



iRegent Group Limited

(Incorporated in the Cayman Islands with limited liability)

MAJOR TRANSACTION

Disposal of interest in KoreaOnline Limited

The Directors of the Company announce the proposed sale (the "Disposal") of the Company's entire holding of 46.4% in KoreaOnline Limited ("KOL") to Abraxas Capital Limited (the "Purchaser"), a wholly owned subsidiary of KOL, for a consideration (the "Consideration") of US\$180 million (approximately HK\$1,404 million), representing US\$10 per share for the entire holding of 18 million KOL shares (the "Sale Shares"). The Consideration is in the form of three-year promissory notes (the "Notes") issued by the Purchaser with a coupon rate of 5% payable partly in kind and partly in cash.

The Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to shareholders' approval. The transaction has been unanimously approved by all Directors of the Company, other than those who are also directors of KOL who consider that they may be conflicted in this decision. The Board, excluding those Directors who are also directors of KOL, will be recommending the transaction to shareholders.

Shareholders should note that this is a transaction which carries significant risks in particular that the receipt of the consideration in cash form is dependent upon the Purchaser's ability to sell the Sale Shares during the term of the Notes.

The Disposal

The directors (the "Directors" or the "Board") of iRegent Group Limited (the "Company") announce that pursuant to a share sale and purchase agreement (the "Sale and Purchase Agreement") executed on 5 January 2001 between the Company as vendor and Abraxas Capital Limited as purchaser, the Company has agreed to sell the Company's entire holding in KoreaOnline Limited to the Purchaser. The consideration amounts to US\$180 million (approximately HK\$1,404 million) representing US\$10 per share for the entire holding of 18 million KOL shares. The Consideration will be in the form of three-year promissory notes issued by the Purchaser with a nominal value of US\$180,000,000 (the First Tranche of the Notes) carrying a coupon of 5% per annum payable in arrears.

The first year's coupon will be paid in kind by issuing the Second Tranche of the Notes with a nominal value of US\$9 million which shall carry the same coupon rate of 5% per annum. The second year's coupon in respect of the First and Second Tranche of the Notes will be paid half in kind by issuing the Third Tranche of the Notes with a nominal value of US\$4,725,000 and half by paying US\$4,725,000 in cash. The third year's coupon will be US\$9,686,250 paid in cash. The redemption of the Notes will be effected at the end of the third year (the "Maturity Date") or earlier if the Purchaser disposes of all or part of the Sale Shares as described below. However, the Purchaser has the right to extend the term of the Notes by one additional year so that the Notes shall mature on the business day immediately preceding the fourth anniversary of the issue date (the "Second Maturity Date"). The fourth year's coupon will be LIBOR plus 3% per annum and must be paid in cash. If on the Second Maturity Date, the Purchaser does not repay the Notes, the First Tranche of the Notes will be redeemed in exchange for the Sale Shares. If there is any change in control of KOL or upon the occurrence of any event of default (in each case, as defined in the deed poll creating the Notes), any such event may trigger an early redemption of the Notes at the option of the Company.

The Notes will be mandatorily prepayable in cash pro rata upon the sale by the Purchaser of any of the Sale Shares to the extent of US\$10 as adjusted to include accrued interest, both in the form of subsequent tranches of the Notes and outstanding cash interest, for every Sale Share sold (the "Minimum Sale Price"). To the extent that the net sale proceeds received by the Purchaser exceed the Minimum Sale Price, 20% of such excess shall be paid to the Company as additional consideration which will be payable to the Company forthwith upon receipt by the Purchaser. While any Notes are still outstanding, the Purchaser may not sell any of the Sale Shares at a price less than the Minimum Sale Price without the prior written approval of the Company.

The Notes, inclusive of interest, will be secured over the Sale Shares but will not be guaranteed by KOL or any other person. If on the Second Maturity Date, the Purchaser does not fully repay the Notes, any part of the First Tranche of the Notes remaining outstanding will be redeemed in exchange for the unsold Sale Shares.

Shareholders should note that this is a transaction which carries significant risks in particular that the receipt of the consideration in cash form is dependent upon the Purchaser's ability to sell the Sale Shares during the term of the Notes. In the event that the realised value of the Sale Shares be less than the current carrying value of its interest in KOL, that is US\$35 million as included in the unaudited consolidated interim accounts of the Company as at 30 September 2000, the Company would sustain a loss.

Business of the iRegent Group

The Disposal proposes to separate the Company and its subsidiaries (the "iRegent Group") from KOL and leaves KOL with its own independent management team based in Seoul. The decision was arrived at after careful analysis by the Board. The Board took into account numerous factors including the return earned to date by the Company on its investment in KOL to date and the future risk of holding that investment.

After the sale of the KOL stake, the iRegent Group will continue to focus on its core competency as an Asian-based investment company, both through direct investments, and on behalf of third party clients through its range of listed equity funds and private equity funds. In addition, iRegent Corporate Finance Limited, the Company's wholly owned subsidiary, continues to provide corporate finance and related services to affiliated companies of the iRegent Group. In the technology area, the Company through its wholly owned subsidiary, Interman Holdings Limited, continues to manage the portfolio of 25 investments in technology companies. The Company's investment in Korea has been solely in the KOL group. After the Disposal, iRegent Group will have no business in Korea and iRegent Group has no current plan to make future investments in Korea.

The Consideration

The Sale and Purchase Agreement and the terms and conditions of the Notes were negotiated between the Company and the Purchaser on an arm's length basis and the Board considers that the Consideration is fair and reasonable and that it is in the interest of the iRegent Group as a whole to enter into the Sale and Purchase Agreement.

It should be noted that the carrying value of the Notes in the books and records of the Company is likely to be less than the nominal value of the First Tranche of the Notes (namely, less than the full US\$180 million initially). The carrying value will be assessed, in the light of the information then available, when the audited consolidated financial statements of the iRegent Group are prepared for the financial year ending 31 March 2001. Subsequent assessments of the value of the Notes will be made on an ongoing basis thereafter until their maturity.

In the event that the full Consideration was recognised, the Company would record an unrealised gain of US\$98 million after goodwill adjustment of US\$47 million, being the difference between the stated Consideration of US\$180 million and the carrying value of the Company's interest in KOL of US\$35 million. However, due to the lack of marketability of the Notes and the risks involved, the Company is unlikely to recognise this gain, unless and until the successful disposal of all or part of the underlying Sale Shares and the receipt by the Company of the sale proceeds and/or the receipt of any part of the coupon in cash. It is possible that a recognition of a partial gain or loss may occur based on a prudent reassessment of the value of the Notes from time to time.

The proceeds, when received by the Company pursuant to the Notes, will be used as working capital and for any future projects of the iRegent Group that may be embarked upon in line with iRegent Group's major businesses as set out in the paragraph above headed "Business of the iRegent Group".

The Purchaser

The Purchaser, which was incorporated in October 1999 under the Offshore Companies Act 1990 of Labuan, Malaysia, is an indirect wholly owned subsidiary of KOL. It is an investment holding company which has not yet commenced business and has no material assets or liabilities.

KoreaOnline Limited

KOL was incorporated in September 1999 in the Cayman Islands. It is an integrated financial services company comprising property and casualty insurance, securities, asset management and banking, all in Korea. On the front end of these four traditional "bricks and mortar" businesses, KOL is constructing an online distribution platform for delivery of these products and services over the internet. Currently, the Company holds an interest of approximately 46.4% in KOL, which was acquired in October 1999. Mr Peter Everington, a director of both the Company and KOL, owns an approximate 0.2% interest in KOL, and an investment fund managed by one of the Company's wholly owned subsidiaries owns another 0.2% interest. The remaining interests in KOL are held by independent third parties.

According to the first audited consolidated financial statements of the KOL group for the period ended 31 March 2000, the net profits before and after taxation of KOL for that period amounted to US\$33,434,000 and US\$18,404,000 respectively. The net assets of KOL as at 31 March 2000 amounted to US\$278,042,000, representing approximately US\$7.16 per share. Unlike the Company, KOL follows International Accounting Standards under which goodwill of US\$95,880,000 was capitalised as at 31 March 2000. KOL made an unaudited pre-tax net loss of US\$60 million for the six months ended 30 September 2000.

Shareholders are also referred to the announcement made by the Company on 28 November 2000 which disclosed the liquidity crisis of Regent Merchant Bank, a company in which KOL has an effective interest of 31%. Regent Merchant Bank experienced liquidity difficulties brought about by allegations of improper lending to a shareholder of KOL and a share price manipulation scandal associated with him. Regent Merchant Bank announced on 22 December 2000 that it would be temporarily suspending operations for a limited period. During this period, Regent Merchant Bank would pursue merger plans already under discussion as well as seeking long term liquidity resources. There is no guarantee that Regent Merchant Bank can be successfully rescued. While neither the Company nor KOL is implicated in any of these events, the whole incident may have an adverse impact on the reputation of the other KOL businesses.

Major transaction

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is subject to shareholders' approval at an extraordinary general meeting of the Company to be convened to consider and approve, inter alia, the Disposal and the Sale and Purchase Agreement (the "Extraordinary General Meeting"). The transaction has been unanimously approved by all Directors of the Company, except Mr Peter Everington and Mr Robin Willi who have abstained from voting in view of their directorships in KOL. Mr Everington also owns an equity interest in KOL of approximately 0.2%. The Directors will be recommending it to shareholders. Shareholders who are also Directors of the Company representing 32% of the Company's outstanding issued voting shares have already indicated their intention to support the Disposal. Shareholders who have material interests in the Disposal, if any, will be required to abstain from voting at the Extraordinary General Meeting.

Extraordinary General Meeting

A circular containing full details of the transaction and the Extraordinary General Meeting will be despatched to shareholders and warrant holders as soon as practicable. It is expected that the Extraordinary General Meeting will be held in February 2001.

Conditions

Apart from approval by shareholders at the Extraordinary General Meeting as described above, the Disposal is also conditional upon:-

1. The Company and the Purchaser agreeing and entering into the form of deed poll which will constitute the Notes, together with the related security.
2. Legal opinions being provided to confirm the enforceability of the Notes and the security.
3. All necessary consents of third parties being obtained to permit the Disposal and the implementation of the Notes and the security.
4. KOL and the Company agreeing a repayment schedule for all outstanding balances due from the KOL group to the iRegent Group.

The Disposal is expected to be completed on or before 31 March 2001.

Resumption of trading

At the request of the Company, the shares in and warrants of the Company were suspended from trading on the Stock Exchange on Friday, 22 December 2000 pending release of this announcement. Trading in the Company's securities are expected to resume at 10:00 am on Monday, 8 January 2001. Investors are advised to exercise caution in trading the Company's securities.

Note: In this announcement, for reference only and unless otherwise specified, the conversion of United States dollars into Hong Kong dollars is calculated at the conversion rate of US\$1.00 to HK\$7.80.

On Behalf of the Board of
iRegent Group Limited
Alec Tsui
Director