Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

1. THE COMPANY

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. Its registered office is at P O Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The subscription period of the warrants expired on 30 June 2003.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

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

In the current year, the Group adopted Statement of Standard Accounting Practice ("**SSAP**") 12 (revised) "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 policy and the effect of adopting this revised policy is set out in note 2(h).

b. Reporting currency

The reporting currency of the Group is United States dollars.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March.

A subsidiary is a company in which the Group, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Group accounting (Continued)

(ii) Associates

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

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

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

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

d. Fixed assets and depreciation

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Impairment of assets

Internal and external sources of information are considered at each balance sheet date to assess whether there is any indication that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets; and
- investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated and, where relevant, an impairment loss is recognised in the income statement to reduce the asset to its recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

f. Investments in securities

Investments are classified as investment securities and other investments.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Investments in securities (Continued)

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

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

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

g. Operating leases

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

h. Deferred taxation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Deferred taxation (Continued)

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 revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively. The adoption of the new accounting policy does not have material impact on the financial statements of the Group.

i. Derivatives

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

j. Contingent liabilities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Cash and cash equivalents

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

l. Accounts receivable

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

m. Provisions

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

n. Translation of foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Revenue recognition

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

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

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

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

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

p. Turnover

Turnover principally includes:

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Employee benefits

(i) Bonus plans

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

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

(ii) Pension obligations

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

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

(iii) Stock options

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Segmental reporting

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

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

3. SEGMENTED INFORMATION

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

Business segments

The Group comprises four business segments as follows:

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

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

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2004

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2004 (Continued)

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

For the year ended 31 March 2003

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Inter-segment elimination US$'000	Others US$'000	Consolidated US$'000
Revenue from external customers	2,236	32	52	15	—	—	2,335
Inter-segment revenue	5	—	3	—	(8)	—	—
	2,241	32	55	15	(8)	—	2,335
Segment results	(66)	(176)	(1,654)	(9)	—	—	(1,905)
Unallocated operating expenses							—
Loss from operations							(1,905)
Share of losses of associates	—	—	—	—	—	—	(4,976)
Taxation							(395)
Minority interests							16
Net loss attributable to shareholders							(7,260)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2003 (Continued)

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Others US$'000	Consolidated US$'000
Segment assets	1,527	142	4,437	31	2,813	8,950
Investments in associates	—	—	—	—	78,912	78,912
Total assets	1,527	142	4,437	31	81,725	87,862
Segment liabilities	110	16	1,020	5	1,519	2,670

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Consolidated US$'000
Depreciation and amortisation	76	8	—	9	93
Capital expenditure incurred	3	—	—	—	3

Geographical segments

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

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

There are no sales between the geographical segments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

3. SEGMENTED INFORMATION (Continued)

Geographical segments (Continued)

For the year ended 31 March 2004

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

For the year ended 31 March 2003

	North America US$'000	Asia Pacific US$'000	Australasia US$'000	Eastern Europe US$'000	Russia US$'000	Western Europe US$'000	Others US$'000	Total US$'000
Revenue from external customers	902	1,909	102	22	9	(610)	1	2,335
Segment assets	—	8,779	—	—	—	171	—	8,950
Capital expenditure incurred during the year	—	3	—	—	—	—	—	3

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

4. STAFF COSTS

	2004 US$'000	2003 US$'000
Wages and salaries	1,786	2,113
Discretionary bonuses	1,267	—
Pension costs - defined contribution plans	20	24
	3,073	2,137

The amount includes Directors' remuneration in respect of service in the current year (note 6). An amount of US$640,000 includes in discretionary bonuses is not allocated and included in the Directors' remuneration.

5. OPERATING LOSS FROM ORDINARY ACTIVITIES

	2004 US$'000	2003 US$'000
After charging:		
Auditors' remuneration	130	146
Bad debts written off	9	4
Depreciation on owned fixed assets	39	93
Loss on disposal of fixed assets	—	1
Operating lease rental on property	184	298
Net unrealised loss on non-current other investments*	—	2,557
Net unrealised loss on current other investments*	—	53
After crediting:		
Write-back of provisions for corporate finance expenses	1,270	1,393
Net realised profit on disposal of current other investments*	239	204
Net realised profit on disposal of non-current other investments*	37	538
Interest income on bank deposits*	5	31
Dividend income from investments*	41	54
Net unrealised profit on non-current other investments*	123	—

* Included in turnover

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

6. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' REMUNERATION

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

	2004 US$'000	2003 US$'000
Executive Directors:		
Fees	—	—
Basic salaries and other emoluments	1,297	1,150
Discretionary bonuses		
- in respect of service in the current year	392	—
- in respect of service in the prior years	716	—
Retirement scheme contributions	3	5
	2,408	1,155
Non-Executive Directors:		
Fees	85	38
Basic salaries and other emoluments	44	139
Discretionary bonuses		
- in respect of service in the current year	180	—
- in respect of service in the prior years	125	—
	434	177

Directors' fees disclosed above include US$15,000 (2003: US$15,000) paid to independent non-executive Directors.

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

The remuneration of Directors fell within the following bands:

		Number of Directors 2004	Number of Directors 2003
HK$Nil-HK$500,000	(US$Nil-US$64,357)	6	5
HK$500,001-HK$1,000,000	(US$64,358-US$128,716)	1	—
HK$1,000,001-HK$1,500,000	(US$128,717-US$193,075)	1	2
HK$1,500,001-HK$2,000,000	(US$193,076-US$257,433)	—	2
HK$2,000,001-HK$2,500,000	(US$257,434-US$321,791)	—	—
HK$2,500,001-HK$3,000,000	(US$321,792-US$386,150)	1	—
HK$4,000,001-HK$4,500,000	(US$514,867-US$579,224)	—	1
HK$4,500,001-HK$5,000,000	(US$579,225-US$643,583)	1	—
HK$11,500,001-HK$12,000,000	(US$1,480,242-US$1,544,600)	1	—
		11	10

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

Highest paid individuals

All five (2003: five) were Directors of the Company and their remuneration has been included in the Directors' remuneration.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

7. TAXATION

Income Statement:

	2004 US$'000	2003 US$'000
Group:		
Overseas taxation		
- Provision for the year	—	—
- Over-provisions in prior years	—	(163)
Share of tax of associates	356	558
	356	395

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

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

	2004 US$'000	2003 US$'000
Profit/(Loss) before taxation	5,444	(6,881)
Calculated at a taxation rate of 17.5% (2003: 16%)	953	(1,101)
Effect of different taxation rates in other countries	(994)	1,468
Income not subject to taxation	(124)	(12,116)
Expenses not deductible for taxation purposes	408	12,247
Utilisation of previously unrecognised tax losses	113	98
Tax effect of tax losses not recognised	—	(38)
Over-provision in prior years	—	(163)
Taxation charge	356	395

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of US$3,666,000 (2003: US$3,008,000) to carry forward against future taxable income. The tax loss has no expiry date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

8. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company amounted to US$3,540,000 (2003: net loss of US$3,478,000).

9. DIVIDENDS

	2004 US$'000	2003 US$'000
Special interim, paid, of 0.295 US cent (2003: Nil) per share	3,505	—
Proposed, of 2.72 US cents (2003: Nil) per share	32,396	—
	35,901	—

On 19 July 2004, the Directors proposed a dividend of 2.72 US cents per share for the year. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of share premium for the year ending 31 March 2005.

10. EARNINGS/(LOSS) PER SHARE

a. The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of US$5,073,000 (2003: net loss of US$7,260,000) and on the weighted average of 1,187,858,938 (2003: 1,186,902,435) shares of the Company in issue during the year.

b. The diluted earnings per share for the year ended 31 March 2004 is based on the net profit attributable to shareholders for the year of US$5,073,000 and on 1,189,783,702 shares, which is the sum of the weighted average number of shares in issue during the year of 1,187,858,938 shares plus the weighted average number of 1,924,764 shares deemed to be issued at no consideration if all the Company's outstanding share options had been exercised. No diluted loss per share was presented for the year ended 31 March 2003 as the outstanding share options and warrants were anti-dilutive.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

11. FIXED ASSETS

Group:

	Furniture and fixtures US$'000	Computer and other equipment US$'000	Total US$'000
Cost:			
At 1 April 2003	137	401	538
Additions	—	4	4
Disposal	—	(19)	(19)
Exchange adjustment	—	5	5
At 31 March 2004	137	391	528
Accumulated depreciation:			
At 1 April 2003	116	363	479
Charge for the year	8	31	39
Disposal	—	(18)	(18)
Exchange adjustment	1	2	3
At 31 March 2004	125	378	503
Net book value:			
At 31 March 2004	12	13	25
At 31 March 2003	21	38	59

The Company has no fixed assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

12. INVESTMENTS IN SUBSIDIARIES

	Company 2004 US$'000	Company 2003 US$'000
Unlisted shares, at cost less impairment loss	3,005	1,930

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

Particulars of the principal subsidiaries at 31 March 2004 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company: Direct	Percentage of equity interest attributable to the Company: Indirect	Principal activities
Alphorn Management Limited	Cayman Islands**	Ordinary share of US$1	—	100%	Investment holding
AstroEast.com (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$20	—	51%	Internet services
AstroEast.com Limited*	Cayman Islands	Ordinary shares of US$280,222	—	51%	Investment holding
Capital Nominees Limited*	British Virgin Islands	Ordinary share of US$1	—	100%	Corporate finance and structuring
Cycletek Investments Limited*	British Virgin Islands	Ordinary shares of US$490,261	—	91.7%	Investment holding
Interman Holdings Limited*	British Virgin Islands	Ordinary shares of US$41,500	100%	—	Investment holding
Interman Limited	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

12. INVESTMENTS IN SUBSIDIARIES (Continued)

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

* The financial statements of these subsidiaries for the year ended 31 March 2004 were not audited by PricewaterhouseCoopers.

** These subsidiaries were re-domiciled from Barbados to Cayman Islands on 8 August 2003.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

13. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2004	2003	2004	2003
	US$'000	US$'000	US$'000	US$'000
Unlisted shares, at cost less impairment loss	—	—	62,918	62,918
Share of net assets:				
- Unlisted	92,392	78,912	—	—
	92,392	78,912	62,918	62,918

Particulars of the principal associates at 31 March 2004 are as follows:

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

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

* The financial statements of these associates for the year ended 31 March 2004 were not audited by PricewaterhouseCoopers.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

13. INVESTMENTS IN ASSOCIATES (Continued)

As the value of the Group's holding in BIH is significant to the Group, further details regarding the results of BIH for the year ended 31 March 2004 and balance sheet as at 31 March 2004 are disclosed as follows:

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

	2004 US$'000	2003 US$'000
Revenues	92,135	76,685
Profit/(Loss) from operations	25,117	(7,913)
Interest expenses	(3,987)	(4,861)
Share of loss of an associate	(308)	(47)
Profit/(Loss) before taxation	20,822	(12,821)
Taxation*	(887)	(1,389)
Profit/(Loss) after taxation	19,935	(14,210)
Minority interest	(3,330)	(97)
Net profit/(loss) for the year	16,605	(14,307)

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

	2004 US$'000	2003 US$'000
Fixed assets	69,115	75,962
Investment in an associate	443	695
Investments	46,693	50,998
Negative goodwill	(50,828)	(54,558)
Other non-current assets	35,005	40,049
Total non-current assets	100,428	113,146
Current assets	326,157	290,029
Current liabilities	(127,714)	(137,166)
Net assets	298,871	266,009
Share capital	4,481	4,481
Reserves	222,706	189,588
Shareholders' equity	227,187	194,069
Minority interest	71,684	71,940
Capital and reserves	298,871	266,009

* As the Group has already written off the deferred tax asset of BIH in previous years, current year's write-down of deferred tax asset of US$10,630,000 by BIH was added back to calculate the Group's share of BIH's net profit in 2004.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

13. INVESTMENTS IN ASSOCIATES (Continued)

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

As at 31 March 2004, BIH was involved in litigation with BIH's former executive directors, Peter Everington and Romi Williamson, with claims amounting to US$8.3 million. The BIH directors and BIH's legal counsel are of the view that the outcome will be favourable and that the existing legal provisions made in BIH are adequate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

14. INVESTMENTS IN SECURITIES

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

Non-current investments:

	Group		Company	
	2004	2003	2004	2003
	US$'000	US$'000	US$'000	US$'000
Investment securities, at cost:				
Club debentures	19	19	19	19
Other investments, at fair value:				
Listed equity securities				
-in Hong Kong	365	548	365	548
-outside Hong Kong	306	93	—	63
Unlisted equity securities*	3,232	3,902	61	54
	3,903	4,543	426	665
	3,922	4,562	445	684

Current investments:

	Group		Company	
	2004	2003	2004	2003
	US$'000	US$'000	US$'000	US$'000
Other investments, at fair value:				
Listed equity securities - outside Hong Kong	—	165	—	—
Unlisted equity securities	102	2	—	—
	102	167	—	—

All the above other investments are in corporate entities.

* Included in the Group's unlisted equity securities was a close-ended fund managed by iRegent Fund Management (Asia) Limited, a wholly-owned subsidiary of the Company.

15. DUE FROM AN ASSOCIATE

	Group		Company	
	2004	2003	2004	2003
	US$'000	US$'000	US$'000	US$'000
Bridge Investment Holding Limited				
- Advance	495	662	490	658

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

16. CASH AND BANK BALANCES

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

	Group		Company	
	2004	2003	2004	2003
	US$'000	US$'000	US$'000	US$'000
Cash and balances with banks	431	926	40	270
Money at call and short notice	272	1,188	135	1,072
Total cash and bank balances	703	2,114	175	1,342

The Group's subsidiary maintains trust accounts with banks as part of its normal business transactions. At 31 March 2004, included in the Group's cash and balances with banks were trust accounts of US$28,000 (2003: US$28,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

17. ACCOUNTS RECEIVABLE

	Group		Company	
	2004 US$'000	2003 US$'000	2004 US$'000	2003 US$'000
1 to 3 months old	151	663	—	—
More than 3 months old but less than 12 months old	61	53	33	33
Total accounts receivable	212	716	33	33

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

18. ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2004 US$'000	2003 US$'000	2004 US$'000	2003 US$'000
Due within 1 month or on demand	36	—	—	—
Due after 1 month but within 3 months	—	65	—	—
Due after 3 months but within 6 months	40	18	—	—
More than 6 months	18	—	—	—
Total accounts payable	94	83	—	—
Accruals and other payables	1,004	1,317	948	1,519
Total accounts payable, accruals and other payables	1,098	1,400	948	1,519

As at 31 March 2004, an amount of US$640,000 (2003: US$937,000) included in accruals and other payables represented a provision for bonuses for the Group and the Company.

Included in accounts payables were those payables placed in trust accounts amounted to US$28,000 as at 31 March 2004 (2003: US$28,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

19. SHARE CAPITAL

Shares

	Company	
	2004 US$'000	2003 US$'000
Authorised:		
2,000,000,000 ordinary shares of US$0.01 each	20,000	20,000
550,000,000 unclassified shares of US$0.01 each, which may be issued as ordinary shares or as non-voting convertible deferred shares of US$0.01 each	5,500	5,500
	25,500	25,500
Issued and fully paid:		
1,103,720,089 (31 March 2003: 1,100,174,288) ordinary shares of US$0.01 each	11,037	11,002
86,728,147 non-voting convertible deferred shares of US$0.01 each	867	867
	11,904	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$9,000), 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).

Additionally, 3,520,001 new ordinary shares in the Company were issued and allotted during the year for a total consideration of HK$563,200 (approximately US$72,000), 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).

Subsequent to the year end date, additional 580,000 new ordinary shares in the Company were issued and allotted for a total consideration of HK$92,800 (approximately US$12,000), being HK$0.16 per share, upon exercise of options under the Employee Share Option Scheme of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

19. SHARE CAPITAL (Continued)

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 of Exchange of Hong Kong Limited (the "**HK Stock Exchange**"). However, application has been made to the HK Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

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

During the year ended 31 March 2004, no Deferred Shares were converted into ordinary shares (2003: Nil).

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$9,000) upon exercise of the subscription rights, before its expiry, in respect of 25,800 shares attached to the Warrants 2003.

19. SHARE CAPITAL (Continued)

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, which will be 15 November 2012. No options have been granted under the Share Option Scheme (2002) since its establishment.

Particulars of the Share Option Scheme (2002) are set out under the section headed "Share Capital and Share Options" in the report of the directors of this annual report.

b. *Employee Share Option Scheme*

Following the adoption of the Share Option Scheme (2002) referred to in paragraph (a) above, the Company's employee share option scheme (the "**Employee Share Option Scheme**"), which was approved by the shareholders on 24 July 1996 (and was deemed to have commenced on 15 July 1994), as amended on 27 May 1998, was terminated. However, its provisions remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under such scheme prior to the date of such termination.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

19. SHARE CAPITAL (Continued)

Share options (Continued)

b. Employee Share Option Scheme (Continued)

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: 2,099,998 shares or 14.89%) were vested. During the year ended 31 March 2004, no options were granted (2003: Nil) or cancelled (2003: Nil). Options in respect of an aggregate of 3,520,001 shares were exercised at HK$0.16 per share amounting to HK$563,200 (approximately US$72,000) (2003: Nil). Unvested and expired options in respect of an aggregate of 4,016,666 shares (2003: an option in respect of 500,000 shares) lapsed. Accordingly, as at 31 March 2004, there were outstanding options entitling the holders to subscribe in stages for an aggregate of 6,063,333 (2003: 13,600,000) ordinary shares at exercise prices ranging from HK$0.16 to HK$1.40 per share, representing 0.55% (2003: 1.24%) of the Company's then issued voting share capital and 0.55% (2003: 1.22%) of the enlarged voting share capital. Amongst such outstanding options, options in respect of 4,180,002 shares (68.94%) were vested. Exercise in full of the outstanding options would result in the issue of 6,063,333 additional ordinary shares for aggregate proceeds, before expenses, of approximately HK$3,074,000 (or approximately US$396,000).

Subsequent to the year end date, vested options in respect of an aggregate of 580,000 shares were exercised. Unvested and expired options in respect of an aggregate of 2,583,333 shares lapsed. Accordingly, as at the date of this annual report, there were outstanding options entitling the holders to subscribe in stages for an aggregate of 2,900,000 ordinary shares at exercise prices ranging from HK$0.16 to HK$1.40 per share, all being vested. Exercise in full of the outstanding options would result in the issue of 2,900,000 additional ordinary shares for aggregate proceeds, before expenses, of approximately HK$768,000 (or approximately US$99,000).

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

20. RESERVES

	Accumulated losses US$'000	Share premium US$'000	Asset revaluation reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group						
At 1 April 2002	(36,797)	114,263	3,735	1,204	(7,267)	75,138
Foreign currency translation adjustment	—	—	—	—	5,479	5,479
Disposal of subsidiaries	—	—	—	—	(34)	(34)
Loss for the year	(7,260)	—	—	—	—	(7,260)
At 31 March 2003	(44,057)	114,263	3,735	1,204	(1,822)	73,323
Foreign currency translation adjustment	—	—	—	—	10,428	10,428
Exercise of warrants	—	9	—	—	—	9
Exercise of share options	—	37	—	—	—	37
Dividend paid	(3,428)	—	—	—	(77)	(3,505)
Profit for the year	5,073	—	—	—	—	5,073
At 31 March 2004	(42,412)	114,309*	3,735	1,204	8,529	85,365

* The proposed dividend of US$32,396,000, if paid, shall be paid as an appropriation of share premium subsequent to year end (note 9).

20. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company					
At 1 April 2002	(54,758)	116,528	1,204	79	63,053
Loss for the year (note 8 above)	(3,478)	—	—	—	(3,478)
At 31 March 2003	(58,236)	116,528	1,204	79	59,575
Profit for the year (note 8 above)	3,540	—	—	—	3,540
Exercise of warrants	—	9	—	—	9
Exercise of share options	—	37	—	—	37
Dividend paid	(3,428)	—	—	(77)	(3,505)
At 31 March 2004	(58,124)	116,574*	1,204	2	59,656

* The proposed dividend of US$32,396,000, if paid, shall be paid as an appropriation of share premium subsequent to year end (note 9).

21. EMPLOYEE BENEFITS

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

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year, there were forfeited contributions of US$16,000 (2003: Nil) and the Group's contribution was US$20,000 (2003: US$24,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

22. OFF BALANCE SHEET EXPOSURES

Derivatives

At 31 March 2004, there were outstanding forwards and futures contracts amounting to approximately US$1,811,000 (2003: US$3,115,000) and US$421,000 (2003: Nil) respectively undertaken by the Group in the foreign exchange and equity markets.

A realised profit of US$38,000 (2003: US$35,000) and a realised loss of US$89,000 (2003: US$13,000) were made from forwards and futures trading respectively during the year. An unrealised loss of US$16,000 (2003: US$19,000) and US$4,000 (2003: Nil) were recorded from forwards and futures trading respectively as at the balance sheet date.

In the course of the Group's normal trading in derivatives, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2004, the amount of these margin deposits was US$185,000 (2003: US$240,000).

Lease commitments

Group

	2004 US$'000	2003 US$'000
At 31 March 2004, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
-within 1 year	112	151
-in the 2nd to 5th year, inclusive	186	31
	298	182
Plant and equipment:		
-within 1 year	2	3
-in the 2nd to 5th year, inclusive	—	2
	2	5

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2004

22. OFF BALANCE SHEET EXPOSURES (Continued)

Lease commitments (Continued)

Company

The Company has no lease commitments.

Capital commitments

The Group and the Company have no capital commitments at 31 March 2004.

23. MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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

SWIB currently holds a 7.48% interest in the total issued voting share capital of the Company and a 26.8% interest in the total issued share capital of BIH.

Notes to the Consolidated Financial Statements

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23. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

An aggregate of US$27,000 was received during the year ended 31 March 2004 and US$15,000 was received subsequent to the year end date and prior to the date of this annual report.

(3) On 9 June 2003, (a) the Company as lender and (b) 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 held by RPG (L) 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.

24. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to reflect the reclassification of amount due from an associate from current assets to non-current assets.

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25. POST BALANCE SHEET EVENTS

(a) On 22 April 2004, BSC sold the Bridge Securities Building and the Regent Securities Building to a third party for a consideration in aggregate of KRW 71.4 billion (approximately US$62.2 million).

(b) On 13 May 2004, the BSC directors approved an increase in BSC's paid-in capital by issuing 160,816,095 shares in common stock without consideration to its shareholders in the ratio of 2.9 shares for every 1 share held.

(c) On 24 May 2004, the BSC directors approved the disposal of 5.5 million treasury shares through the market to third parties unrelated to the Group, BIH and State of Wisconsin Investment Board to facilitate the retention of BSC's listing on the Korean Stock Exchange. Subsequent to the passing of this resolution, BSC has disposed of the 5.5 million treasury shares at an average disposal price per share of KRW 830.90, which has diluted BIH's interest in BSC to 77.36% from 79.32%.

(d) On 15 June 2004, BSC shareholders passed, among others, a resolution to mandatorily buy back 150 million shares at KRW 1,000 per share at a total cost of KRW 150 billion (approximately US$130.7 million). BSC will therefore mandatorily purchase 67.637667% of each shareholder's outstanding capital in BSC. The BSC directors expect that BSC will complete this mandatory share buy-back on or around 16 August 2004.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19 July 2004.