Notes to the Consolidated Financial Statements

For the year ended 31 March 2005

1. THE COMPANY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

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

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

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

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

b. Reporting currency

The reporting currency of the Group is United States dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Consolidation

(i) Subsidiaries

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Consolidation (Continued)

(ii) Associates

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

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

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

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

d. Fixed assets and depreciation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Impairment of assets

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

f. Investments in securities

Investments are classified as investment securities and other investments.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Operating leases

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

h. Deferred taxation

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

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

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

i. Derivatives

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

j. Contingent liabilities

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Cash and cash equivalents

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

l. Accounts receivable

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

m. Provisions

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

n. Translation of foreign currencies

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

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

o. Revenue recognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Revenue recognition (Continued)

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

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

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

p. Turnover

Turnover principally includes:

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

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

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

q. Employee benefits

(i) Bonus plans

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

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

(ii) Pension obligations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Employee benefits (Continued)

(iii) Stock options

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

r. Segmental reporting

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

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

3. SEGMENTED INFORMATION

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

Business segments

The Group comprises four business segments as follows:

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

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

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2005

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

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

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2005 (Continued)

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

For the year ended 31 March 2004

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

3. SEGMENTED INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2004 (Continued)

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

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

Geographical segments

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

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

There are no sales between the geographical segments.

3. SEGMENTED INFORMATION (Continued)

Geographical segments (Continued)

For the year ended 31 March 2005

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

For the year ended 31 March 2004

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

4. STAFF COSTS

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

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

5. OPERATING PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

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

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

* Included in turnover

6. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' REMUNERATION

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

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

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

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

The remuneration of Directors fell within the following bands:

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

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

Highest paid individuals

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

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

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

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

7. TAXATION

Income Statement:

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

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

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

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

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

8. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

9. DIVIDENDS

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

10. (LOSS)/EARNINGS PER SHARE

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2005

11. FIXED ASSETS

Group:

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

The Company has no fixed assets.

12. INVESTMENTS IN SUBSIDIARIES

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

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

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company: 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

12. INVESTMENTS IN SUBSIDIARIES (Continued)

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

13. INVESTMENTS IN ASSOCIATES

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

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

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

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

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

13. INVESTMENTS IN ASSOCIATES (Continued)

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

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

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

13. INVESTMENTS IN ASSOCIATES (Continued)

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

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

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

13. INVESTMENTS IN ASSOCIATES (Continued)

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

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

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

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

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

14. INVESTMENTS IN SECURITIES

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

Non-current investments:

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

Current investments:

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

All the above other investments are in corporate entities.

14. INVESTMENTS IN SECURITIES (Continued)

Notes:

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

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

15. DUE FROM AN ASSOCIATE

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

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

16. CASH AND BANK BALANCES

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

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

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

17. ACCOUNTS RECEIVABLE

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

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

18. ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

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

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

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

19. SHARE CAPITAL

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

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

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

Rights of the Deferred Shares

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

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

19. SHARE CAPITAL (Continued)

Rights of the Deferred Shares (Continued)

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

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

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

Share options

a. *Share Option Scheme (2002)*

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

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

19. SHARE CAPITAL (Continued)

Share options (Continued)

a. Share Option Scheme (2002) (Continued)

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

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

b. Employee Share Option Scheme

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

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

19. SHARE CAPITAL (Continued)

Share options (Continued)

b. Employee Share Option Scheme (Continued)

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

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

20. RESERVES

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

20. RESERVES (Continued)

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

21. EMPLOYEE BENEFITS

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

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

22. OFF BALANCE SHEET EXPOSURES

Derivatives

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

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

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

Lease commitments

Group

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

22. OFF BALANCE SHEET EXPOSURES (Continued)

Lease commitments (Continued)

Group (Continued)

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

Company

The Company has no lease commitments.

Capital commitments

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

23. MATERIAL RELATED PARTY TRANSACTIONS

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

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

23. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

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

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

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

24. RECLASSIFICATION OF COMPARATIVE FIGURES

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

25. POST BALANCE SHEET EVENTS

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

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

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

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

25. POST BALANCE SHEET EVENTS (Continued)

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

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

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

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

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

26. APPROVAL OF FINANCIAL STATEMENTS

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