



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0575)

AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2004

RESULTS

The directors (the “**Directors**” or the “**Board**”) of Regent Pacific Group Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) announce the **audited** results of the Group for the year ended 31 March 2004, together with comparative figures for the year ended 31 March 2003, as follows:

Consolidated Income Statement

	<i>Note</i>	2004 US\$'000	2003 US\$'000
Turnover:			
Asset management and corporate finance		1,141	1,890
Corporate investment income and net realised and unrealised gains and losses on investments		369	(1,341)
Internet retailing		2	15
Other revenues		<u>1,083</u>	<u>1,771</u>
		2,595	2,335
Expenses:			
Staff costs	1	(3,073)	(2,137)
Rental and office expenses		(324)	(567)
Information and technology expenses		(237)	(356)
Marketing costs and commissions		(21)	(40)
Professional fees		(526)	(558)
Investment advisory fee		(124)	(54)
Other operating expenses		<u>(291)</u>	<u>(528)</u>
Operating loss from ordinary activities	2	(2,001)	(1,905)
Share of profits/(losses) of associates		<u>7,445</u>	<u>(4,976)</u>
Profit/(Loss) before taxation		5,444	(6,881)
Taxation	3	<u>(356)</u>	<u>(395)</u>
Profit/(Loss) after taxation		5,088	(7,276)
Minority interests		<u>(15)</u>	<u>16</u>
Net profit/(loss) attributable to shareholders		<u>5,073</u>	<u>(7,260)</u>
Dividends	4	<u>35,901</u>	<u>—</u>
Earnings/(Loss) per share (US cent):	5		
- Basic		<u>0.4</u>	<u>(0.6)</u>
- Diluted		<u>0.4</u>	<u>N/A</u>

Notes:

1. **Staff costs**

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

The amount includes directors' remuneration.

2. **Operating loss from ordinary activities**

	2004	2003
	US\$'000	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*	<u>—</u>	<u>53</u>
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*	<u>123</u>	<u>—</u>

* Included in turnover

3. **Taxation**

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

	2004	2003
	US\$'000	US\$'000
Group:		
Overseas taxation		
- Over-provisions in prior years	—	(163)
Share of tax of associates	<u>356</u>	<u>558</u>
	<u><u>356</u></u>	<u><u>395</u></u>

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.

4. Dividends

	2004 US\$'000	2003 US\$'000
First special interim, paid, of 0.295 US cent (2003: Nil) per share	3,505	—
Second interim, proposed, of 2.72 US cents (2003: Nil) per share	<u>32,396</u>	<u>—</u>
	<u>35,901</u>	<u>—</u>

On 19 July 2004, the Directors declared a second interim 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.

5. 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 the weighted average of 1,189,783,702 shares issued and issuable, calculated on the assumption that the Company's outstanding share options had been exercised. No diluted loss per share is presented for the year ended 31 March 2003 as the outstanding share options and warrants were anti-dilutive.

CHAIRMAN'S STATEMENT

The Group recorded a profit attributable to shareholders of US\$5.1 million (2003: loss of US\$7.3 million) in the year ended 31 March 2004, representing earnings per share of 0.4 US cent (2003: loss per share of 0.6 US cent). The profit was mainly attributable to the Group's share of profit after tax from Bridge Investment Holding Limited ("BIH") of US\$6.7 million. Additionally, the revenue of the corporate investment business division increased significantly to US\$1.3 million (2003: US\$0.1 million), while the revenue of the asset management business division was reduced by 48% to US\$1.2 million (2003: US\$2.2 million), which was primarily due to the reduction in assets under management. The technology and internet stock investment environment remains poor, but our exposure is limited and fully provided for.

The value of shareholders' equity increased by 14.2% to US\$97.3 million (2003: US\$85.2 million) over the previous year. Net assets per share were 8.2 US cents (2003: 7.2 US cents), an increase of 13.9% over the previous year.

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

	US\$ million
Share of profit connected with BIH (after adjusted to the Group's accounting policy)	7.0
Share of profit from other associates	0.4
Corporate investments	(0.7)
Asset management	(1.0)
Other operating losses	<u>(0.3)</u>
Profit before tax	5.4
Tax	<u>(0.3)</u>
Net profit after tax attributable to shareholders	<u><u>5.1</u></u>

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

	US\$ million
Stake in BIH	91.3
Value of technology related assets	0.4
Other net assets	<u>5.6</u>
Total net assets	<u><u>97.3</u></u>

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

It should be noted that the Directors have made what they believe to be fair provisions in relation to the technology related assets due to the difficulties encountered within the sector.

On 27 October 2003, the Directors declared an interim dividend of 0.295 US cent per share for the year ended 31 March 2004 (2003: Nil). In addition, on 19 July 2004, the Directors declared a second interim dividend of 2.72 US cents per share for the year, payable on Monday, 30 August 2004. Accordingly, the Directors have approved a distribution in aggregate of 3.015 US cents per share or approximately 90% of the proceeds received (or to be received) from BIH, which is in line with the Directors' stated intention concerning distributions received from BIH.

Shareholders will be interested to know that since the Company listed its shares on The Stock Exchange of Hong Kong Limited in May 1997, the Company has paid and proposed a total of US\$132.4 million (approximately HK\$1,029 million) in dividends. This dividend includes the cash dividend paid to shareholders in lieu of shares of Charlemagne Capital Limited ("CCL"). Shareholders who elected to receive CCL shares will have received an even larger amount in dividends since the listing of the Company's shares over seven years ago.

During the year and up to the date of this announcement, no new shares, whether ordinary or deferred shares, were issued to third parties (2003: Nil) apart from 4.1 million shares, which were issued pursuant to the exercise of various options and registered warrants. Your Directors have decided that it is in the best interests of the Company not to seek a mandate from shareholders to issue new shares up to a maximum of 20% of the Company's issued share capital.

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

1 BRIDGE INVESTMENT HOLDING LIMITED

Bridge Investment Holding Limited (“**BIH**” and collectively with its subsidiaries, the “**BIH Group**”) recorded a profit attributable to shareholders of US\$8.3 million (2003: loss of US\$16.9 million) for the year ended 31 March 2004, representing earnings per share of US\$0.18 (2003: loss per share of US\$0.38).

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

i) *Operating Income:*

Bridge Securities Co., Ltd (“**BSC**”) generated operating income before significant non-operating items and tax of KRW 3.5 billion (approximately US\$2.96 million), which was consolidated by BIH. In addition, BIH amortised negative goodwill of US\$5.9 million, which is included in BIH's income statement for the financial year concerned.

ii) *Significant Non-Operating Gains:*

The BIH Group experienced the following significant non-operating gains (net of minority interest):

- Realised gain of US\$1.8 million from the sale of certain properties at BSC;
- Unrealised revaluation gain of US\$2.7 million from BSC's Korean Stock Exchange membership;
- Realised gain of US\$1.9 million from BSC's partial realisation of its interest in the Stock Market Stabilisation Fund (“**SMSF**”);
- Unrealised gain of US\$3.1 million from BSC's interest in the SMSF;
- Refund of US\$1.0 million received by BSC from the Korean tax authorities; and
- Write-back of certain provisions of US\$3.9 million.

iii) *Significant Non-Operating Expenses:*

The BIH Group experienced the following significant non-operating charge and write-down (net of minority interest):

- Restructuring charge of US\$3.8 million incurred in respect of the early retirement programme and the closure of 9 retail branches at BSC; and
- Full write-down of the BIH Group's deferred tax assets of US\$9.1 million.

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

1.1 **BIH Balance Sheet**

Shareholders' equity has increased by 12.2% to US\$227.2 million as at 31 March 2004 from US\$202.4 million as at 31 March 2003. This increase takes account of BIH's interest in the buy-back of 14.7 million shares by BSC at a cost of approximately US\$24.8 million and the payment of a dividend of US\$9.2 million by BIH. The increase of shareholders' equity was due to an unrealised foreign exchange revaluation surplus of US\$25.7 million and an operating profit of US\$8.3 million. A dividend of US\$9.2 million was paid to shareholders during the year. Net assets per share were US\$5.07 (2003: US\$4.52).

1.2 **BIH Funding**

As at 31 March 2004, the cash balance of the BIH Group excluding BSC was US\$4.1 million. The US\$7 million bonds and accrued interest due to Tong Yang Investment Bank were fully repaid on 8 August 2003. BIH is now debt free.

A dividend of US\$9.2 million was declared and paid during the year.

1.3 **Investments**

The BIH Group owns 79.32% of the outstanding share capital of BSC, being the BIH Group's only operating company. During the year, the BIH Group acquired 507,340 BSC shares at an average price per share of KRW 1,833, which preceded the share split of 3.9 shares for every one share held that was approved by the BSC directors on 13 May 2004. As a result, the BIH Group's shareholding in BSC has increased to 79.32% from 78.41%.

1.4 **Significant Developments**

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

- The BIH directors have approved a dividend of US\$2.00 per share on 19 July 2004 payable on or around 18 August 2004;

- BSC is in the process of completing on or around 16 August 2004, the mandatory purchase of 150 million shares at KRW 1,000 per share at a total cost of KRW 150 billion (approximately US\$130.7 million) equivalent to 39.8% of BSC's shareholders' funds;
- In April 2004, BSC sold two properties for the aggregate sum of KRW 71.4 billion (approximately US\$62.2 million);
- BSC has completed the disposal of 5.5 million Treasury Shares at an average price per share of KRW 830.90 to facilitate the retention of BSC's listing on the Korean Stock Exchange, which has reduced the BIH Group's interest in BSC to 77.36% from 79.32%;
- 321 employees out of 441 eligible employees have accepted early retirement. These employees will leave BSC by 31 August 2004. The early retirement programme will cost BSC approximately KRW 29.8 billion (approximately US\$26.0 million); and
- BSC will close 19 branches leaving 10 branches. However, these remaining branches remain subject to a further quantitative and qualitative review by BSC management.

BSC management estimates that it will have approximately 230 employees (31 March 2003: 772 employees) and not more than 10 branches (31 March 2003: 39 branches) by 31 August 2004. In addition, BSC management estimates that the costs associated with the reduction of BSC's headcount and branches will be charged to the BIH Group's income statement during the financial year ended 31 March 2005. Consequently, the BIH directors consider that it is unlikely that BSC will be profitable in the near future given the scale back in operations, expected early retirement payment of KRW 29.8 billion (approximately US\$26.0 million) and the capital reduction of KRW 150 billion (approximately US\$130.7 million).

The BIH directors expect that the completion of BSC's current restructuring programme will considerably assist the BIH Group in realising its interest in BSC. The BIH directors are hopeful that this can be achieved within the next 12 months although there is no certainty on this timetable.

In June 2004, William Daniel resigned as BSC's Representative Director and Antony Butler was appointed in his place on 15 July 2004. In addition, Andrew Fraser and Nam-sik Yoo resigned as directors of BSC on 15 July 2004, as a result of BSC's effort to reduce costs.

2 FUND MANAGEMENT

The Group has assets under management of US\$34.1 million as at 31 March 2004. During the year, Asian Opportunity Fund 1998 - II was wound up after returning the bulk of its investments in cash to shareholders. Consequently, the reduction of assets under management has led to the division incurring greater losses than last year. The Group has again taken steps to reduce costs in this area by reducing headcount and relocating its office to smaller premises. However, it is unlikely that these initiatives will return this division to profitability in the foreseeable future.

3 TECHNOLOGY INVESTMENTS

The Directors have decided to make a further provision of approximately US\$130,000 against two technology related investments.

The Group's 49.9% associate, Regent Markets Holdings Limited (formerly known as Exchangebet.com Holdings Limited) provides online financial betting services via the websites *betonmarkets.com* and *betonmarkets.co.uk*. Betting turnover for the financial year ended 31 December 2003 was US\$63 million, with gross income of US\$2.4 million and net profit of US\$738,000. The company has continued to grow in the current financial year, with annualized turnover for the year projected above US\$100 million. The company's flagship subsidiary, Regent Markets Group Limited, placed a small percentage of its capital to strategic investors in September 2003 at a valuation of approximately US\$26 million.

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

4 OUTLOOK

The Group is committed to realising its investment in BIH and we are hopeful that the BIH directors will achieve this within the next 12 months. Your Directors remain committed towards taking steps that will enhance the value of all shareholders' investment in the Company.

I would like to thank my fellow Directors and colleagues for all their hard work during the past year. I would also like to thank Karin Schulte (a former Director of the Company) for her valuable contribution made during her tenure.

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

Revenue and Profits

The Group recorded a profit after tax and minority interests of US\$5.1 million for the year ended 31 March 2004.

The profit was mainly attributable to the Group's share of profit after tax of US\$6.7 million from its associate, Bridge Investment Holding Limited ("BIH"). BIH recorded a profit attributable to shareholders of US\$8.3 million for the year ended 31 March 2004.

The BIH profit is mainly attributable to:

	US\$ million
By business:	
— Bridge Securities Co., Ltd (before the following significant items)	7.3
— Restructuring charge	(4.8)
— Profit on sale of properties	2.3
— Realised and unrealised gains on the Stock Market Stabilisation Fund	6.2
— Korean Stock Exchange membership revaluation	3.4
	<u>14.4</u>
— Corporate and other interests	6.4
	<u>20.8</u>
Pre-tax profit	20.8
Write-down of deferred tax assets	(11.5)
Minority interest	(1.0)
Net profit for the year	<u><u>8.3</u></u>

The revenue of the corporate investment business division increased significantly to US\$1.3 million (2003: US\$0.1 million), while the revenue of the asset management business division was reduced by 48% to US\$1.2 million (2003: US\$2.2 million), which was primarily due to the reduction in assets under management.

The main elements of the profit are as follows:

	US\$ million
Share of profit connected with BIH (after adjusted to the Group's accounting policy)	7.0
Share of profit from other associates	0.4
Corporate investments	(0.7)
Asset management	(1.0)
Others	<u>(0.3)</u>
	5.4
Profit before tax	5.4
Tax	<u>(0.3)</u>
	5.1
Profit after tax and minority interests	<u><u>5.1</u></u>

Balance Sheet

Shareholders' equity increased by 14.2% to US\$97.3 million from US\$85.2 million during the year and BIH accounted for approximately 93.8% of the Group's total shareholders' equity as at 31 March 2004. The remaining Group assets comprised the technology investments of US\$0.4 million and other corporate investments of US\$5.6 million.

Dividend

On 27 October 2003, the Directors announced that the Company received a dividend of US\$3.69 million from BIH in early September 2003, and that the Directors declared a special interim dividend of 0.295 US cent per share. On the basis of the Company's issued share capital at that time, payment of the special interim dividend amounted to approximately US\$3.5 million or 95% of the proceeds received from BIH. The special interim dividend was paid on 19 December 2003.

Future Funding

As at 31 March 2004, the Group had US\$0.7 million net cash or 0.7% of its total shareholders' equity. There were no material charges against Group assets.

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

Management of Risk

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

As BIH was responsible for approximately 93.8% of the total shareholders' equity as at 31 March 2004, the Company is exposed to the fluctuations in the equity values of BIH. The exposure is to the Korean economy, and its credit and equity markets. The responsibility for management of these risks rests with the BIH management.

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

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

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

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

Contingent Liabilities

The Group was not involved in any material litigation or disputes during the year ended 31 March 2004 apart from the action commenced by the former executive directors of BIH against BIH, which is described in the financial statements contained in the annual report.

Employees

The Group, including subsidiaries but excluding associates, employed approximately 10 employees at 31 March 2004. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by a sub-committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole. During the year and up to the date of this announcement, no share options were granted to eligible participants.

SECOND INTERIM DIVIDEND

On 19 July 2004, the Directors declared a second interim dividend of 2.72 US cents per share for the year, payable on Monday, 30 August 2004 in cash to those shareholders whose names are recorded on the Principal or Branch Register of Members of the Company on Friday, 6 August 2004.

The Registers of Members of the Company will be closed from Tuesday, 3 August 2004 to Friday, 6 August 2004, both days inclusive, during which period no transfers of shares will be effected. In order for shareholders to qualify for the second interim dividend, all completed and stamped transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 pm (Hong Kong time) on Monday, 2 August 2004.

An election form will be despatched to shareholders by Friday, 6 August 2004 for them to elect the currency in which they wish to receive the second interim dividend. In order for their election to be applicable to such dividend, shareholders are required to return their election forms to Tengis Limited not later than 4:00 pm (Hong Kong time) on Friday, 20 August 2004.

Those shareholders who do not have their election forms properly completed and returned to Tengis Limited will entitle them to receive the second interim dividend in the currency indicated in the last election form they returned to Tengis Limited or, if no form was ever returned, in the currency in which their last dividend was paid. New shareholders who do not return the election form will be paid in the United States Dollars.

The Directors do not recommend the payment of a final dividend for the year (2003: Nil).

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises Anthony Baillieu, the non-executive Chairman of the Board, and two independent non-executive Directors, namely Stawell Mark Searle and Robert George Curzon Whiting. The audited financial statements of the Company for the year ended 31 March 2004 have been reviewed by the Audit Committee.

PUBLICATION OF FURTHER INFORMATION

This announcement is published in accordance with the transitional arrangements for Appendix 16 to The Rules Governing the Listing of Securities (the “**HK Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**HK Stock Exchange**”) in respect of the new disclosure requirements for preliminary final results announcements. All information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the HK Listing Rules, before the amendments on 31 March 2004, in respect of the preliminary announcement of the Company’s final results for the year ended 31 March 2004 will be published on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkex.com.hk) in due course.

On Behalf of the Board of
Regent Pacific Group Limited
Anthony Baillieu
Chairman

Directors of the Company:

Anthony Baillieu (Chairman)*
Jamie Gibson (*Chief Executive Officer*)
Clara Cheung
James Mellon*
Mark Searle*#
Jayne Sutcliffe*
Anderson Whamond*
Robert Whiting*#

* *Non-Executive Directors*

Independent Non-Executive Directors

Hong Kong, 19 July 2004

Please also refer to the published version of this announcement in The Standard.