options and warrants were anti-dilutive.

7. INVESTMENTS IN SECURITIES

The Group's investments can be analysed as follows:

Non-current investments

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2003	2003
	US\$'000	US\$'000
Investment securities, at cost:		
Club debentures	19	19
Other investments, at fair value:		
Listed equity securities		
— in Hong Kong	642	548
— outside Hong Kong	127	93
Unlisted equity securities	4,196	3,902
	4,965	4,543
	4,984	4,562

Current investments

	(Unaudited) As at 30 September 2003 <i>US\$'000</i>	(Audited) As at 31 March 2003 <i>US\$'000</i>
Other investments, at fair value:		
Listed equity securities — outside Hong Kong	101	165
Unlisted equity securities	2	2
	<u>103</u>	<u>167</u>

All the above other investments are investments in corporate entities.

8. CASH AND BANK BALANCES

Cash and bank balances of the Group can be analysed as follows:

	(Unaudited) As at 30 September 2003 <i>US\$'000</i>	(Audited) As at 31 March 2003 <i>US\$'000</i>
Cash and balances with banks	4,043	926
Money at call and short notice	653	1,188
	<u>4,696</u>	<u>2,114</u>

9. ACCOUNTS RECEIVABLE

	(Unaudited) As at 30 September 2003 <i>US\$'000</i>	(Audited) As at 31 March 2003 <i>US\$'000</i>
1 to 3 months old	478	663
More than 3 months old but less than 12 months old	69	53
Total accounts receivable	<u>547</u>	<u>716</u>

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.

10. ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2003	2003
	US\$'000	US\$'000
Due within 1 month or on demand	31	—
Due after 1 month but within 3 months	37	65
Due after 3 months but within 6 months	—	18
Due after 6 months	16	—
Total accounts payable	84	83
Accruals and other payables	972	1,317
Total accounts payable, accruals and other payables	1,056	1,400

11. SHARE CAPITAL

Shares

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2003	2003
	US\$'000	US\$'000
<i>Authorised:</i>		
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
<i>Issued and fully paid:</i>		
1,100,200,088 (31 March 2003: 1,100,174,288) ordinary shares of US\$0.01 each	11,002	11,002
86,728,147 non-voting convertible deferred shares of US\$0.01 each	867	867
	11,869	11,869

On 4 July 2003, an aggregate of 25,800 new ordinary shares in the Company were issued and allotted for a total consideration of HK\$72,240 (approximately US\$9,260), being HK\$2.80 per share, upon exercise of the subscription rights in respect of 25,800 shares attached to the registered warrants of the Company (the "Warrants 2003" as referred to below).

Subsequent to 30 September 2003, additional 2,020,001 new ordinary shares in the Company were issued and allotted for a total consideration of HK\$323,200.16 (approximately US\$41,436), being HK\$0.16 per share, upon exercise of options under the Employee Share Option Scheme of the Company (referred to below in this note).

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.

No application was made for the listing of the Deferred Shares on The Stock Exchange of Hong Kong Limited. 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 are not entitled 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 six months ended 30 September 2003, no Deferred Shares were converted into ordinary shares.

Warrants

On 9 June 2000, the Company issued and allotted, by way of bonus, an aggregate of 237,882,087 units of registered warrants (the “**Warrants 2003**”) exercisable during the period from 9 June 2000 up to 30 June 2003, both days inclusive, at an initial subscription price of HK\$2.80 (subject to adjustment) for each share of US\$0.01 in the Company to its shareholders whose names appeared in its Register of Members at 9:00 am (Hong Kong time) on 17 May 2000 in the proportion of one unit of warrant for every five shares in the Company then held.

The subscription period of the Warrants 2003 expired on 30 June 2003. Unexercised subscription rights at such date lapsed and the Warrants 2003 ceased to be valid for any purpose. On 4 July 2003, an aggregate of 25,800 new ordinary shares in the Company were issued and allotted for a total consideration of HK\$72,240 (approximately US\$9,260), being HK\$2.80 per share, upon exercise of the subscription rights, before its expiry, in respect of 25,800 shares attached to the Warrants 2003.

Share options

a. Share Option Scheme (2002)

A new share option scheme, named “Share Option Scheme (2002)” (the “**Share Option Scheme (2002)**”), was approved by shareholders 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, being 15 November 2002. No options have been granted under the scheme since its establishment.

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.

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.

As at 1 April 2003, 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 13,600,000 (1 April 2002: 14,100,000) ordinary shares of US\$0.01 each in the Company at exercise prices ranging from HK\$0.16 to HK\$1.40 per share, amongst which options in respect of 6,466,662 shares or 47.55% (1 April 2002: 2,099,999 shares or 14.89%) were vested. During the six months ended 30 September 2003, no options were exercised (2002: Nil), cancelled (2002: Nil) or granted (2002: Nil). Options in respect of an aggregate of 2,016,666 shares (2002: options in respect of 500,000 shares) lapsed. Accordingly, as at 30 September 2003, there were outstanding options entitling the holders to subscribe in stages for an aggregate of 11,583,334 (2002: 13,600,000) ordinary shares at exercise prices ranging from HK\$0.16 to HK\$1.40 per share, representing 1.05% (2002: 1.24%) of the Company's then issued voting share capital and 1.04% (2002: 1.22%) of the enlarged voting share capital. Amongst such outstanding options, options in respect of 8,966,669 shares or 77.41% (2002: 4,633,328 shares or 34.07%) were vested. Exercise in full of the outstanding options would result in the issue of 11,583,334 additional ordinary shares for aggregate proceeds, before expenses, of approximately HK\$5,757,340 (or approximately US\$738,120).

Subsequent to 30 September 2003, vested options in respect of an aggregate of 2,020,001 shares were exercised at HK\$0.16 per share. Accordingly, as at the date of this interim report, there are outstanding options entitling the holders to subscribe in stages for an aggregate of 9,563,333 ordinary shares at exercise prices ranging from HK\$0.16 to HK\$1.40 per share. Amongst such outstanding options, options in respect of 7,680,002 shares (80.31%) are vested. Exercise in full of the outstanding options would result in the issue of 9,563,333 additional ordinary shares for aggregate proceeds, before expenses, of HK\$5,434,140 (or approximately US\$696,680).

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

i. Directors, Chief Executive and substantial shareholders

As at 1 April 2003, there were outstanding options in respect of an aggregate of 11,500,000 ordinary shares held by the Directors and the Chief Executive Officer of the Company. During the six months ended 30 September 2003, none of the Directors or the Chief Executive Officer of the Company exercised any of their rights under the respective options granted to them and subscribed for shares in the Company. No options were granted or cancelled. Options in respect of 1,333,333 shares lapsed on 30 June 2003 when Mark Child (who resigned as a Director of the Company on 18 June 2003) left all positions with the Group. Mr Child is, however, entitled to exercise his vested options in respect of an aggregate of 2,666,667 shares before 30 December 2003 under the rules of the Employee Share Option Scheme. In addition, Julian Mayo resigned as the alternate to James Mellon on 18 June 2003 but retains a certain position within the Group. Mr Mayo's unvested options in respect of an aggregate of 416,667 shares lapsed on 21 August 2003. However, Mr Mayo is entitled to exercise his vested options in respect of 833,333 shares before 21 February 2004. Accordingly, as at 30 September 2003, there were outstanding options in respect of an aggregate of 6,250,000 ordinary shares (excluding those options held by Mark Child and Julian Mayo) held by the Directors and the Chief Executive Officer of the Company.

Subsequent to 30 September 2003, a vested option in respect of 1,166,667 shares was exercised by a Director at HK\$0.16 per share. Accordingly, as at the date of this interim report, there are outstanding options in respect of an aggregate of 5,083,333 ordinary shares (excluding those options held by Mark Child and Julian Mayo) held by the Directors and the Chief Executive Officer of the Company.

Particulars of the options 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 interim 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 period under review.

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

ii. Participants in excess of individual limit

No participants were granted with options (including 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 2003, 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 2,100,000 ordinary shares in the Company at exercise prices ranging from HK\$0.16 to HK\$1.40 per share. No options were exercised, granted or cancelled during the six months ended 30 September 2003.

An unexercised option in respect of 200,000 shares expired and lapsed on 20 July 2003. In addition, options in respect of an aggregate of 66,666 shares lapsed upon the resignation of certain full-time employees on 31 July 2003. Those employees are, however, entitled to exercise their vested options in respect of an aggregate of 133,334 shares before 31 January 2004. Accordingly, as at 30 September 2003, there were outstanding options entitling full-time employees of the Group (excluding the Directors of the Company and former employees) to subscribe in stages for an aggregate of 1,700,000 ordinary shares in the Company at exercise prices ranging from HK\$0.16 to HK\$1.40 per share.

Subsequent to 30 September 2003, vested options in respect of 120,000 shares were exercised by full-time employees at HK\$0.16 per share. Accordingly, as at the date of this interim report, there are outstanding options entitling full-time employees of the Group (excluding the Directors of the Company and former employees) to subscribe in stages for an aggregate of 1,580,000 ordinary shares in the Company at exercise prices ranging from HK\$0.16 to HK\$1.40 per share.

iv. *Suppliers of goods and services*

No outstanding options were held by suppliers of goods and services of the Company at any time during the six months ended 30 September 2003 or at the date of this interim report.

v. *Other participants*

No options were granted to or held under the Employee Share Option Scheme by participants other than those referred to in sub-paragraphs (i) to (iv) above. However, as set out in the foregoing paragraphs, vested options in respect of an aggregate of 3,633,334 shares were held by former Directors and employees as at 30 September 2003.

Subsequent to 30 September 2003, vested options in respect of an aggregate of 733,334 shares were exercised by Mark Child and a former employee. Accordingly, as at the date of this interim report, there are outstanding options entitling other participants to subscribe for an aggregate of 2,900,000 ordinary shares at exercise prices ranging from HK\$0.16 to HK\$1.06 per share.

No options have been granted under the Share Option Scheme (2002) of the Company during the period under review. 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 Group'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.

12. OFF BALANCE SHEET EXPOSURES

Derivatives

At 30 September 2003, there were forward and futures contracts amounting to approximately US\$11,197,000 (2002: US\$1,661,000) and US\$379,000 (2002: Nil) respectively undertaken by the Group in the foreign exchange and equity markets.

A realised profit of US\$7,000 (2002: loss of US\$4,000) and a realised loss of US\$56,000 (2002: Nil) were made from forward and futures trading respectively during the period. An unrealised profit of US\$56,000 (2002: Nil) and US\$9,000 (2002: Nil) were recorded from forward and futures trading respectively as at the balance sheet date.

In the course of the Group's normal trading in currencies, futures and options, margin deposits of varying amounts of cash are held by the Group's brokers. As at 30 September 2003, the amount of these margin deposits was US\$332,000 (2002: US\$69,000).

Lease commitments

	(Unaudited) As at 30 September 2003 US\$'000	(Audited) As at 31 March 2003 US\$'000
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At 30 September 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

Property:

— within 1 year	117	151
— in the 2nd to 5th year, inclusive	—	31
	117	182

Plant and equipment:

— within 1 year	3	3
— in the 2nd to 5th year, inclusive	1	2
	4	5

Capital commitments

The Company has no capital commitments at 30 September 2003.

13. MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of significant related party contracts or connected transactions of the Company (under Chapter 14 of the HK Listing Rules) which subsisted as at 30 September 2003 or at any time during the six-month period ended 30 September 2003, 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. All such transactions were entered into in the ordinary course of business of the Group.

For the purposes of 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.

- (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 iFuture.com Inc, which are listed on the Canadian Venture Exchange. AstroEast must maintain such collateral with a minimum coverage of at least 300% of the amount outstanding in respect of the facility.

The above loan agreement constituted a connected transaction of the Company under Chapter 14 of the HK Listing Rules. 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.

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, Jamie Gibson, who was appointed a Director of the Company on 7 January 2002, Julian Mayo, Jayne Sutcliffe and Anderson Whamond held an interest of less than 1% of its total issued share capital. James Mellon resigned as director of AstroEast on 3 June 2003, and Julian Mayo resigned as the alternate to James Mellon in the Company on 18 June 2003.

An aggregate amount of US\$40,000 was drawn by AstroEast during the year ended 31 March 2002, and an additional amount of US\$3,400 was drawn during the year ended 31 March 2003. No amount was drawn subsequent to 31 March 2003 and prior to the date of this interim report.

- (2) A shareholders’ agreement dated 15 May 2002 (the “KOL Shareholders’ Agreement”) was entered into between (i) the Company and (ii) State of Wisconsin Investment Board (“SWIB”) relating to Bridge Investment Holding Limited (“BIH”, formerly 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**"). The Company, SWIB and BIH have, amongst other things, 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.

- (3) 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 above facilities agreements constituted connected transactions of the Company under Chapter 14 of the HK Listing Rules. 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. 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.

As at the dates of the facilities agreements, Burnbrae Limited was a private company wholly-owned by a trust, of which James Mellon was the sole beneficiary. 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 and Anderson Whamond was interested in less than 1% of the existing 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.

An aggregate amount of GBP380,000 (approximately US\$541,500) was drawn by bigsave during the year ended 31 March 2002 pursuant to the first two facilities agreements. An aggregate amount of GBP356,690 (approximately US\$508,283) was drawn during the year ended 31 March 2003 pursuant to the third to sixth facilities agreements while an amount of GBP25,000 (approximately US\$35,625) was repaid by bigsave to Burnbrae Limited. During the six months ended 30 September 2003, no additional amount was drawn and an aggregate amount of GBP60,000 (approximately US\$85,500) was repaid. No further amounts have been drawn or repaid since that date.

- (4) On 24 March 2003, an operational support agreement was entered into between (i) Regent Financial Services Limited, an indirect wholly-owned subsidiary of the Company, as service provider and (ii) BIH relating to the provision of accounting and other related services by Regent Financial Services Limited to BIH at fixed monthly fee of US\$2,000.

An aggregate amount of US\$12,000 was received during the six months ended 30 September 2003 and US\$5,000 was received subsequent to the period end date and prior to the date of this interim report.

- (5) On 9 June 2003, (i) the Company as lender and (ii) RPG (L) Ltd, an indirect wholly-owned subsidiary of BIH, as borrower, entered into a loan agreement where the Company agreed to offer to RPG (L) Ltd a loan facility of up to US\$200,000 until 31 August 2003 with interest accruing at one month US dollar LIBOR plus 2% secured against 249,000 shares of Bridge Securities Co., Ltd. In addition, RPG (L) Ltd must maintain the security with a minimum coverage of at least 200% of the amount outstanding from time to time.

An amount of US\$200,000 was drawn by RPG (L) Ltd on 16 June 2003, which was repaid in full on 11 August 2003.

Save for the above, no significant related party contracts or connected transactions of the Company (under Chapter 14 of the HK Listing Rules), 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 30 September 2003 or at any time during the six months ended 30 September 2003.

14. POST BALANCE SHEET EVENTS

Subsequent to 30 September 2003, the Company has entered into a guarantee with a financial institution for an amount not exceeding US\$750,000 in respect of entering into foreign exchange contracts.

Save as noted above, there are no material post balance sheet events which have not been accounted for or detailed elsewhere in this report.

15. CONTINGENT LIABILITIES

The Group was not involved in any material litigation or disputes during the six months ended 30 September 2003.

The Company understands that on 28 October 2003 Bridge Securities Co., Ltd (“BSC”, a 78.4% owned subsidiary of Bridge Investment Holding Limited) received an official notice from the Korean Financial Supervisory Service instructing BSC to seek a new business licence from the Korean Financial Supervisory Commission (the “FSC”) in order to continue trading in futures and options. The reason for this is that under the Korean Futures Trading Act (the “FTA”), the trading of KOSPI 200 products is being transferred from the Korean Stock Exchange to the Korean Futures Exchange (the “KOFEX”) with effect from 1 January 2004. On 4 December 2003, BSC submitted an application for a new business licence with the FSC to trade in futures and options on the KOFEX. Further, the application was submitted on the basis that Bridge Investment Holding Limited and BSC satisfy all the relevant requirements under the FTA. However, shareholders should note that if BSC were to apply for a new business licence then the FSC may impose an administrative fine on BIH. The reason for this is that Regent Insurance Co., Ltd was designated under BIH’s ownership by the FSC as an ailing financial institution on 7 June 2002, and, as a result, the FSC may impose an administrative fine when BSC applies for a new business licence. It is however the view of BSC and its Korean legal adviser that BSC and BIH satisfy the requirements of the FTA and that no administrative fine should be paid by BIH in order for BSC to obtain the futures and options business licence. However, shareholders should note that the FSC may exercise its discretionary power in granting a licence to conduct futures and options business and there is a real possibility that the FSC may impose an administrative fine on BIH. The Company understands from BIH that the amount of this administrative fine may amount to approximately KRW 25 billion (approximately US\$20.8 million). As at the date of this report, no notification of an administrative fine has been received by either BIH or BSC.

16. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period’s presentation requirements.

REVIEW AND PROSPECTS

CHAIRMAN'S STATEMENT

The Group recorded a profit attributable to shareholders of US\$2.5 million (2002: loss of US\$5.0 million) for the six months ended 30 September 2003, representing earnings per share of 0.21 US cent (2002: loss per share of 0.42 US cent). The profit was mainly due to the Group's share of profit after tax from Bridge Investment Holding Limited of US\$1.4 million. BIH recorded a loss attributable to shareholders of US\$4.9 million for the six months ended 30 September 2003, which was mainly due to the write down of US\$8.9 million in respect of its deferred tax assets. As the Group wrote off its BIH related deferred tax assets in prior years, the Group did not account for the write down of US\$8.9 million made by BIH, resulting in a share of profit before tax of US\$1.6 million for the Group.

The revenue of the Group's corporate investment division increased from US\$0.1 million to US\$0.8 million as compared to the corresponding period last year. The revenue of the asset management business division was reduced by 24% to US\$0.8 million (2002: US\$1.0 million) due to the reduction in assets under management.

The value of the Group's shareholders' equity increased by 14% to US\$97.1 million (31 March 2003: US\$85.2 million) during the period. Net assets per share were 8.2 US cents (31 March 2003: 7.2 US cents), an increase of 14% during the period. As at 30 September 2003, the Group had US\$4.7 million net cash or 4.8% of its total shareholders' equity.

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

	<i>US\$ million</i>
Share of profits connected with BIH	1.4
Corporate investments	1.6
Asset management	(0.6)
Other operating income	0.1
	<hr/>
Total profit attributable to shareholders	2.5

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

	<i>US\$ million</i>
Stake in BIH	85.3
Value of technology related assets	0.7
Other net assets	11.1
Total net assets	<u>97.1</u>

On 27 October 2003, the Directors announced that the Company received a dividend of US\$3.69 million from BIH in early September 2003, and that the Directors declared a special interim dividend of 0.295 US cent per share. Shareholders will note that the declaration of a special interim dividend complies with the Directors' stated policy mentioned in the Company's annual report and financial statements for the financial year ended 31 March 2002 and 31 March 2001 respectively to distribute at least 90% of any realisation received from BIH. On the basis of the Company's existing issued share capital, payment of the special interim dividend amounts to approximately US\$3.5 million or 95% of the proceeds received from BIH. The special interim dividend is payable on Friday, 19 December 2003 to those shareholders whose names were recorded on the Principal or Branch Register of Members of the Company as of 21 November 2003.

During the period and up to the date of this report, 2,045,801 new ordinary shares were issued pursuant to the exercise of share options and conversion of warrants (2002: Nil).

BRIDGE INVESTMENT HOLDING LIMITED

Bridge Investment Holding Limited (“BIH” and collectively with its subsidiaries, the “BIH Group”) recorded a loss attributable to shareholders of US\$4.9 million (2002: US\$8.7 million) for the six months ended 30 September 2003, representing a loss per share of US\$0.11 (2002: US\$0.19). The change in the results is mainly due to the following:

- Restructuring charge of US\$4.6 million incurred in respect of the early retirement programme and the closure of 8 retail branches of Bridge Securities Co., Ltd;
- Continued losses experienced at the retail division;
- Write down of deferred tax assets of US\$8.9 million; and
- Write back of certain provisions of US\$2.0 million.

The BIH directors decided to write down BIH’s deferred tax assets in full because, in their opinion, it is not probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Segmental analysis of BIH’s figures is as follows:

	<i>US\$ million</i>
By business:	
— Bridge Securities Co., Ltd	5.9
— Restructuring charge	(4.6)
	<hr/> 1.3
— Corporate and other interests	3.3
	<hr/>
Pre-tax profit	4.6
Write down of deferred tax assets	(11.3)
Minority interest	1.8
	<hr/>
Net loss for the period	(4.9)
	<hr/>

Balance Sheet

Shareholders' equity has increased by 4.9% to US\$212.4 million as at 30 September 2003 from US\$202.4 million as at 31 March 2003. Net assets per share were US\$4.74 (31 March 2003: US\$4.52). Such increase takes account of BIH's interests in the buyback of 14.7 million shares by BSC at a cost of approximately US\$24.8 million and the payment of a dividend of US\$9.2 million by BIH. The increase was due to an unrealised foreign exchange revaluation surplus of US\$24.1 million and an operating loss of US\$4.9 million. The BIH directors announced a special dividend of US\$0.205 per share. This dividend was paid on or about 5 September 2003 by way of a US dollar cheque payable to shareholders who appeared on the register of members as at 1 September 2003.

Gross assets of the BIH Group (after taking out the negative goodwill) have increased by 3.7% during the period, primarily due to an increase in the BIH Group's investments.

Funding

As at 30 September 2003, BIH's cash balance was US\$5.6 million. BSC completed on 7 August 2003 a mandatory buy back of 18.75 million shares at KRW 2,000 per share at a total cost of approximately KRW 37.5 billion. BSC has therefore mandatorily purchased 25.2682% of each shareholder's interest in BSC. As part of this process, BSC bought back 14,701,487 shares from certain of BIH's subsidiaries for cash at KRW 2,000 per share raising approximately KRW 29.3 billion or US\$24.8 million (after applicable taxes) for the BIH Group.

The US\$7 million bonds and accrued interest due to Tong Yang Investment Bank were fully repaid on 8 August 2003.

Investments

The BIH Group owns 78.4% of the outstanding share capital of BSC, being the BIH Group's only operating company. Subsequent to 30 September 2003, the BIH Group acquired an additional 507,340 BSC shares at an average price per share of KRW 1,833. As a result the BIH Group's shareholding in BSC has increased to 79.32% from 78.41%.

The gross assets of BSC at 30 September 2003 were approximately US\$483 million, an increase of 3.5% since 31 March 2003. Shareholders' equity of BSC was approximately US\$314 million, a decrease of 3.1% from 31 March 2003. BSC remains liquid with over 30% of shareholders' equity in marketable securities and cash after taking into account borrowings.

Litigation

On 29 January 2003, Peter Everington and Romi Williamson (collectively the "Claimants"), the former executive directors of BIH, commenced legal action against BIH seeking US\$6.3 million and US\$2.0 million respectively for termination of their employment contracts. BIH has retained leading and junior counsel to defend BIH in the legal action. BIH filed its defence on 28 March 2003. Peter Everington and Romi Williamson filed their reply to BIH's defence and counterclaim on 9 May 2003.

The Claimants' claims against BIH break down as follows:

	Peter Everington <i>US\$</i>	Romi Williamson <i>US\$</i>
Repurchase for cash options at net tangible asset value	5,580,000	1,428,480
Six months' salary	165,470	120,513
Six months' housing allowance	60,000	36,000
Compensation for loss of office	500,000	375,000
Total	6,305,470	1,959,993

On 29 January 2003, the Claimants also commenced legal action against BSC for termination of their employment contracts with BSC. The Claimants are seeking US\$673,000 and US\$525,513 respectively. On 15 October 2003, the Company was informed by BSC management that BSC was successful in dismissing, in its entirety, the Claimants' claim in aggregate of US\$1.2 million against BSC for termination of their employment contracts with BSC. In addition, the judge ordered that the Claimants pay BSC's legal costs incurred in defending the action. However, the Company understands that the Claimants have lodged an appeal against the judgement.

The Claimants' claims against BSC break down as follows:

	Peter Everington <i>US\$</i>	Romi Williamson <i>US\$</i>
Six months' salary	125,000	120,513
Six months' housing allowance	48,000	30,000
Compensation for loss of office	500,000	375,000
Total	673,000	525,513

BIH and BSC consider that these significant claims are totally unjustified and will continue to defend the claims commenced by the Claimants against BIH and BSC respectively.

Shareholders may be interested to note that, during their tenure as executive directors of BIH and BSC, Peter Everington and Romi Williamson received remuneration of:

- US\$1.27 million and US\$893,528 respectively from BSC from June 2001 to December 2002, including a bonus of US\$493,959 and US\$265,978 that was paid in April 2002 to Peter Everington and Romi Williamson respectively for the financial year ended 31 March 2002; and
- US\$1.18 million and US\$969,775 respectively from BIH from 1 March 2001 to 31 October 2002, including a bonus of US\$802,000 that was paid to each of Peter Everington and Romi Williamson in April 2002 for the financial year ended 31 March 2002.

As at the date of this report, BIH has spent approximately US\$595,000 on legal fees defending the claims brought by Peter Everington and Romi Williamson. Further, it should be noted that BIH, under the previous executive directorship of Peter Everington and Romi Williamson, spent approximately US\$394,000 on legal fees in contesting an initiative on the part of the Company and the State of Wisconsin Investment Board to reconstitute the board (involving the removal of Peter Everington and Romi Williamson as directors) in circumstances where over 83% of BIH's shareholders were in support of that initiative.

The BIH directors are pleased to report that the litigation by Regent Insurance Co., Ltd ("RIC") against two of the BIH Group's wholly owned subsidiaries have now been settled. RIC had secured an attachment on approximately 11.6 million BSC shares, representing approximately 15.6% of BSC's voting capital (excluding Treasury Stock), various computer equipment and furnishings and a bank deposit of approximately US\$367,000. However the various attachment orders were released on 12 August 2003 after a settlement agreement with RIC was reached and payment of KRW 2.845 billion (approximately US\$2.4 million) was made in full and final settlement of the litigation.

Operational Performance

The retail division continues to be the main generator of losses at BSC. With little pick up in commissions at the retail division during the period concerned coupled with the hangover of the consumer credit bubble that erupted at the end of last year leaving Korean households crippled with debt there appears to be no sign that the retail customer is returning to the stock market. Obviously the loss of the retail customer has a serious knock-on effect to the profitability of the retail division. Notwithstanding this, BSC management has recently begun a productivity upgrade of the retail division where the main focus is on enforcing minimum productivity levels and replacing under-performing staff.

Despite the increase in the KOSPI during the period concerned and BSC's high level of shareholders' equity, BSC has consistently underperformed its peers in Korea on a number of key parameters. In addition, the absence of a clear corporate vision designed to create long-term value for its shareholders by the former management of BSC continues to hamper BSC's road to recovery. The former BSC management did not:

- Prepare an adequate planning process pre and post merger of Ileun Securities Co., Ltd and Regent Securities Co., Ltd;
- Prepare a detailed business plan outlining BSC's strategy and goals, including its retail division;
- Prepare a detailed budgeting process;
- Prepare a disposal plan of non-core assets; and
- Recruit a suitably qualified and proven manager of the retail division.

Consequently BSC management continues to have to spend considerable time addressing these issues as it further develops its plan to create shareholder value.

FUND MANAGEMENT

The fund management division remains loss making, which is primarily due to (i) the redemption of the Asian Opportunity Fund 1998 — II which has been completed after the team successfully realised the fund's largest investment in PT Bank NISP Tbk, (ii) operating in a high cost base environment, and (iii) a relatively small amount of funds under management.

TECHNOLOGY INVESTMENTS

No provisions have been made against the Group's holding of technology related investments during the period ended 30 September 2003. The Group's 49.9% associate, Regent Markets Holdings Limited ("Regent Markets", formerly Exchangebet.com Holdings Limited), which provides online fixed-odds betting on financial markets continues to experience strong growth in its turnover and operating profit during the current financial year. For the ten months to 31 October 2003, the company's unaudited turnover was US\$48.7 million and its unaudited gross profit and net profit before a dividend distribution of US\$500,000 were US\$2.3 million and US\$0.949 million respectively. During the period, Regent Markets's operating subsidiary placed 680,000 shares at US\$1.25 per share raising US\$850,000 at a US\$26 million valuation, which further diluted Regent Markets' holding to 94.58%. As at 30 September 2003, such subsidiary had 21.15 million shares outstanding. The Group's 49.9% interest in Regent Markets was held at US\$1.3 million in the Group's consolidated balance sheet as at 30 September 2003, based on the equity method of accounting. The company's main web-sites are: www.regentmarkets.com and www.betonmarkets.com.

OUTLOOK

The Group is committed to realising its investment in BIH and will continue its stated policy of distributing at least 90% of any realisation received from BIH. In this respect, on 27 October 2003, the Directors announced that the Company received a dividend of US\$3.69 million from BIH in early September 2003, and that the Directors declared a special interim dividend of 0.295 US cent per share. Shareholders will note that the declaration of a special interim dividend complies with the Directors' stated policy mentioned in the Company's annual report and financial statements for the financial year ended 31 March 2002 and 31 March 2001 respectively to distribute at least 90% of any realisation received from BIH.

It is disappointing that, despite the rise in the KOSPI during the period concerned, BSC performed so poorly. BSC management continues to face serious challenges going forward, especially in the retail division. The lack of a clear corporate vision by former BSC management, the impact of the Korean consumer credit bubble, the overcapacity in the Korean securities industry and the intense pricing competition will continue to lead to uncertain times ahead for the BIH Group. However the new BSC management is committed towards the adoption of a plan for the further rationalisation of BSC which I hope will lead to the creation of shareholder value. The BIH directors remain committed to taking steps to enhance the value of all shareholders' investment in BIH.

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

INTERIM DIVIDEND

On 27 October 2003, the Directors declared a special interim dividend of 0.295 US cent per share for the year ending 31 March 2004 payable on Friday, 19 December 2003 in cash, either in Hong Kong dollars or in United States dollars at the exchange rate quoted at 4:00 pm (Hong Kong time) on Friday, 12 December 2003, to those shareholders whose names are recorded on the Principal or Branch Register of Members of the Company on Friday, 21 November 2003.

The Directors of the Company have resolved not to declare any further interim dividend for the six months ended 30 September 2003 (2002: Nil).

TRADING RECORD OVER LAST FIVE YEARS

	(Unaudited)	(Audited)				
	Six months ended	Year ended 31 March				
	30 September	2003	2002	2001	2000	1999
	2003	2003	2002	2001	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Turnover	1,608	564	4,959	(744)	54,658	(32,197)
Revenue less expenses	538	(1,905)	(13,544)	(22,619)	14,725	(54,700)
Share of profits/(losses) of associates	2,226	(4,976)	16,143	(53,440)	32,178	4,251
Operating profit/(loss) on core activities	2,764	(6,881)	2,599	(76,059)	46,903	(50,449)
(Losses)/Profits on non-core activities	—	—	(8)	(22,193)	51,940	1,174
Operating profit/(loss) from ordinary activities	2,764	(6,881)	2,591	(98,252)	98,843	(49,275)
Finance costs - interest on bank loans and overdraft	—	—	(145)	(358)	(462)	(688)
Profit/(Loss) on ordinary activities before taxation	2,764	(6,881)	2,446	(98,610)	98,381	(49,963)
Taxation	(272)	(395)	(923)	(2,840)	(12,283)	(1,090)
Profit/(Loss) after taxation	2,492	(7,276)	1,523	(101,450)	86,098	(51,053)
Minority interests	(7)	16	2,030	3,119	(534)	764
Net profit/(loss) attributable to shareholders	2,485	(7,260)	3,553	(98,331)	85,564	(50,289)
Capital and reserves	97,106	85,192	87,054	85,661	118,358	107,025

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

REVENUE AND PROFITS

The Group recorded a profit attributable to shareholders of US\$2.5 million (2002: loss of US\$5.0 million) for the period ended 30 September 2003.

The profit was mainly attributable to the Group's share of profit after tax of US\$1.4 million (2002: US\$15.7 million) from its Korean associate, Bridge Investment Holding Limited. BIH recorded a loss attributable to shareholders of US\$4.9 million for the six months ended 30 September 2003, which was mainly due to the write down of US\$8.9 million in respect of its deferred tax assets. As the Group wrote off its BIH related deferred tax assets in prior years, the Group did not account for the write down of US\$8.9 million made by BIH, resulting in a share of profit before tax of US\$1.6 million for the Group.

The revenue of the asset management business division was reduced by 24% to US\$0.8 million (2002: US\$1.0 million) due to the reduction in assets under management. On the contrary, the revenue of the corporate investment business division increased from US\$0.1 million to US\$0.8 million during the period.

BALANCE SHEET

The shareholders' equity increased by 14% to US\$97.1 million (31 March 2003: US\$85.2 million) during the period and BIH accounts for approximately 87.9% (31 March 2003: 91.5%) of the Group's total shareholders' equity as at 30 September 2003. The remaining Group assets comprise the technology investments of US\$0.8 million and other corporate investments of US\$11 million.

There were no borrowings for the Group at the balance sheet date which is in keeping with the Directors' stated policy.

FUTURE FUNDING

As at 30 September 2003, the Group had US\$4.7 million net cash or 4.8% of its total shareholders' equity. 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 hedging cost such hedging would involve.

As BIH represented approximately 87.9% of the total shareholders' equity as at 30 September 2003, 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.

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 30 September 2003, the amount of these margin deposits was US\$332,000 (2002: US\$69,000).

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

CONTINGENT LIABILITIES

The Group was not involved in any material litigation or disputes during the period ended 30 September 2003.

Subsequent to 30 September 2003, the Company has entered into a guarantee with a financial institution for an amount not exceeding US\$750,000 in respect of entering into foreign exchange contracts.

Shareholders are referred to note 15 to the financial statements for a more detailed description of the Group's contingent liabilities.

No other material changes were noted during the six months ended 30 September 2003 from the information disclosed in the published annual report for the year ended 31 March 2003.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at 30 September 2003, the Directors and Chief Executive Officer 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 (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 Stock Exchange of Hong Kong Limited 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 as set out in Appendix 10 to The Rules Governing the Listing of Securities on the HK Stock Exchange:

I. 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%
James Mellon		Beneficial owner	Long position	37,088,500	3.37%
	B	Beneficiary of a trust (other than a discretionary trust)	Long position	222,967,083	20.27%
Karin Schulte	C	Beneficial owner	Long position	12,000	0.00%
Mark Searle	D	Beneficiary of a trust (other than a discretionary trust)	Long position	50,000	0.00%
Jayne Sutcliffe		Beneficial owner	Long position	14,727,260	1.34%
	E	Beneficiary of a trust (other than a discretionary trust)	Long position	24,000,000	2.18%
Anderson Whamond		Beneficial owner	Long position	5,000,000	0.45%

* The total issued ordinary share capital of the Company as at 30 September 2003 consisted of 1,100,200,088 ordinary shares.

Subsequent to 30 September 2003, additional 2,020,001 shares were issued and allotted upon exercise of options under the Employee Share Option Scheme of the Company (referred to in note 11 to the financial statements). Accordingly, the total number of issued ordinary shares has increased to 1,102,220,089 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 the sole 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 in the issued share capital of the Company are set out in note 11 to the financial statements in this interim report.

2. OPTIONS OF THE COMPANY

Please refer to note 11 to the financial statements in this interim report as to details of the share option schemes of the Company.

As at 30 September 2003, the following Directors of the Company had personal interests in options granted under the Company's Employee Share Option Scheme (as referred to in note 11 to the financial statements, which was terminated on 15 November 2002 but remains in full force and effect in respect of outstanding options), 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 offer	Date of grant	Number of shares subject to the option #	Subscription price per share	Exercise period #	Consideration for grant of option
Jamie Gibson	2 April 2001	7 April 2001	1,000,000	HK\$0.160	7 April 2002 - 6 April 2006	HK\$10.00
	25 April 2001	27 April 2001	1,500,000	HK\$0.160	27 April 2002 - 26 April 2006	HK\$10.00
Karin Schulte	26 September 2000	18 October 2000	2,000,000	HK\$1.060	18 October 2001 - 17 October 2005	HK\$10.00
	2 April 2001	23 April 2001	1,750,000	HK\$0.160	23 April 2002 - 22 April 2006	HK\$10.00

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.

On 7 November 2003, Karin Schulte exercised the rights under her vested option and subscribed for 1,166,667 shares in the Company at HK\$0.16 per share. The shares were allotted on 13 November 2003. Save for this, during the six-month period ended 30 September 2003, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Employee Share Option Scheme and subscribed for shares in the Company. No options were granted, cancelled or lapsed except for the unvested options lapsed upon the resignation of Mark Child and Julian Mayo referred to in sub-paragraph b(i) under the section titled "Share options" in note 11 to the financial statements.

3. 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%
Jayne Sutcliffe		Beneficial owner	Long position	150,000	0.54%
Anderson Whamond		Beneficial owner	Long position	150,000	0.54%

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%
Jayne Sutcliffe	E	Beneficiary of a trust (other than a discretionary trust)	Long position	350,000	0.88%
Anderson Whamond		Beneficial owner	Long position	350,000	0.88%

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 100,000 shares in bigsave Holdings plc are held by a company which is 80% beneficially owned by Anthony Baillieu.

- B. 84,846,870 shares in the Company are held by the trustee of a settlement, of which James Mellon is the sole beneficiary.

222,967,083 shares in the Company are held by companies wholly owned by the trustee referred to above in this note.

- C. On 7 November 2003, Karin Schulte exercised the rights under her vested option pursuant to the Company's Employee Share Option Scheme (as referred to note 11 to the financial statements) and subscribed for 1,166,667 shares in the Company at HK\$0.16 per share. The shares were allotted on 13 November 2003.

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

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

The 350,000 shares in bigsave Holdings plc are held by the trustee referred to above in this note.

- F. AstroEast.com Limited and bigsave Holdings plc are indirect 51% and 64.3% owned subsidiaries of the Company respectively.

Save as disclosed herein, as at 30 September 2003 none of the Directors or the Chief Executive Officer of the Company (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 for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the HK Listing Rules.

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 or the Chief Executive Officer 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 period under review.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, 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	46,356,000	4.21%
	Ordinary shares	Family interests	Long position	24,450,000	2.22%
	Ordinary shares	Beneficiary of a trust (other than a discretionary trust)	Long position	24,841,210	2.26%
The State of Wisconsin Investment Board	Ordinary shares	Beneficial owner	Long position	82,567,940	7.50%

* The total issued ordinary share capital of the Company as at 30 September 2003 consisted of 1,100,200,088 ordinary shares.

Subsequent to 30 September 2003, additional 2,020,001 shares were issued and allotted upon exercise of options under the Employee Share Option Scheme of the Company (referred to in note 11 to the financial statements). Accordingly, the total number of issued ordinary shares has increased to 1,102,220,089 shares.

Save for such interests, the Directors are not aware of any other persons who, as at 30 September 2003, 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).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

No shares in the Company or Warrants 2003 were repurchased by the Company during the six months ended 30 September 2003, either on the HK Stock Exchange or otherwise.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises the two independent non-executive Directors, namely Anthony Robert Baillieu and Stawell Mark Searle.

The interim financial statements of the Company for the six months ended 30 September 2003 have been reviewed by the Audit Committee.

COMPLIANCE OF THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30 September 2003, in compliance with The Code of Best Practice as set out in Appendix 14 to the HK Listing Rules.

PUBLICATION ON WEBSITES

This interim financial report will be published on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkex.com.hk) in due course.

On behalf of the Board of
Regent Pacific Group Limited

Anthony Baillieu
Chairman

Hong Kong, 16 December 2003