

# Report of the Directors

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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 2003 (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 13 to the Financial Statements.

## Results and Dividends

The Group's results for the year ended 31 March 2003 are set out in the Consolidated Income Statement on page 35.

No interim dividend was paid during the year (2002: Nil), and the Directors do not recommend the payment of a final dividend for the year (2002: Nil).

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

# Report of the Directors

## Summary Financial Information (Continued)

### Assets and liabilities:

	As at 31 March				
	2003 US\$'000	2002 US\$'000	2001 US\$'000	2000 US\$'000	1999 US\$'000
Fixed assets	59	573	971	790	1,449
Intangible assets	–	–	628	–	–
Interests in associates and jointly controlled entities	78,912	78,960	64,332	92,606	47,515
Other non-current investments in securities	4,562	7,422	10,276	16,237	5,054
Current assets	4,329	8,398	21,780	71,359	71,025
<b>Total assets</b>	<b>87,862</b>	<b>95,353</b>	<b>97,987</b>	<b>180,992</b>	<b>125,043</b>
Current liabilities	2,670	8,299	9,826	62,491	17,611
Non-current liabilities	–	–	2,500	143	407
<b>Total liabilities</b>	<b>2,670</b>	<b>8,299</b>	<b>12,326</b>	<b>62,634</b>	<b>18,018</b>
<b>Net assets</b>	<b>85,192</b>	<b>87,054</b>	<b>85,661</b>	<b>118,358</b>	<b>107,025</b>

### Change of Company Name

In view of the Company's current strategy and operations, the Company's name was changed to its original name "Regent Pacific Group Limited" upon passing of a special resolution at the Company's annual general meeting held on 15 November 2002.

### Reserves

Details of movements in the reserves of the Group and the Company are set out in note 22 to the Financial Statements. Distributable reserve of the Company as calculated in accordance with the Companies Law of the Cayman Islands is set out in note 22 to the Financial Statements.

### Subsidiaries and Associates

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 13 and 14 respectively to the Financial Statements.

# Report of the Directors

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## Fixed Assets

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the Financial Statements.

## Share Capital and Share Options

Details of the Company's share capital and outstanding share options are set out below and in note 21 to the Financial Statements.

### 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.

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. 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.

# Report of the Directors

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## 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.

# Report of the Directors

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## Share Capital and Share Options (Continued)

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

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.

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.

### 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.

# Report of the Directors

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## Share Capital and Share Options (Continued)

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

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 2002, 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 year ended 31 March 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, cancelled or lapsed.

Subsequent to the year end date, options in respect of 1,333,333 shares lapsed upon the resignation of Mark Child as a Director of the Company on 18 June 2003. Mr Child left all positions with the Group on 30 June 2003 and is entitled to exercise vested options in respect 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 remains as an eligible participant under the scheme in respect of his outstanding options for an aggregate of 1,250,000 shares. Accordingly, as at the date of this report, there were outstanding options in respect 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.

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 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 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 year.

For the avoidance of doubt, the Chief Executive Officer of the Company referred to above is Jamie Gibson who was appointed to this position on 16 May 2002. No options were granted to James Mellon, the former Chief Executive Officer of the Company.

# Report of the Directors

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## 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 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 2002, there were outstanding options entitling full-time employees of the Group 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, cancelled or lapsed during the year ended 31 March 2003.

Subsequent to the year end date, as mentioned in sub-paragraph (i) above, Julian Mayo ceased to be an alternate Director of the Company on 18 June 2003 but remains as an eligible participant under the scheme in respect of his outstanding options for an aggregate of 1,250,000 shares. Accordingly, as at the date of this report, there were outstanding options entitling full-time employees of the Group to subscribe in stages from the respective dates of grant for a period of 60 months for an aggregate of 3,350,000 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*

As at 1 April 2002, there was an outstanding option entitling a consultant of the Group to subscribe in stages from the date of grant for a period of 60 months for 500,000 ordinary shares in the Company at exercise price of HK\$1.06 per share. This consultant's option lapsed on 30 September 2002 upon termination of his consultancy agreement. Accordingly, no outstanding options were held by suppliers of goods and services of the Company as at 31 March 2003 and the date of this report.



# Report of the Directors

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## Share Capital and Share Options (Continued)

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

#### v. *Other participants*

Save for the options referred to in sub-paragraphs (i) to (iv) above, no options were granted to or held under the Employee Share Option Scheme by other participants at any time during the year ended 31 March 2003.

Subsequent to the year end date, as mentioned in sub-paragraph (i) above, Mark Child ceased to be a Director of the Company on 18 June 2003 but is entitled to exercise vested options in respect of 2,666,667 shares before 30 December 2003. Accordingly, as at the date of this report, there were outstanding options entitling other participants to subscribe for an aggregate of 2,666,667 ordinary shares in the Company before 30 December 2003 at exercise prices ranging from HK\$0.16 to HK\$1.06 per share.

No options have been granted under the share option schemes of the Company during the year 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.

### Purchase, Sale or Redemption of Securities

No shares or registered warrants of the Company were purchased or sold by the Company or any of its subsidiaries during the year. The Company has not redeemed any of its shares during the year.

# Report of the Directors

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## Directors

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

Anthony Robert Baillieu ( <i>Chairman</i> ) **#	(appointed as Chairman on 12 May 2003)
Jamie Alexander Gibson ( <i>Chief Executive Officer</i> )	(appointed as Chief Executive Officer on 16 May 2002)
James Mellon *	(resigned as Chief Executive Officer and re-designated as non-executive Director on 16 May 2002; and resigned as Chairman on 12 May 2003)
Karin Schulte	
Stawell Mark Searle **#	
Jayne Allison Sutcliffe *	
Alexander Anderson Whamond *	
Mark Lucian Child	(resigned on 18 June 2003)
Julian Peter Mayo *	(resigned as alternate to James Mellon on 18 June 2003)
David McMahan *	(resigned on 31 March 2003)

\* non-executive Directors

# independent Directors

In accordance with Article 87 of the Company's Articles of Association, 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. James Mellon and Jayne Sutcliffe will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

## Report of the Directors

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### Directors (Continued)

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

**Anthony Robert Baillieu**, aged 47, Australian and British, has been an independent non-executive Director of the Company since April 2001 and was appointed the Chairman of the Board of Directors of the Company in May 2003. 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 & McLennan. 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 (formerly Techpursuit.com Holdings Limited). Mr Baillieu is also director of certain subsidiaries of Regent Pacific Group and Dublin-listed funds managed by the Group.

**Jamie Alexander Gibson**, aged 37, British, joined Regent Pacific Group in April 1996 and was appointed 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 a private equity fund managed by the Group.

# Report of the Directors

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## Directors (Continued)

**James Mellon**, aged 46, British, was appointed 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 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 a number of 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 Regent Europe Limited) in June 2000 (the "**Restructuring Scheme**"), Mr Mellon has been non-executive Chairman of Charlemagne Capital Limited.

**Karin Schulte**, aged 34, British, has been an executive Director of the Company since September 2001. She has worked since 1991 in the Asia Pacific region. After graduating from the University of Kent, Canterbury, United Kingdom in 1991, Ms Schulte lived and worked in Japan for one year. She then spent five years based in Hong Kong working in the logistics industry firstly with a German company, Birkart Globistics, and then with the Japanese company Nippon Yusen Kaisha. She returned to Hong Kong in January 2000 to join Regent Pacific Group after three years based in Sydney, Australia where she obtained a Master's degree in Business Administration at the Australian Graduate School of Management. During her time in Sydney, Ms Schulte worked for Macquarie Bank, an Australian investment bank, in the capacity of Manager, Corporate Communications. She is also director of certain subsidiaries of Regent Pacific Group.

## Report of the Directors

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### Directors (Continued)

**Stawell Mark Searle**, aged 60, 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.

**Jayne Allison Sutcliffe**, aged 39, British, was appointed the Group Corporate Finance Director in August 1991. Upon completion of the Restructuring Scheme, Mrs Sutcliffe became a non-executive Director of Regent Pacific Group Limited. 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 a subsidiary of Regent Pacific Group.

**Alexander Anderson Whamond**, aged 43, British, was appointed an executive Director in January 1999. Upon completion of the Restructuring Scheme, 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.

# Report of the Directors

## Directors' Interests in Securities and Options

The Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") was repealed on 1 April 2003 and replaced by Part XV of the Securities and Futures Ordinance, which introduced new disclosure requirements for the interests of substantial shareholders, directors and chief executives in listed companies of Hong Kong and their associated corporations. Relevant provisions in the HK Listing Rules about disclosure of interests have therefore been extensively revised. However, as the HK Stock Exchange specifies that the new disclosure requirements under the HK Listing Rules are not applicable to disclosure referable to a date or period ending before 1 April 2003, information about interests held by the Directors in the Company is disclosed in this annual report in accordance with the disclosure requirements which prevailed prior to 1 April 2003 under the SDI Ordinance.

As at 31 March 2003, the beneficial interests of the Directors in the securities of the Company or of any of its associated corporations (within the meaning of the SDI Ordinance) or in any rights to subscribe for the equity securities of the Company or of any of its associated corporations, which have to be notified to the Company and the HK Stock Exchange pursuant to Section 28 of the SDI Ordinance and the HK Listing Rules (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein were as follows:

### I. Securities of the Company

#### a. Ordinary shares of US\$0.01 each

Name of Director	Note	Number of shares and nature of interests					Total interests
		Personal interests	Family interests	Corporate interests	Other interests		
Anthony Baillieu	A	–	–	200,000	–	–	200,000
Jamie Gibson		4,549,843	–	–	–	–	4,549,843
Mark Child	B	–	–	–	–	–	–
Julian Mayo (alternate to James Mellon)	C	229,686	–	–	–	–	229,686
James Mellon	D&E	37,088,500	–	–	219,467,083	–	256,555,583
Karin Schulte		12,000	–	–	–	–	12,000
Mark Searle	F	–	–	–	50,000	–	50,000
Jayne Sutcliffe	G	14,727,260	–	–	24,000,000	–	38,727,260
Anderson Whamond		5,000,000	–	–	–	–	5,000,000

# Report of the Directors

## Directors' Interests in Securities and Options (Continued)

### I. Securities of the Company (Continued)

#### b. Warrants 2003 (Note H)

Name of Director	Note	Number of warrants and nature of interests				Total interests
		Personal interests	Family interests	Corporate interests	Other interests	
Anthony Baillieu	A	–	–	40,000	–	40,000
Jamie Gibson		1,467,968	–	–	–	1,467,968
Mark Child	B	–	–	–	–	–
Julian Mayo (alternate to James Mellon)	C	1,047,909	–	–	–	1,047,909
James Mellon	D&E	6,817,700	–	–	61,239,046	68,056,746
Karin Schulte		2,400	–	–	–	2,400
Mark Searle	F	–	–	–	10,000	10,000
Jayne Sutcliffe	G	2,945,452	–	–	4,800,000	7,745,452
Anderson Whamond		1,000,000	–	–	–	1,000,000

### 2. Securities of associated corporations (Note I)

Name of Director	Note	Number of shares in the respective associated corporations		
		AstroEast.com Limited	bigsave Holdings plc	Henderson Baillieu Holdings Limited (formerly Techpursuit.com Holdings Limited)
Anthony Baillieu	A	95,560	100,000	40,000
Jamie Gibson		225,000	131,579	–
Mark Child	B	–	–	–
Julian Mayo (alternate to James Mellon)	C	75,000	200,050	–
James Mellon		–	–	–
Karin Schulte		–	–	–
Mark Searle		–	–	–
Jayne Sutcliffe	G	150,000	350,000	–
Anderson Whamond		150,000	350,000	–

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## Directors' Interests in Securities and Options (Continued)

### 3. Options of the Company

Please refer to the section headed "Share Capital and Share Options" in this report and note 21 to the Financial Statements as to details of the share option schemes of the Company.

As at 31 March 2003, the following Directors of the Company had personal interests in options granted under the Company's Employee Share Option Scheme (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
Mark Child (note B)	26 September 2000	20 October 2000	3,000,000	HK\$1.060	20 October 2001 - 19 October 2005	HK\$10.00
	2 April 2001	26 April 2001	300,000	HK\$0.160	26 April 2002 - 25 April 2006	HK\$10.00
	25 April 2001	2 May 2001	700,000	HK\$0.160	2 May 2002 - 1 May 2006	HK\$10.00
Julian Mayo (note C)	2 April 2001	10 April 2001	750,000	HK\$0.160	10 April 2002 - 9 April 2006	HK\$10.00
	25 April 2001	27 April 2001	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

During the year, 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.



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## Directors' Interests in Securities and Options (Continued)

### 4. Options of Bridge Investment Holding Limited

(formerly KoreaOnline Limited)

As at 31 March 2003, Julian Mayo had a personal interest in an option granted under the employee share option scheme of Bridge Investment Holding Limited, entitling him to subscribe for shares of US\$0.10 each in the capital of Bridge Investment Holding Limited in accordance with, and subject to, the terms of the scheme. Details of the option are set out below:

Date of offer	Date of grant	Number of shares subject to the option	Subscription price per share	Exercise period	Consideration for grant of option
10 May 2000	18 May 2000	156,000	US\$13.00	18 May 2001 - 17 May 2005	HK\$10.00

Operation of the scheme was terminated on 3 March 2003 and no further offers shall be made to grant options under the scheme. However, in all other respects, the provisions of the scheme remain in force and all options granted and which have not lapsed prior to such termination continue to be valid and exercisable in accordance with the terms of the scheme.

During the year, Julian Mayo did not exercise any of his rights under the option granted to him pursuant to the scheme and subscribed for shares in Bridge Investment Holding Limited.

Notes:

- A. The 200,000 shares in the Company and 40,000 units of Warrants 2003 under "corporate interests" 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, 100,000 shares in bigsave Holdings plc and 40,000 shares in Henderson Baillieu Holdings Limited (formerly Techpursuit.com Holdings Limited) are held through Anthony Baillieu and Associates Limited, which is in turn 80% beneficially owned by Anthony Baillieu.

Upon further issue and allotment of new shares by Henderson Baillieu Holdings Limited on 6 November 2002, the interests held by Anthony Baillieu and Associates Limited in Henderson Baillieu Holdings Limited were diluted from 40% to 16%.

# Report of the Directors

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## Directors' Interests in Securities and Options (Continued)

Notes (Continued):

- B. Mark Child resigned as a Director of the Company on 18 June 2003 and left all positions with the Group on 30 June 2003. Under the rules of the Employee Share Option Scheme of the Company referred to in note 21 to the Financial Statements, he is entitled to exercise vested options in respect of 2,000,000 shares at HK\$1.06 per share and 666,667 shares at HK\$0.16 per share before 30 December 2003.

The unvested balance of his options in respect of 1,000,000 shares at HK\$1.06 per share and 333,333 shares at HK\$0.16 per share lapsed on 30 June 2003.

- C. Julian Mayo resigned as the alternate to James Mellon on 18 June 2003.
- D. 84,846,870 shares in the Company and 16,969,374 units of Warrants 2003 under "other interests" are held by the trustee of a settlement, of which James Mellon is the sole beneficiary.
- E. 134,620,213 shares in the Company and 44,269,672 units of Warrants 2003 under "other interests" are held by Indigo Securities Limited, which is indirectly wholly-owned by the trustee referred to in note D above. Indigo Securities Limited also holds 86,728,147 non-voting convertible deferred shares in the Company. Details of the rights of the deferred shares in the issued share capital of the Company are set out in note 21 to the Financial Statements.
- F. The 50,000 shares in the Company and 10,000 units of Warrants 2003 under "other interests" are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.
- G. The 24,000,000 shares in the Company and 4,800,000 units of Warrants 2003 under "other interests" 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.

- H. Details of the Warrants 2003 are set out in note 21 to the Financial Statements. The subscription period of the Warrants 2003 expired on 30 June 2003.
- I. AstroEast.com Limited and bigsave Holdings plc are indirect 51% and 64.3% owned subsidiaries of the Company respectively.

Henderson Baillieu Holdings Limited (formerly Techpursuit.com Holdings Limited) is a joint venture established in the Cayman Islands with limited liability. Upon further issue and allotment of new shares by Henderson Baillieu Holdings Limited on 6 November 2002 referred to in note A above, the indirect interests held by the Company in Henderson Baillieu Holdings Limited were diluted from 20% to 8%. Accordingly, Henderson Baillieu Holdings Limited ceased to be an associated corporation of the Company and the Directors of the Company ceased to have disclosure obligations under the SDI Ordinance in respect of their interests in Henderson Baillieu Holdings Limited.

# Report of the Directors

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## Directors' Interests in Securities and Options (Continued)

Save as disclosed herein, as at 31 March 2003 none of the Directors (and their associates) had any interest in the equity securities of the Company or of any of its associated corporations (within the meaning of the SDI Ordinance) or in any rights to subscribe for the equity securities of the Company or of any of its associated corporations, which have to be notified to the Company and the HK Stock Exchange pursuant to Section 28 of the SDI Ordinance and the HK Listing Rules (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

## Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment (other than statutory compensation).

## Directors' Interests in Contracts

Set out below is a summary of connected transactions of the Company entered into during the year or subsisted at 31 March 2003, under Chapter 14 of the HK Listing Rules:

- (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 interests of AstroEast 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.

# Report of the Directors

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## Directors' Interests in Contracts (Continued)

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 the year end date and prior to the date of this annual report.

- (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 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.

# Report of the Directors

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## Directors' Interests in Contracts (Continued)

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 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. Subsequent to 31 March 2003 and prior to the date of this annual report, no additional amount was drawn and an aggregate amount of GBP60,000 (approximately US\$85,500) was repaid.

- (3) On 24 April 2002, the Company further acquired 50 shares of GBPI each in the capital of IM Life Sciences Limited, then a direct 89.5% owned subsidiary of the Company, from a director of IM Life Sciences Limited at a total consideration of GBP50 (approximately US\$71.25).

A share purchase agreement dated 29 April 2002 was entered into between (a) a director of IM Life Sciences Limited as buyer and (b) the Company as seller, pursuant to which the Company agreed to sell its entire holding of 900 shares in IM Life Sciences Limited to the buyer at a total consideration of GBP0.90 (approximately US\$1.2825), to be satisfied in cash.

The agreement was completed on 29 April 2002.

The aforesaid acquisition of further shares in and the subsequent disposal of IM Life Sciences Limited constituted connected transactions of the Company under Chapter 14 of the HK Listing Rules. However, the Directors of the Company were of the opinion that both the acquisition and the disposal were transacted on normal commercial terms. In view of the value of the considerations payable and receivable by the Company under the transactions, both the acquisition and the disposal were not subject to any disclosure or shareholders' approval requirements as connected transactions in accordance with the de minimis provision under Rule 14.24(5) of the HK Listing Rules.

Save for those disclosed above and in note 26 to the Financial Statements, no contracts of significance 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 31 March 2003 or at any time during the year.

# Report of the Directors

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## 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.

## Loans to Directors and Officers

No loans were granted to the Directors or officers of the Company during the year and no loans were outstanding from the Directors or officers of the Company as at 31 March 2003.

## 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, with the Company subsisted as at 31 March 2003 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.

## Substantial Shareholders

As the HK Stock Exchange specifies that the new disclosure requirements under the HK Listing Rules, which came into effect on 1 April 2003 in response to the replacement of the SDI Ordinance by Part XV of the Securities and Futures Ordinance, are not applicable to disclosure referable to a date or period ending before 1 April 2003, information about interests held by substantial shareholders in the Company is disclosed in this annual report in accordance with the disclosure requirements which prevailed prior to 1 April 2003 under the SDI Ordinance.

As at 31 March 2003, James Mellon, then the non-executive Chairman of the Board of Directors of the Company, had interests in more than 10% of the total issued voting share capital of the Company as recorded in the Register of Substantial Shareholders' Interests kept by the Company pursuant to Section 16(1) of the SDI Ordinance. Details of James Mellon's interests are set out in detail under the section headed "Directors' Interests in Securities and Options". Mr Mellon resigned as the Chairman on 12 May 2003 but remains as a non-executive Director of the Company.

Save for such interests, the Directors are not aware of any person being interested in at least 10% of the total issued voting share capital of the Company as at 31 March 2003 as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance.

# Report of the Directors

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## Borrowings

Details of bank borrowings of the Group are set out in note 19 to the Financial Statements.

## Retirement Scheme

Details of the retirement scheme of the Group are set out in note 23 to the Financial Statements.

## 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.

## 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 93%. The largest single contribution by one fund company amounted to 27% 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.

## Code of Best Practice

In the opinion of the Directors, the Company has complied with The Code of Best Practice as set out in Appendix I4 to the HK Listing Rules throughout the accounting period covered by this annual report, except that the non-executive Directors of the Company are not appointed for specific terms.

# Report of the Directors

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## 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 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 2003 for the re-appointment of PricewaterhouseCoopers.

On Behalf of the Board

**Anthony Baillieu**

*Chairman*

Hong Kong, 16 July 2003