iRegent Group Limited
Annual Report and Financial Statements

Year Ended 31 March 2001

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Chairman's Statement

Review and Prospects

Highlights:

- **The results for the full year show that there was an improvement between the first and the second halves and net assets per share have risen over the second half;**
- **The Group is now much more focused as a private equity style investor and investment manager;**
- **Prudentially all goodwill has been taken through the profit and loss account, meaning that assets are conservatively valued and will be unaffected by future changes to accounting standards. The goodwill write-off is the principal factor behind the losses of the Group;**
- **The outlook for the current year looks significantly more positive; and**
- **Liquidity in the investee companies of KoreaOnline Limited is significant, amounting to US$175 million in cash and liquid securities giving scope to look at future acquisitions in a depressed market.**

The year to 31 March 2001 was not an easy one. In several areas of our business, market trends and individual circumstances conspired to create an environment in which making profits for our shareholders proved difficult.

As indicated in the interim report, the completion of the acquisition of Interman Holdings Limited, the divestment of the bulk of the Group's stake in its European operations and the reorganisation of KoreaOnline Limited mean that the results are not comparable to the past. More details of the changes can be seen in the Management's Discussion and Analysis section. However, a loss of US$98 million attributable to shareholders (2000: profit of US$86 million) has resulted. This loss is largely due to writing off goodwill of US$77 million through the profit and loss account which had previously been charged directly to reserves. US$53 million of the loss relates to technology related investments, in particular bigsave Holdings plc, which has been reorganised and is now operating close to breakeven. US$38 million of the loss relates to KoreaOnline Limited, which has been substantially reorganised since the balance sheet date and whose underlying businesses are now stable. It is worthy of mention that despite the losses recorded for the year as a whole the value of shareholders' equity has risen from US$79.8 million to US$84.1 million between 30 September 2000 and 31 March 2001 on an unchanged number of shares outstanding indicating the substantial underlying improvement in the second half of the year.

Although the detail of the figures is, of necessity, contained in the annual report, the following short summary may assist in interpretation of the results. The main elements of the net loss attributable to shareholders, including the write-off of goodwill, are as follows:–

	US$m
Share of losses connected with Korean investments, mostly goodwill	38.7
Share of losses connected with technology related investments, including bigsave Holdings plc, mostly goodwill	52.8
Other operating losses	6.8
Total losses attributable to shareholders	98.3

Chairman's Statement (continued)

Review and Prospects (continued)

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

	US$m
Stake in Korean investments	63.3
Value of technology related assets, including bigsave Holdings plc	10.6
Other net assets	10.2
Shareholders' equity	84.1

It should be remembered that all goodwill has now been fully written off and the Directors have made what they believe to be fair provisions in relation to other carrying values. However, these figures must be read in conjunction with the full details of the annual report.

The Directors of the Company have decided not to declare a dividend for the year. However, Charlemagne Capital Limited (formerly Regent Europe Limited), part of the Group until distributed by in specie dividend in June 2000, has paid a dividend to those shareholders who accepted the in specie distribution rather than the cash alternative.

The Group has now eliminated all avoidable costs and has focused its operations to take advantage of opportunities particularly in private equity management. Whilst it is true that the economic numbers out of the United States continue to get worse, with obvious implications for the rest of the world, as a hedge fund manager with a good track record, we are in a strong position. In addition, I believe that we are in a golden age of invention and that recessions do not last for ever. Specifically I believe that certain well chosen tech stocks do represent good value and, in fact, the portfolio of Interman Holdings Limited has performed in a relative sense, extremely well. Detailed reports on the main business areas of the Group follow, authored by those who are responsible for them in the management structure. It is certainly the case that good prospects for the future remain in place in most of our business areas.

On a personal note, I must thank David Paterson, particularly, for his valuable contribution and advice at a difficult time.

I welcome Anthony Baillieu and Errol Williams as valued non-executive board members. I also welcome to the board long standing employees Julian Mayo and Daniel Chan. Daniel joins the board as Finance Director.

James Mellon

Hong Kong, 31 August 2001

Chairman's Statement (continued)

KoreaOnline Limited

KoreaOnline Limited ("KOL"), which is 40% owned by the Company and is its largest asset valued at US$63 million, encountered significant difficulties during the year and has undertaken a restructuring of its businesses as a result. The restructuring phase is now substantially complete and KOL is free to resume focus on growth in Korea once again.

KOL was in the process of building an integrated online financial services business in Korea comprising securities, property and casualty insurance, asset management and investment banking. The strategy was to acquire existing traditional businesses in those fields, then restructure and integrate them over time. The acquired businesses included Daeyu Regent Securities Co Ltd (renamed Regent Securities Co Ltd – "RSC"), Ileun Securities Co Ltd ("Ileun"), Haedong Insurance Co Ltd (renamed Regent Insurance Co Ltd – "RIC") and Kyungsu Merchant Bank (renamed Regent Merchant Bank – "RMB" and, subsequent to year end, merged with Tong Yang Investment Bank).

One of KOL's shareholders, Midas Consolidated Investment Limited ("MCI"), a Labuan company, is ultimately controlled by a Mr Seong-Hyun Jin. Mr Jin obtained two loans by deception from RMB and RSC for other Korean companies which also turned out to be controlled ultimately by him. These loans were reported to the Korean authorities on discovery and collateral in the form of the shareholder's interest in KOL was seized against the main loan. In November 2000, an unrelated savings and mutual company in Korea, controlled by MCI, closed its business as a result of liquidity difficulties and this triggered a deposit run at RMB which resulted in the bank having to suspend its business, notwithstanding a BIS ratio of 22% ahead of the crisis – the strongest BIS ratio of any bank in Korea. As a secondary effect of this situation, all companies in the KOL group had their credit lines withdrawn and the planned capital injection into RIC, underway at that time, was not able to proceed as a result. There were two individuals in the relevant subsidiaries who were principally involved in approval of the loans in the first instance. One, a direct associate of MCI, resigned before our internal investigation was completed while the employment of the other was terminated. Mr Seong-Hyun Jin eventually surrendered to the authorities in early December 2000 and his trial related to these matters, and much more serious charges involving other companies unrelated to KOL, is ongoing.

Although it has been the policy to run each of the KOL businesses with conservative balance sheets, KOL also insisted that each business must be able to stand alone in the long run. The financial services industry in Korea has suffered significantly in the past four years as it has tried to restructure and adapt itself to the 21st Century. In most sectors of the industry, the number of participants has consolidated drastically – there are now 13 commercial banks versus 34 before the "1997 IMF crisis", 4 merchant banks versus 30 and 4 of the 11 property and casualty insurance companies are now in the hands of the government, including RIC. The story in the secondary financial sector is just as bleak. KOL had expected the consolidation to have run its course by now but this has been delayed by the Korean government's policy of supporting failing institutions. Realistically, KOL expects difficult conditions to continue and the board of KOL therefore reluctantly decided that it was not appropriate for the remaining strong businesses in the group to give unlimited support to RIC and RMB, the two businesses under stress.

As RIC was not able to find an international partner in time, despite a number of serious negotiations in that direction, KOL gave up control of RIC to the government in March 2001. The investment in RIC has therefore been fully written off in the accounts of KOL, assuming no recovery.

Chairman's Statement (continued)

KoreaOnline Limited (continued)

Although the remaining businesses of KOL have more than US$100 million in net cash, re-opening of RMB following the deposit run would have required group members to have credit lines of at least US$180 million. As these could not be arranged, the board of KOL therefore decided to merge RMB with a competing merchant bank, Tong Yang Investment Bank ("TYIB"), and this merger was completed in June 2001. RMB has therefore re-opened for business under the TYIB banner and KOL is now the third largest shareholder in TYIB. TYIB was six times the size of RMB prior to the merger so the resulting business is much more substantial than RMB was on its own. TYIB has taken over the collateral for the problem loan in RMB and TYIB is therefore likely to replace MCI as a shareholder in KOL in due course. It is intended that KOL and the Tong Yang group will cooperate in certain business areas going forward.

KOL's own credit facilities were also affected by these problems. As part of the restructuring of KOL, a new credit arrangement has been made and KOL's dependence on credit facilities from the iRegent Group will be eliminated.

Going forward, the core of KOL comprises the two securities businesses, RSC and Ileun. Although each of these has just under 1% market share in Korea on their own, in combination they are more substantial and have complimentary capabilities. It is intended that they will work more closely together and consider merging in due course. A re-branding exercise is currently underway. Each company has new executive management and further recruitment is ongoing. Ileun has strong online capability and 70% of its transaction volume is conducted over the internet. RSC has a better institutional capability and this is being expanded. Both businesses have significant retail presence with a combined total of 39 branches located in Seoul and around Korea. They are debt free with significant cash resources and own their respective headquarters buildings. Although the securities business in Korea is expected to become more competitive in due course, these two companies represent a financially strong platform on which to build an international standard securities business with strong physical and online distribution capability. A significant expansion in call centre capacity is currently planned as are a number of other initiatives.

With the restructuring of KOL substantially complete, its directors are now focusing on the longer-term development of the company. With the loss of RIC, the ambition to integrate insurance with securities is necessarily curtailed. However, KOL is exploring the possibility of continuing in the insurance area on an agency-only basis using the online platform that it has developed. The two securities companies have significant financial resources that enable them to form the core of this strategy going forward. The view is that the main strategy was correct but deferral of critical deregulation in the areas of labour and bankruptcy has meant that it was simply too early. On top of that, the problems encountered with the local partner caused significant damage. Under the circumstances, preservation of asset value has been the focus of the restructuring and this has been reasonably successful. Going forward, it is believed that asset value will rise both through retained earnings as well as through the ongoing restructuring of the KOL balance sheet. Further management talent is being added on the ground in Korea and the revised strategy is more suited to the ongoing tough market conditions in Korea and worldwide. In some ways, it is the hope that such tougher conditions continue for now as the superior balance sheets of Ileun and RSC are a competitive advantage. Also, difficult conditions afford the time necessary to complete the strategy ahead of any market upturn. In Korea, it is much easier to take difficult restructuring decisions when times are tough.

At the balance sheet date, the Company's interest in KOL is valued at US$63.3 million. Notwithstanding the difficulties in Korea, KOL has still been a significantly profitable investment for the Company. Since year end, conditions have improved further.

Peter Everington

Chairman's Statement (continued)

Interman Holdings Limited

The state of the internet and technology venture capital industry can perhaps be best illustrated by the comparative failures of internet related companies in the United States in April 2000 – only 1 – and April 2001 – 55. A lack of follow-on capital has been the major business excuse for failing although the lack of a viable business model is usually the root cause.

Against this back-drop, our portfolio of 26 investments in the technology and internet sectors have performed creditably, with only one outright failure to date in a company in which we invested less than US$25,000. Whilst a number of others have found the going tougher than expected, leading the Group to make prudent provisions against its investment, many have not only survived the market traumas but have taken major steps towards achieving their business goals.

Amongst those for which we have great expectations are:–

Homeport (Cayman) Limited (unattended home delivery) is running a successful trial with Sainsburys which is soon to begin a nationwide roll-out in the United Kingdom. This brings the number of retailers using the system to five, with Parcelforce due to start their own trial in July.

Digitalbrain.com Limited (online education) has just won a contract to supply the London Grid for Learning with their online platform, creating the largest online private network in Europe. This one contract gives Digitalbrain.com Limited 15% of the UK schools education market for online education delivery.

Digital View Group Limited (flat screen technology) continues to develop new markets for its remote media products. Sales in the first three months of 2001 were up by 70% on the same period last year. A new finance director has recently been appointed to lead the company towards an IPO next year.

AstroEast.com Limited (online astrology and lottery) ("AstroEast") acquired Dynamic Value Group Limited, a 100% subsidiary of the iRegent Group, in March 2001 in order to consolidate the position of both companies. The business is undergoing a major restructuring in order to cut costs and reach breakeven point. AstroEast launched its first pay astrology feature in May 2001. iRegent Group currently owns 51% of AstroEast as a result of the acquisition of Dynamic Value Group Limited.

Whilst realisations of investments have not materialised in the last six months, we are confident that a number of our companies will be well positioned to take advantage of any return of confidence to the new issues market.

Dominic Bokor-Ingram

Chairman's Statement (continued)

bigsave Holdings plc

bigsave Holdings plc ("bigsave") is the largest single investment of the Group in the e-economy. iRegent Group currently owns 65% of bigsave.

It was always planned that bigsave would move to a broadly based range of delivery channels but the major shift in sentiment away from online retailing meant that the management team undertook this move more radically than had originally been anticipated.

Following a re-evaluation of the market, all external offices, including Hong Kong, Korea, Germany and Isle of Man, have now been closed, with the significant reduction of employees resulting in a reduction of monthly overheads from GBP360,000 to GBP75,000. bigsave has also reduced the advertising and communication expenditure to below GBP3,000 per month and outsourced the hosting of the bigsave website services with a saving of more than GBP100,000 per annum.

bigsave's management is now using its expertise to embark on a wider retailing strategy which stands a good chance of being profitable in the shortest possible period, whilst still capturing the benefits of e-commerce and its potential. The chosen way forward is a multi-channelled retailing operation, including streamlining the number of products available on the website, launching a *bigsavedirect* mail order catalogue, which was completed in February and acquiring a warehousing facility which will enable it to fulfil multiple orders and the acquisition of numerous retail outlets. Going forward bigsave is currently also establishing *IC Technology* which will own offices and warehouse facilities and will also provide IT solutions to the education and SME market. bigsavetravel.com is close to breaking even and has been awarded an ATOL licence to sell to trade as well as to retail consumers.

The management team at bigsave has always believed that the way forward is through multi-channel retailing and anticipates that bigsave will generate material profits in the year 2002 if the current trend of retail growth continues.

Kazem Behjat

Chairman's Statement (continued)

iRegent Group Limited

Asian investment management report

The year to March 2001 was a poor one for every major stock market in Asia. The two major, interconnected, factors were the end of the TMT (technology, media and telecommunications) bubble and the onset of a sharp slowdown in the US economy. The former was the more dramatic, coming as it did after a spectacular run-up in "new economy" stocks from late 1999. However, the latter is of more long-term relevance. Fuelled by hopes of increased productivity gains, the US economy seemingly surged to a permanently higher trend GDP growth range. This in turn was very bullish for Asian exporters who fed this ever-increasing consumer demand. This was also a convenient bail-out for Asia after the shock of the post-1997 financial crisis. Once the US and, more recently, European economies started to slow, this took much of the momentum from Asia's economies. The slowdown can now be seen clearly through a series of very poor trade numbers.

This environment has not been helpful for running an asset management business. Despite an increased use of hedging in our portfolios, it has been inevitable that the funds have not performed well in absolute terms.

However, it has become clear that a combination of hedging and superior asset selection has meant that our investors have not suffered as many have in the region. Indeed, from the latter stages of 2000 we are pleased to report that we were able to make a positive return for our clients at a time when markets were generally falling.

The portfolio management style can best be characterised as equity long/short but with a long bias. This is in recognition that most investors do not come to Asia for a purely market-neutral strategy: any investment in the region is likely to involve an implicit decision to be exposed to its markets on the long side. We remain committed to unlocking value, whether through closed-end country funds, pairs/stub trades or buying companies trading at significant discounts to their net tangible assets.

Our style is based on a macroeconomic focus. At the time of writing, we still consider the macro outlook as deteriorating in much of Asia. Deflation, and with it the continuous erosion of pricing power, is a strong negative force. Private sector balance sheets, both corporate and personal, need to be further unwound in the United States before Asia can benefit. This unwinding will, in our opinion, mean the slowdown will be longer than generally recognised. The dynamics of this are easy to underestimate. To take but a single example, in the state of California alone taxable income solely from the exercise of stock options was over US$80 billion in 2000. Given the fall in tech stocks this year, that level of income will not recur this year.

The light at the end of the tunnel for us is that the decline in western equity markets has started to refocus attention on the long-dormant, long-underperforming Asian markets. We are noticing an increase in interest in our core Asian asset management offerings and are optimistic that this interest will translate into increased funds under management. Our goal remains to deliver superior returns to our investors.

Julian Mayo

Chairman's Statement (continued)

iRegent Group Limited (continued)

Group marketing and new initiatives

There are a number of exciting opportunities for the Group going forward that aim to increase assets under management significantly. Amongst these, IM Life Sciences Limited has begun marketing its Next Generation Genomics and Bioinformatics Fund. This fund intends to invest in early to mid stage companies, which are commercialising all aspects of the Human Genome.

We are in the process of relaunching the marketing of our Asian hedge fund strategies in the United States, and hope to appoint a specialist placing agent for this purpose.

We are in discussions with an Australian fund management company that should lead to our owning of a majority of its shares. We have also signed a memorandum of understanding to acquire a 25% stake in a Sydney-based hedge fund business. We anticipate announcing full details of these exciting initiatives before the end of 2001.

The continued excellent performance of the Undervalued Assets Fund - Asia has resulted in this fund being selected to join the CSFB/Tremont hedge fund investment programme.

Julian Mayo

Corporate finance services

iRegent Corporate Finance Limited ("iRCF"), a member of the Group, offers corporate finance services to its affiliated companies: KoreaOnline Limited, bigsave Holdings plc and Interman Holdings Limited. The latter has investments in over 20 technology companies and iRCF often has the exclusive right to provide corporate finance services. iRCF also works closely with the managers of the private equity funds where corporate finance advice is required by companies in which the funds have invested, subject to clearance of any conflicts of interests.

In the past 12 months market conditions have been very tough, nevertheless there has been a steady stream of activity. iRCF has raised capital, prepared an investee company for a full listing in London (which was unfortunately pulled), merged two investee companies, negotiated a significant downround investment and assessed several investment opportunities.

Expectations for the future are high with a number of potential new mandates being considered.

Mark Child

Summary

As can be seen from the reports above, the Group remains active in its chosen sectors of activity. One cannot discount the setbacks in Korea or in e-commerce generally but a good base has been retained within the Group which will enable us to move forward by building upon several initiatives already underway. I am strongly committed to restoring profitability to the Group and I expect that we will achieve this in the current financial year.

James Mellon

Report of the Directors

The directors of the Company (the "Directors") submit herewith their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001 (the "Financial Statements").

Principal Activities

During the year ended 31 March 2001, 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; property management; corporate investment and internet-related retailing.

Principal activities of the respective subsidiaries of the Company during the year are set out in note 16 to the Financial Statements.

Segmented Information

The constituents of the Group's turnover and contribution to operating profit by principal activities and geographical areas of operation for the year ended 31 March 2001 were as follows:

	31 March 2001		31 March 2000	
	Turnover US$'000	Contribution to operating profit US$'000	Turnover US$'000	Contribution to operating profit US$'000
By activity:				
Asset management	7,168	4,467	*18,115*	*4,928*
Corporate finance	273	(734)	*2,682*	*399*
Property management	463	215	*531*	*(104)*
Corporate investment	(11,301)	(12,509)	*32,073*	*16,150*
Stockbroking	–	–	*1,257*	*(1,532)*
Internet retailing	2,653	(8,268)	–	–
	(744)	(16,829)	*54,658*	*19,841*
Expenses:				
General and administration expenses		(5,790)		*(5,116)*
Turnover less expenses		(22,619)		*14,725*
By geographical area:				
North America	146	162	*6,250*	*3,822*
Asia Pacific	(455)	(3,792)	*2,934*	*(6,040)*
Australasia	497	298	*(16)*	*(426)*
Eastern Europe	285	(961)	*33,914*	*21,489*
Russia	(1,118)	(1,492)	*17,845*	*10,018*
Western Europe	(202)	(11,165)	*(5,158)*	*(7,626)*
Other emerging markets	103	121	*(1,111)*	*(1,396)*
	(744)	(16,829)	*54,658*	*19,841*
Expenses:				
General and administration expenses		(5,790)		*(5,116)*
Turnover less expenses		(22,619)		*14,725*

Report of the Directors (continued)

Results and Dividends

The Group's loss for the year ended 31 March 2001 and the state of affairs of the Company and the Group as at that date are set out in the Financial Statements on pages 28 to 75.

No interim dividend was paid during the year ended 31 March 2001 (2000: a first interim dividend of US1.0296 cents (or HK8 cents) per share; a second interim dividend of HK$0.12 (or US1.541 cents) per share with an in specie alternative of one share in Charlemagne Capital Limited (formerly Regent Europe Limited); and a third interim dividend of US0.5 cents (or HK3.9 cents) per share).

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2001 (2000: Nil).

Summary Financial Information

The results and the assets and liabilities of the Group for the current and the last four financial years (extracted from the audited financial statements and reclassified as appropriate) are set out below in summary:

Results:

	For the year ended 31 March				
	2001 US$'000	2000 US$'000	1999 US$'000	1998 US$'000	1997 US$'000
Turnover	(744)	*54,658*	*(32,197)*	*126,843*	*59,072*
Turnover less expenses	(22,619)	*14,725*	*(54,700)*	*78,527*	*35,929*
Shares of (losses)/profits of associated companies	(53,440)	*32,178*	*4,251*	*(398)*	*(1,723)*
Operating (loss)/profit on core activities	(76,059)	*46,903*	*(50,449)*	*78,129*	*34,206*
(Losses)/profits on non-core activities	(22,193)	*51,940*	*1,174*	*(239)*	*48*
Operating (loss)/profit from ordinary activities	(98,252)	*98,843*	*(49,275)*	*77,890*	*34,254*
Finance costs – interest on bank overdraft	(358)	*(462)*	*(688)*	*(454)*	*(366)*
(Loss)/profit on ordinary activities before taxation	(98,610)	*98,381*	*(49,963)*	*77,436*	*33,888*
Taxation	(2,840)	*(12,283)*	*(1,090)*	*(1,679)*	*(1,496)*
(Loss)/profit after taxation	(101,450)	*86,098*	*(51,053)*	*75,757*	*32,392*
Minority interests	3,119	*(534)*	*764*	*(2,037)*	*(1,565)*
Net (loss)/profit attributable to shareholders	**(98,331)**	***85,564***	***(50,289)***	***73,720***	***30,827***

Assets and liabilities:

	As at 31 March				
	2001 US$'000	2000 US$'000	1999 US$'000	1998 US$'000	1997 US$'000
Fixed assets	971	*790*	*1,449*	*2,584*	*1,249*
Intangible assets	628	–	–	–	–
Interests in associated companies and jointly controlled entities	64,332	*92,606*	*47,515*	*24,403*	*1,725*
Other non-current financial assets	10,276	*16,237*	*5,054*	*1,986*	*685*
Current assets	21,780	*71,359*	*71,025*	*212,753*	*182,793*
Total assets	97,987	*180,992*	*125,043*	*241,726*	*186,452*
Current liabilities	9,826	*62,491*	*17,611*	*91,241*	*116,880*
Non-current liabilities	2,500	*143*	*407*	*133*	*152*
Total liabilities	12,326	*62,634*	*18,018*	*91,374*	*117,032*
Net assets	**85,661**	***118,358***	***107,025***	***150,352***	***69,420***

Report of the Directors (continued)

Reserves

Details of movements in the reserves together with details of their availability for distribution, as calculated in accordance with the Companies Law of the Cayman Islands, are set out in note 28 to the Financial Statements.

Donations

No donation was made by the Group during the year ended 31 March 2001 (2000: US$225,000).

Subsidiaries, Associated Companies and Jointly Controlled Entity

Particulars of the Company's subsidiaries, associated companies and jointly controlled entity are set out in notes 16 and 17 respectively to the Financial Statements.

Fixed Assets

Details of movements in the fixed assets of the Group during the year ended 31 March 2001 are set out in note 14 to the Financial Statements.

Share Capital and Share Options

At the extraordinary general meeting of the Company held on 16 May 2000, the authorised share capital of the Company was increased to US$20,867,281.47 comprising 2,000,000,000 ordinary shares of US$0.01 each and 86,728,147 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.

During the year ended 31 March 2001, there were the following changes in the share capital of the Company:–

a. an aggregate of 41,223,965 ordinary shares were issued and allotted for a total consideration of HK$51,881,159.30 (or approximately US$6,663,000) upon exercise of options in respect of 41,223,965 shares under the employee share option scheme of the Company;

b. 134,620,213 ordinary shares and 86,728,147 non-voting convertible deferred shares were issued and allotted on 17 May 2000 to Indigo Securities Limited as consideration for the acquisition by the Company of 41,500 shares in, being the entire issued share capital of, Interman Holdings Limited upon completion of a sale and purchase agreement dated 15 March 2000 (as novated by a novation deed dated 5 April 2000 and further amended by a supplemental agreement dated 15 May 2000);

c. An aggregate of 2,513,000 ordinary shares were repurchased by the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May 2000 at the aggregate consideration amounting to HK$3,738,475.60 (or approximately US$480,000); and

d. 5,000 ordinary shares were issued and allotted on 31 July 2000 for a consideration of HK$14,000 (or approximately US$1,800) upon exercise of the subscription rights in respect of 5,000 shares attached to the registered warrants of the Company, which are exercisable during the period from 9 June 2000 up to and including 30 June 2003, both days inclusive, at an initial subscription price of HK$2.80, subject to adjustment, for each share of US$0.01 in the Company.

Details of the Company's share capital and share options during the year are set out in note 27 to the Financial Statements.

Report of the Directors (continued)

Purchase, Sale or Redemption of Securities

In May 2000, the Company repurchased 2,513,000 shares on the Stock Exchange at highest and lowest prices of HK$1.55 and HK$1.30 per share respectively. The aggregate consideration paid for such repurchases amounted to HK$3,738,475.60 (or approximately US$480,000). The repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium and brokerage expense payable on repurchase was charged against share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserves (note 28 to the Financial Statements).

The Directors took this action in time of market weakness to enhance earnings per share.

Directors

The directors of the Company who held office during the year ended 31 March 2001 were:–

James Mellon (Chairman)	(resigned as Chairman on 8 December 2000 and resumed as Chairman on 22 April 2001)
Peter Devas Everington	
David McMahon*	
Jayne Allison Sutcliffe*	
Alexander Anderson Whamond*	
David Francis Joseph Paterson*#	(appointed as Director on 8 May 2000 and as Chairman on 8 December 2000)
Chan Hung Kwan, Daniel	(appointed on 1 March 2001)
Errol Stanley Williams*#	(appointed on 1 March 2001)
Julian Peter Mayo (alternate to James Mellon)	(appointed as alternate to James Mellon on 12 March 2001)
Tsui Yiu Wa, Alec	(appointed on 1 August 2000 and resigned on 1 March 2001)
Robin Miles Francis Willi*#	(appointed on 23 November 2000 and resigned on 1 March 2001)
Chang-Kon Koh	(resigned on 22 November 2000)
Robert John Richard Owen*#	(resigned on 24 November 2000)
Chang-Mo Bae*#	(resigned on 30 November 2000)

* non-executive Directors

independent Directors

David Paterson resigned as an independent non-executive Director and Chairman of the Board of Directors of the Company with effect from 22 April 2001, and Anthony Robert Baillieu was appointed as an independent non-executive Director of the Company with effect from 22 April 2001.

In accordance with Article 86(3) of the Company's Articles of Association, any director appointed during the year shall retire from office at the next annual general meeting but shall then be eligible for election. Any director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. Accordingly, Daniel Chan, Errol Williams and Anthony Baillieu will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors (continued)

Directors (continued)

In accordance with Article 87 of the Company's Articles of Association, David McMahon will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

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

James Mellon, aged 44, British, has been an executive Director of the Company since July 1991 and the Chairman of the iRegent Group since 1994, except for the period from December 2000 to April 2001. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of iRegent Group Limited (formerly Regent Pacific Group Limited and iRegent.com Limited). In 1994, he became Chairman of the iRegent Group. Mr Mellon has over 20 years investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of a number of subsidiaries of the iRegent Group and funds managed by the Group, including closed-ended and Dublin-listed funds. Since the completion of a restructuring scheme of the iRegent Group and the Group's divestment in Charlemagne Capital Limited (formerly Regent Europe Limited) in June 2000 (the "Restructuring Scheme"), Mr Mellon has been non-executive Chairman of Charlemagne Capital Limited.

Anthony Robert Baillieu, aged 45, Australian and British, was appointed an independent non-executive Director of the Company in April 2001. He had a long career in insurance, stockbroking and asset management, with experience in the United Kingdom, Europe, Australia, the Middle East and Hong Kong. Having trained at Sedgwick Forbes in London, Mr Baillieu moved to Australia to form Fenchurch Insurance Brokers, which was eventually bought by Marsh & McLennon. He then joined Roach Tilley Grice, stockbrokers in Melbourne, becoming a partner responsible for establishing their offices in London, Singapore and Bahrain. Mr Baillieu was a founding director of Lowell Asset Management, a private Australian asset management and investment banking group. He also holds directorships and consultancies that span the fields of insurance and asset management. In 1992, Mr Baillieu established Anthony Baillieu and Associates (Hong Kong) Limited, an executive search firm specialising in financial services. He is a shareholder of Techpursuit.com Holdings Limited. Mr Baillieu is also director of a number of funds managed by the iRegent Group.

Chan Hung Kwan, Daniel, aged 38, Chinese, joined the iRegent Group in 1992 and was appointed the Finance Director of the Company in March 2001. Mr Chan is an Associate Member of the Australian Society of Accountants and has over 15 years' accounting experience including auditing and management accounting. He is also director of KoreaOnline Limited and its subsidiaries and a number of subsidiaries of the iRegent Group.

Report of the Directors (continued)

Directors (continued)

Peter Devas Everington, aged 43, British, has been the Group Investment and Marketing Director since December 1992. He has spent the last 21 years in asset management. Mr Everington commenced his career in fund management with GT Management Plc in 1980 managing UK equities. In 1982, he moved to GT's San Francisco-based subsidiary, where he joined James Mellon. In 1984, Mr Everington moved to Hong Kong to join Thornton Management (Asia) Limited, again to work with James Mellon managing Asian investments. In 1988, Mr Everington became Investment Director for Thornton Management (Asia) Limited with overall responsibility for investments and investment strategy for all Asian funds, and, in September 1992, joined the iRegent Group as Managing Director of Regent Fund Management Limited. He has a Bachelor of Arts degree in Engineering from Cambridge University. Mr Everington is also a director and Chief Executive Officer of KoreaOnline Limited and its subsidiaries and a director of a number of subsidiaries of the iRegent Group and funds managed by the Group, including closed-ended and Dublin-listed funds.

Julian Peter Mayo, aged 40, British, was appointed as the alternate to James Mellon in March 2001. He graduated from Bristol University with a Bachelor of Science in Economics and was a trainee portfolio manager with Schroders Asia in 1983 before joining Thornton Management (Asia) in 1985. After four years in Hong Kong, he moved to Japan where he ran Thornton's Tokyo operation. He moved to London over three years later to head European marketing division of Thornton Investment Management, where he was appointed a director in 1993. Mr Mayo joined the iRegent Group in May 1996 as a director of Regent Pacific Corporate Finance Limited. He was responsible for opening iRegent's Tokyo office in 1997. In 1999 Mr Mayo returned to Hong Kong as Managing Director of the iRegent Group's Hong Kong operation, responsible for iRegent's investment management business. He is also director of a number of subsidiaries of the iRegent Group.

David McMahon, aged 47, British, was appointed the Group Finance Director and the Managing Director of the iRegent Group's Isle of Man office in January 1999. Upon completion of the Restructuring Scheme, Mr McMahon became a non-executive Director of iRegent Group Limited. Since then, he has been the Finance Director of Charlemagne Capital Limited. Mr McMahon is a fellow of the Institute of Chartered Accountants in England and Wales. After qualifying as a Chartered Accountant in 1977, he joined a Manchester based mutual insurance Company, eventually becoming treasurer and finance director before becoming general manager of Templeton Life Assurance Limited in 1990. He also became Chief Financial Officer of Templeton's European businesses. He joined the iRegent Group in February 1998.

Jayne Allison Sutcliffe, aged 37, British, was appointed the Group Corporate Finance Director in August 1991. Upon completion of the Restructuring Scheme, Mrs Sutcliffe became a non-executive Director of iRegent Group Limited. Since then, she has been the Chief Executive of Charlemagne Capital Limited. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded the iRegent Group in 1990 where she established, and was responsible for, iRegent's corporate finance activities. She has a Master's degree in Theology from Oxford University.

Alexander Anderson Whamond, aged 41, British, was appointed an executive Director in January 1999. In June 2000, he relinquished his executive role and duties in the Group but has remained a non-executive Director of the Company since then. Mr Whamond commenced his career in 1982 with White Weld Securities Limited. He subsequently worked at both Salomon Brothers and Morgan Stanley International in London. Prior to joining the iRegent Group in March 1998 as the head of the Group's head of Corporate Investments, Mr Whamond was a Managing Director of Peregrine Securities International Limited and a member of the executive committee of Peregrine Investment Holdings Limited. He is also director of certain funds managed by the iRegent Group.

Report of the Directors (continued)

Directors (continued)

Errol Stanley Williams, aged 47, New Zealander, was appointed an independent non-executive Director of the Company in March 2001. He has served on numerous boards of various computer companies in Asia, Australia, New Zealand and the United States of America. He formerly was the Chairman and major shareholder of Sharp Corporation N Z Limited, Trilogy Corporation Ltd, a worldwide computer services company, and also served as a director and major shareholder of the National Business Review, the major financial publication in New Zealand. Mr Williams studied for a Bachelor of Commerce degree from the University of Canterbury, New Zealand.

Directors' Interests in Securities and Options

As at 31 March 2001, the beneficial interests of the Directors in the securities of the Company or of any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) or in any rights to subscribe for the equity securities of the Company or of any of its associated corporations, which have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein were as follows:–

1. Securities of the Company

a. Ordinary shares of US$0.01 each

		Number of shares and nature of interests				
Name of Director	Note	Personal interests	Family interests	Corporate Interests	Other interests	Total interests
James Mellon	A,B&C	36,588,500	–	–	219,467,083	256,055,583
Anthony Baillieu *(appointed on 22 April 2001)*	D	–	–	–	–	–
Daniel Chan	E	1,800,000	2,150,000	–	–	3,950,000
Peter Everington	F&G	–	24,450,000	–	24,841,210	49,291,210
Julian Mayo *(alternate to James Mellon)*		229,686	–	–	–	229,686
David McMahon	H	–	–	–	5,000,000	5,000,000
David Paterson	I	–	–	–	1,000,000	1,000,000
Jayne Sutcliffe	J	14,727,260	–	–	24,000,000	38,727,260
Anderson Whamond		5,000,000	–	–	–	5,000,000
Errol Williams		–	–	–	–	–

Report of the Directors (continued)

Directors' Interests in Securities and Options (continued)

b. Warrants 2003 (note K)

Name of Director	Note	Number of warrants and nature of interests Personal interests	Family interests	Corporate Interests	Other interests	Total interests
James Mellon	A&B	6,817,700	–	–	61,239,046	68,056,746
Anthony Baillieu *(appointed on 22 April 2001)*	D	–	–	–	–	–
Daniel Chan	E	360,000	430,000	–	–	790,000
Peter Everington	F&G	–	4,890,000	–	4,968,242	9,858,242
Julian Mayo *(alternate to James Mellon)*		1,047,909	–	–	–	1,047,909
David McMahon		1,000,000	–	–	–	1,000,000
David Paterson	I	–	–	–	200,000	200,000
Jayne Sutcliffe	J	2,945,452	–	–	4,800,000	7,745,452
Anderson Whamond		1,000,000	–	–	–	1,000,000
Errol Williams		–	–	–	–	–

2. Securities of associated corporations (note L)

Name of Director	Note	Number of shares in the respective associated corporations AstroEast.com Limited	bigsave Holdings plc	KoreaOnline Limited	Techpursuit.com Holdings Limited
James Mellon		–	–	–	–
Anthony Baillieu *(appointed on 22 April 2001)*	D	–	–	–	–
Daniel Chan		–	50	–	–
Peter Everington	F	300,000	–	73,970	–
Julian Mayo *(alternate to James Mellon)*		75,000	200,050	–	–
David McMahon		–	174,000	–	–
David Paterson	I	150,000	100,000	–	–
Jayne Sutcliffe	J	150,000	350,000	–	–
Anderson Whamond		150,000	350,000	–	–
Errol Williams		–	–	–	–

Report of the Directors (continued)

Directors' Interests in Securities and Options (continued)

3. Options of the Company

As at 31 March 2001, the following Directors of the Company had personal interests in options granted under the employee share option scheme of the Company (the "iRegent Share Option Scheme"), entitling them to subscribe for shares of US$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:–

Name of Director	Note	Date of grant	Number of shares subject to the option	Subscription price per share	Exercisable period	Consideration for grant of option
Daniel Chan	M	12 October 2000	300,000	HK$1.060	12 October 2001 – 11 October 2005	HK$10.00
Julian Mayo	N	12 April 1996	2,636,984	HK$1.000	12 April 1999 – 12 April 2001	HK$10.00
David Paterson	I	23 May 2000	1,000,000	HK$1.600	23 May 2003 – 22 May 2005	HK$10.00
	I	13 December 2000	1,320,000	HK$0.600	13 December 2001 – 12 December 2005	HK$10.00

During the year, certain Directors of the Company exercised their entire rights under the respective options granted to them pursuant to the iRegent Share Option Scheme and subscribed for shares in the Company. Details of such subscriptions are set out below:–

Name of Director	Date of grant	Consideration for grant of option	Date of exercise	Number of shares subscribed	Subscription price per share	Date of allotment
Chang-Mo Bae *(resigned on 30 November 2000)*	7 December 1999	HK$10.00	21 April 2000	500,000	HK$1.400	28 April 2000
Chang-Kon Koh *(resigned on 22 November 2000)*	30 September 1999	HK$10.00	18 April 2000	2,500,000	HK$1.180	19 April 2000
				2,500,000	HK$1.400	19 April 2000
David McMahon	5 October 1999	HK$10.00	10 April 2000	2,000,000	HK$1.180	18 April 2000
				3,000,000	HK$1.400	18 April 2000
Robert Owen *(resigned on 24 November 2000)*	28 September 1999	HK$10.00	31 March 2000	1,500,000	HK$1.180	26 April 2000
Anderson Whamond	5 October 1999	HK$10.00	8 April 2000	3,000,000	HK$1.180	25 April 2000
				2,000,000	HK$1.400	25 April 2000

Report of the Directors (continued)

Directors' Interests in Securities and Options (continued)

4. Options of KoreaOnline Limited

As at 31 March 2001, the following Directors of the Company had personal interests in options granted under the employee share option scheme of KoreaOnline Limited (the "KoreaOnline Share Option Scheme"), entitling them to subscribe for shares of US$0.10 each in the capital of KoreaOnline Limited in accordance with, and subject to, the terms of the scheme:–

Name of Director	Note	Date of grant	Number of shares subject to the option	Subscription price per share	Exercisable period	Consideration for grant of option
Peter Everington		19 May 2000	487,500	US$13.000	19 May 2001 – 18 May 2005	HK$10.00
		6 October 2000	512,500	US$11.500	6 October 2001 – 5 October 2005	HK$10.00
Julian Mayo		18 May 2000	156,000	US$13.000	18 May 2001 – 17 May 2005	HK$10.00
David Paterson	I	13 December 2000	100,000	US$10.000	13 December 2001 – 12 December 2005	HK$10.00

Notes

A 84,846,870 shares in the Company and 16,969,374 units of Warrants 2003 under "other interests" are held by the trustee of a settlement, under which James Mellon has a life interest.

B 134,620,213 shares in the Company and 44,269,672 units of Warrants 2003 under "other interests" are held by Indigo Securities Limited, which is indirectly wholly-owned by the trustee referred to in note A above. Indigo Securities Limited also holds 86,728,147 non-voting convertible deferred shares in the Company.

C In April 2001, James Mellon further acquired 500,000 shares in the Company.

D Anthony Baillieu was appointed a Director of the Company on 22 April 2001. Upon his appointment, Mr Baillieu disclosed his interests in 200,000 shares in the Company and 40,000 units of Warrants 2003, through Aldeburgh Pty Ltd. Aldeburgh Pty Ltd is a nominee company owned by the family of Anthony Baillieu, through which shares and cash are held to individual family members' accounts. The 200,000 shares in the Company and 40,000 units of Warrants 2003 are held in Anthony Baillieu's individual account.

Mr Baillieu also disclosed his interests in 95,560 shares in AstroEast.com Limited, 100,000 shares in bigsave Holdings plc and 400,000 shares in Techpursuit.com Holdings Limited, through Anthony Baillieu & Associates Limited, which is in turn 80% beneficially owned by Anthony Baillieu.

E The 2,150,000 shares in the Company and 430,000 units of Warrants 2003 under "family interests" are held by the wife of Daniel Chan.

F The 24,450,000 shares in the Company and 4,890,000 units of Warrants 2003 under "family interests" are held by the wife of Peter Everington.

The 300,000 shares in AstroEast.com Limited are also held by Mrs Everington.

Report of the Directors (continued)

Directors' Interests in Securities and Options (continued)

G The 24,841,210 shares in the Company and 4,968,242 units of Warrants 2003 under "other interests" are held by the trustee of a discretionary trust, the beneficiaries of which are the wife and children of Peter Everington.

H The 5,000,000 shares in the Company under "other interests" are held by a pension fund, of which David McMahon is the sole beneficiary.

I The 1,000,000 shares in the Company and 200,000 units of Warrants 2003 under "other interests" are held by a trust, of which David Paterson is the sole beneficiary.

The 150,000 shares in AstroEast.com Limited and the 100,000 shares in bigsave Holdings plc are held by the trust referred to above in this note, which also holds 100,000 units of Series "C" warrants of bigsave Holdings plc.

David Paterson resigned as a Director of the Company on 22 April 2001, and all his outstanding options under the iRegent Share Option Scheme and the KoreaOnline Share Option Scheme lapsed upon his resignation. Since then, Mr Paterson ceased to have disclosure obligations under the SDI Ordinance in respect of his interests in the Company.

J The 24,000,000 shares in the Company and 4,800,000 units of Warrants 2003 under "other interests" are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.

The 350,000 shares in bigsave Holdings plc are held by the trustee referred to above in this note.

K On 9 June 2000, the Company issued and allotted, by way of bonus, an aggregate of 237,882,087 units of registered warrants exercisable during the period from 9 June 2000 up to and including 30 June 2003, both days inclusive, at an initial subscription price of HK$2.80, subject to adjustment, for each share of US$0.01 in the Company to its shareholders whose names appeared in its Register of Members at 9:00 am on 17 May 2000 in the proportion of one unit of warrant for every five shares in the Company then held.

L Upon completion on 16 May 2000 of the acquisition by the Company of 41,500 shares in, being the entire issued share capital of, Interman Holdings Limited pursuant to a sale and purchase agreement dated 15 March 2000 (as novated by a novation deed dated 5 April 2000 and further amended by a supplemental agreement dated 15 May 2000), AstroEast.com Limited and bigsave Holdings plc (formerly BigSave.com Limited) became associated corporations of the Company under the SDI Ordinance. In March 2001, AstroEast.com Limited became an indirect 51% owned subsidiary of the Company.

Upon completion of the placing of 9,000,000 new shares of US$0.10 each in KoreaOnline Limited, which was originally a direct 60% owned subsidiary of the Company, KoreaOnline Limited became an associated company of the Company in March 2000.

Report of the Directors (continued)

Directors' Interests in Securities and Options (continued)

Upon distribution of the second interim dividend of HK$0.12 per share (with an alternative by way of a distribution in specie of one share in Charlemagne Capital Limited (then known as Regent Europe Limited) for every share held in the Company) declared by the Company for the year ended 31 March 2000 and paid on 9 June 2000, Charlemagne Capital Limited became an associated company of the Company. On 30 March 2001, the Company ceased to have any interests in Charlemagne Capital Limited upon completion of a share repurchase agreement of the same date entered into between Charlemagne Capital Limited and the Company.

Techpursuit.com Holdings Limited is a joint venture established in the Cayman Islands with limited liabilities, of which the Company has an indirect 20% interest. Anthony Baillieu holds a 40% interest in Techpursuit.com Holdings Limited, through Anthony Baillieu & Associates Limited which is in turn 80% beneficially owned by Anthony Baillieu.

M On 7 April 2001, Daniel Chan was further granted an option under the iRegent Share Option Scheme, which entitles him to subscribe for 2,500,000 shares in the Company at a subscription price of US$0.160 per share during the exercisable period from 7 April 2002 to 6 April 2006. A consideration of HK$10 was paid for the grant of such option.

N The outstanding option held by Julian Mayo, being the remaining balance of the option granted to him on 12 April 1996 under the iRegent Share Option Scheme, in respect of 2,636,984 shares in the Company at the subscription price of HK$1.000 per share exercisable during the period from 12 April 1999 to 12 April 2001 lapsed on 12 April 2001 without being exercised.

On 10 April 2001, Julian Mayo was granted an option under the iRegent Share Option Scheme, which entitles him to subscribe for 750,000 shares in the Company at a subscription price of US$0.160 per share during the exercisable period from 10 April 2002 to 9 April 2006. A consideration of HK$10 was paid for the grant of such option.

On 27 April 2001, Julian Mayo was further granted an option under the iRegent Share Option Scheme, which entitles him to subscribe for 500,000 shares in the Company at a subscription price of US$0.160 per share during the exercisable period from 27 April 2002 to 26 April 2006. A consideration of HK$10 was paid for the grant of such option.

Save as disclosed herein, as at 31 March 2001 none of the Directors (and their associates) had any interest in the equity securities of the Company or of any of its associated corporations (within the meaning of the SDI Ordinance) or in any rights to subscribe for the equity securities of the Company or of any of its associated corporations, which have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance and the Listing Rules (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Report of the Directors (continued)

Director's Service Contracts

The Group has entered into a service contract with each of the following Directors for the provision of management services by these Directors to the Group:–

James Mellon
Peter Everington

The initial term of the service contracts relating to these Directors expired on 31 March 2000 and they are now terminable by either party upon the giving of 6 months' notice.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not terminable by the Company within one year without payment other than statutory compensation.

Directors' Interests in Contracts

Save for those disclosed in note 33 to the Financial Statements, no contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, subsisted at 31 March 2001 or at any time during the year.

Directors' Interests in Competing Businesses

The Directors, except for the independent non-executive Directors who are not subject to the disclosure requirement under Rule 8.10 of the Listing Rules, declared that they are not interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

Management Contracts

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, with the Company subsisted as at 31 March 2001 or any time during the year, whereby any individual, firm or body corporate undertook the management and administration of the whole or any substantial part of any business of the Company.

Substantial Shareholders

As at 31 March 2001, James Mellon, the Chairman of the Board of Directors of the Company, had interests in more than 10% of the total issued voting share capital of the Company as recorded in the Register of Substantial Shareholders' Interests kept by the Company pursuant to Section 16(1) of the SDI Ordinance. Details of James Mellon's interests are set out under the section headed "Directors' Interests in Securities and Options".

Save for such interests, the Directors are not aware of any person being interested in at least 10% of the total issued voting share capital of the Company as at 31 March 2001 as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance.

Report of the Directors (continued)

Borrowings

Details of bank borrowings of the Company and the Group are set out in note 25 to the Financial Statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Retirement Scheme

Details of the retirement scheme of the Group are set out in note 29 to the Financial Statements.

Major Customers and Suppliers

Particulars of the Group's major customers and suppliers are given in note 32 to the Financial Statements.

Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the non-executive Directors of the Company are not appointed for specific terms.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

James Mellon
Chairman

Hong Kong, 31 August 2001

Management's Discussion and Analysis of the Group's Performance

Revenue and Profits

The Group recorded a loss attributable to shareholders of US$98 million (2000: profit US$86 million) in the year to 31 March 2001. Detailed analysis of these figures can be seen in the audited consolidated profit and loss account. As indicated in the Review and Prospects section, these figures are not strictly comparable as the nature of the Group has changed considerably in the intervening period. Most notably the Group has (1) distributed through a dividend to shareholders 80% of its holding in the Eastern European business of Regent Europe Limited and sold the remaining 20% for cancellation on 30 March 2001, (2) acquired the whole of Interman Holdings Limited, including the 65% owned subsidiary bigsave Holdings plc, and (3) through the Korean associate, KoreaOnline Limited ("KOL"), seen the effect of the acquisition of a number of business interests, notably in merchant banking and insurance, which it did not have throughout the whole of the comparative period. KOL also acquired control of Ileun Securities Co Ltd during the year.

39% of the loss is primarily related to activities in Korea through KOL, which is responsible for US$38.7 million in post tax losses inclusive of goodwill impairment of US$32.9 million. There were a number of reasons for this loss including the impact of inherited book of high loss ratio business and restructuring costs within Regent Insurance Co Ltd, additional costs of developing an e-commerce platform for the Korean operations and the effect of structural problems within the Korean economy generally which led to depressed operating conditions for financial services. Additionally, KOL suffered significant losses due to exposures from loans obtained by deception within its associate, Regent Merchant Bank and subsidiary, Regent Securities Co Ltd. Subsequent to the year end, Regent Merchant Bank was merged with Tong Yang Investment Bank and the businesses involved in insurance and asset management ceased to operate with appropriate provision being made for their closure. During the corresponding period last year the Group recorded profits both from its stake in the local operating businesses, now part of KOL, and from the profitable disposal of part of its stake in the businesses when KOL was created.

Additionally the Group has recorded losses of approximately US$39.6 million, inclusive of goodwill impairment of US$36.5 million, net of minority interests, from ownership of its internet retailing subsidiary bigsave Holdings plc. Ownership of this entity commenced in May 2000 and, whilst modest initial operating losses were anticipated at the time of purchase, the environment for e-commerce has worsened significantly. This has necessitated a change of strategy and the management of this subsidiary have decided to restructure its operation leading to the closure of several of its operations. The closure costs are fully provided within these losses.

Other activities of the Group including asset management, particularly in private equity, and the holding of stakes in technology related enterprises produced a loss after taxation of US$20 million. This includes prudent provisioning on a portfolio basis in the expectation that certain of the technology stakes will be the source of a loss to the Group in due course.

Costs

The Group has always taken care to keep its operational costs as low as possible, conducive with efficient operations. At the end of the period under review the number of employees involved with wholly owned core business amounted to 23. The group of bigsave Holdings plc, whose results are consolidated, employed 37. A bonus scheme is operated for the core staff based on a percentage of profits earned. No provision for bonuses has been made for the year.

Management's Discussion and Analysis of the Group's Performance (continued)

Taxation

Although the losses incurred in the current year mean that taxation provisions are not required, certain enquiries lead the Directors to believe that it is prudent to provide against tax on profits of previous years. Although the Group denies any liability, a provision has been made as disclosed in note 10 for tax liabilities which may arise in future in respect of past profits.

Goodwill

As disclosed in note 8, the Group has decided that the changes to the structure of the KOL group, in particular as they relate to Regent Insurance Co Ltd, necessitated the formal write off of goodwill attributed to this associate. Accordingly US$49 million has been written off through the profit and loss account and has been offset against the exceptional gain arising as a result of the discontinuance of this business within KOL. The goodwill involved had previously been fully offset directly against reserves and, as a result, this action has no net effect on shareholders' funds.

Additionally, due to the restructuring within bigsave Holdings plc, the major asset of Interman Holdings Limited when it was acquired in May 2000, the Group has also decided to write off all attributable goodwill in a similar manner. Accordingly US$36.5 million has been written off through the profit and loss account. As with the KOL goodwill, the amount involved had previously been fully offset directly against reserves and, as a result, this action has no net effect on shareholders' funds. In this case, shareholders should also note that the consideration for the acquisition was met wholly by the issue of new shares at a premium as shown in note 28.

As the remaining goodwill in relation to other assets amounted to US$3 million, a relatively small amount by comparison, the Group has also decided to write off all remaining goodwill through the profit and loss account at the same time. Full details of movements in goodwill can be seen in note 8.

Shareholders might also care to note that the accounting treatment for future purchased goodwill requires that it be capitalised and amortised where the transaction took place after 1 April 2001. This is a result of a change in Hong Kong GAAP. The Group now as a result carries no goodwill on its balance sheet.

Balance Sheet

The largest single investment of the Group is its stake in KOL which was responsible for some 75% of the total shareholders' funds at 31 March 2001 under the Group's accounting policies.

The majority of the remaining Group assets comprise 26 technology related investments managed under the branding of Interman. These are also held as part of the Group's activity of assisting in the development of e-commerce platforms.

The Group had borrowings of US$7.5 million at the date of the balance sheet which had all been advanced to KOL to assist it in its operation as indicated in the interim report. Appropriate security was in place and the amount has been fully repaid.

Management's Discussion and Analysis of the Group's Performance (continued)

Changes to Investments

The distribution of Regent Europe Limited (now Charlemagne Capital Limited), as an in specie alternative to a cash dividend, was completed in June 2000. The total amount of the dividend, which was accrued in last year's annual financial statements, was US$23.3 million. The calculation of the dividend is based on the relative proportions of those shareholders who chose HK17 cents of tangible value by taking an in specie distribution and those who took HK12 cents in cash. The purchase arrangements in respect of the dividend to which certain Directors of the Company were parties, as outlined in the circular to shareholders, gave rise to a loss of US$1.1 million which has been charged to the profit and loss account. This represents the difference between HK17 cents and HK12 cents on those shares involved. Accordingly, the total reduction in shareholders' funds was US$24.4 million. If all shareholders had chosen the in specie alternative, the maximum amount would have been US$25.9 million.

On 31 March 2001, the Group elected to sell the remaining stake in Regent Europe Limited back to that company for cancellation at a price slightly above the carrying value. This realised a net cash inflow of US$3.45 million for the Group, representing the aggregate purchase consideration at US$6.3 million and the deduction of (i) an amount of US$2.1 million being the total estimated debt due and owing from the Company to Regent Europe Limited as at 31 January 2001 and (ii) an amount of US$750,000 due and owing from the Company to Regent Europe Limited arising from the retention by a custodian of cash due to Regent Europe Limited for the purpose of reducing borrowings of the Company.

The acquisition of Interman Holdings Limited in May 2000 brought a broadly based portfolio of technology ventures within the ownership of the Group. Allowing for changes to the purchase consideration for accounting purposes based on a revised share price for the Group as disclosed in note 34, the overall value of the purchase was US$45.5 million of which US$36.5 million had been transferred to goodwill reserves. In view of the general climate relating to such ventures and the provisions made by the Group, the Directors have decided to write off the goodwill through the profit and loss account.

On 19 March 2001, the Group sold Dynamic Value Group Limited, a wholly owned subsidiary of Interman Holdings Limited, to AstroEast.com Limited, an associated company, in exchange for new shares. In conjunction with shares purchased for cash in an underwritten rights issue of AstroEast.com Limited this company became a subsidiary (51% owned) on that date. Goodwill of US$1.5 million resulted from this transaction which has been written off through the profit and loss account.

Management's Discussion and Analysis of the Group's Performance (continued)

Future Funding

As at 31 March 2001, the Group had borrowings of US$7.5 million on an overdraft facility which had been used to provide working capital to KOL. The loan is secured by an assignment of the debt due to the Group by virtue of loan made by the Group to KoreaOnline (Labuan) Limited, a wholly-owned subsidiary of KOL, and a pledge over 25,000,000 shares in Regent Securities Co Ltd being held by RPG (L) Ltd, a wholly-owned subsidiary of KoreaOnline (Labuan) Limited, and guaranteed by RPG (L) Ltd and KoreaOnline (Labuan) Limited. The amount has been fully repaid.

KOL has subsidiaries which borrow on a secured and unsecured basis from time to time. At 31 March 2001, total borrowings in KOL's consolidated balance sheet were US$1.5 million.

It is possible that businesses which are either subsidiaries or associates of the Group may require funding as their businesses are developed. It is expected that the bulk of such funding will be obtained from external sources but, dependent upon amount and duration, it may be that funding will be made available by the Group from its internal resources or bank borrowings.

Management of Risks

The change in the nature of the Group's activities mean that its primary risk is linked to the operations and market exposures of its subsidiaries and associates. In KOL's case the exposure is to the Korean economy, its currency and its credit and equity markets. The responsibility for management of these risks rest with KOL management. The Company will monitor its exposure through working closely with KOL management.

Through investments of Interman Holdings Limited in technology related ventures, the Group is exposed to the technology sector. The viability of the business model of these companies and the ability to control their operating cash requirements are key to their development and hence the value of the Group's investment in them. The Group's specialist investment managers closely monitor the operations and performance of these companies.

The Group has not taken any currency hedge against the investments in Korea and through Interman Holdings Limited. This is because it has taken a long term view and a hedge against such positions would not be cost effective.

In general terms, the Group will operate both equity market and currency hedges from time to time partly for hedging purposes and partly on a speculative basis. Speculative 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 2001, the amount of these margin deposits was US$6,000 (31 March 2000: US$771,000).

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

Report of the Auditors

To the shareholders of iRegent Group Limited (formerly Regent Pacific Group Limited and iRegent.com Limited) (incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 75, which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Chartered Accountants
Isle of Man

31 August 2001

Consolidated Profit and Loss Account

	Note	2001 US$'000	2000 US$'000
Turnover:	3		
Asset management, corporate finance, property management and stockbroking		7,904	*22,585*
Corporate investment income and realised and unrealised gains and losses		(11,301)	*32,073*
Internet retailing		2,653	*–*
		(744)	*54,658*
Expenses:			
Personnel costs		(6,831)	*(30,358)*
Marketing costs and commissions		(3,123)	*(3,404)*
Cost of internet goods sold		(2,780)	*–*
Other costs	4	(9,141)	*(6,171)*
		(22,619)	*14,725*
Share of (losses)/profits of associated companies		(53,440)	*32,178*
Operating (loss)/profit on core activities	4	(76,059)	*46,903*
Profits on sale of interests in associated companies	5	18,845	*57,325*
Profit/(Loss) on deemed disposal of subsidiary	6	1,926	*(5,385)*
Exceptional gain on discontinuance of activity in associated company	7	29,186	*–*
Impairment of goodwill on discontinuance of activity in associated company	8	(49,026)	*–*
Other impairment of goodwill	8	(23,124)	*–*
Operating (loss)/profit from ordinary activities	4	(98,252)	*98,843*
Finance costs – interest on bank overdraft		(358)	*(462)*
(Loss)/Profit before taxation		(98,610)	*98,381*
Taxation	10	(2,840)	*(12,283)*
(Loss)/Profit after taxation		(101,450)	*86,098*
Minority interests		3,119	*(534)*
Net (loss)/profit attributable to shareholders	11	**(98,331)**	***85,564***
Retained profits at beginning of year		63,800	*17,010*
Transfer to capital redemption reserve	28	(25)	*(36)*
Transfer from goodwill reserve on dividend distribution	28	(5,794)	*–*
		(40,350)	*102,538*
Dividends	12	–	*(38,738)*
Retained (loss)/profit at the end of the year	28	**(40,350)**	***63,800***

	Note	US cents	US cents
(Loss)/Earnings per share			
– Basic	13	(8.5)	*9.3*
Dividends per share	12	–	*4.2*

The notes on pages 34 to 75 form an integral part of these financial statements.

Consolidated Statement of Recognised Gains and Losses

	2001 US$'000	2000 US$'000
Movements in exchange differences on the translation of the financial statements of entities not accounted for in United States dollars	(10,844)	*1,829*
Increase in revaluation reserve within associated company	3,735	–
Net (loss)/profit for the year	(98,331)	*85,564*
Total recognised gains and losses	**(105,440)**	***87,393***
Movement on goodwill taken directly to/(from) reserves	20,099	*(37,739)*
	(85,341)	*49,654*

The notes on pages 34 to 75 form an integral part of these financial statements.

Consolidated Balance Sheet

	Note	2001 US$'000	2000 US$'000
Fixed assets: plant and equipment	14	971	*790*
Intangible assets	15	628	–
Interests in associated companies	17	64,332	*90,256*
Interest in jointly controlled entity	17	–	*2,350*
Other non-current financial assets	18	10,276	*16,237*
Total non-current assets		76,207	*109,633*
Deferred taxation	20	–	*(143)*
General tax provision	10	(2,500)	–
Net non–current assets		73,707	*109,490*
Current assets:			
Cash and bank balances	21	3,314	*8,442*
Current investments	18	1,133	*32,469*
Accounts receivable	22	514	*26,638*
Due from associated company	23	12,827	–
Due from related party	24	2,039	–
Prepayments, deposits and other receivables		1,741	*3,810*
Stock		212	–
		21,780	*71,359*
Current liabilities:			
Bank borrowings	25	(7,543)	–
Tax payable	10	–	*(1,547)*
Accounts payable, accruals and other payables	26	(2,283)	*(31,672)*
Proposed interim dividends		–	*(29,272)*
		(9,826)	*(62,491)*
Net current assets		11,954	*8,868*
Net assets		**85,661**	***118,358***
Share capital	27	11,869	*9,268*
Reserves	28	72,202	*109,036*
Shareholders' equity		**84,071**	***118,304***
Minority interests		1,590	*54*
Capital and reserves		**85,661**	***118,358***

Approved by the Board of Directors on 31 August 2001

James Mellon
Chairman

Daniel Chan
Director

The notes on pages 34 to 75 form an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	2001 US$'000	2000 US$'000
Net cash outflow from operating activities	30a	(10,733)	*(14,654)*
Returns on investments and servicing of finance:			
Net interest received		187	*685*
Dividends paid to shareholders		(12,295)	*(15,376)*
Net cash outflow from returns on investments and servicing of finance		(12,108)	*(14,691)*
Taxation:			
Hong Kong and overseas profits tax paid		(172)	*(1,013)*
Investing activities:			
Purchase of other non-current financial assets		(5,500)	*(3,208)*
Net sale of current investments		12,081	*34,304*
Purchase of fixed assets		(519)	*(284)*
Purchase of interests in associated companies		(33)	*(43,298)*
Purchase of interests in jointly controlled entity		–	*(2,350)*
Purchase of subsidiaries	30b	3,691	*(12)*
Purchase of intangible assets		(257)	–
Distribution of subsidiary	30c	(7,678)	–
Cash received on deemed disposal of subsidiary		2,357	–
Proceeds from disposal of other non-current financial assets		2,279	*231*
Proceeds from disposal of fixed assets		14	–
Proceeds from disposal of associated companies		8,837	*37,878*
Loan to related party		(2,039)	–
Loan to associated company		(8,500)	–
Net cash inflow from investing activities		4,733	*23,261*
Net cash outflow before financing – Carried forward		(18,280)	*(7,097)*

The notes on pages 34 to 75 form an integral part of these financial statements.

Consolidated Cash Flow Statement (continued)

	Note	2001 US$'000	2000 US$'000
Net cash outflow before financing – brought forward		(18,280)	*(7,097)*
Financing:	30d		
Issue of shares		6,092	*2,242*
Repurchase of shares		(483)	*(1,353)*
Net cash inflow from financing activities		5,609	*889*
Decrease in cash and cash equivalents		**(12,671)**	***(6,208)***
Cash and cash equivalents at beginning of year		8,442	*14,650*
Cash and cash equivalents at end of year		(4,229)	*8,442*
Composition of cash and cash equivalents:			
Cash and bank balances		3,314	*8,442*
Bank borrowings		(7,543)	–
Cash and bank balances		(4,229)	*8,442*

The notes on pages 34 to 75 form an integral part of these financial statements.

Company Balance Sheet

	Note	2001 US$'000	2000 US$'000
Interests in subsidiaries	16	4,579	*23,643*
Interests in associated companies	17	64,060	*92,028*
Other non-current financial assets	18	2,167	*4,805*
Total non-current assets		70,806	*120,476*
Provision for guarantee to subsidiary	10	(2,500)	–
Net non-current assets		68,306	*120,476*
Current assets:			
Cash and bank balances	21	90	*985*
Accounts receivable	22	33	*1,815*
Due from subsidiaries		13,705	*30,493*
Due from associated company	23	12,802	–
Due from related party	24	2,039	–
Prepayments, deposits and other receivables		96	*114*
		28,765	*33,407*
Current liabilities:			
Bank borrowings	25	(7,543)	–
Accounts payable, accruals and other payables	26	(494)	*(9,536)*
Due to subsidiaries		(11,435)	*(8,560)*
Proposed interim dividends		–	*(29,272)*
		(19,472)	*(47,368)*
Net current assets/(liabilities)		9,293	*(13,961)*
Net assets		**77,599**	***106,515***
Share capital	27	11,869	*9,268*
Reserves	28	65,730	*97,247*
Shareholders' equity		**77,599**	***106,515***

Approved by the Board of Directors on 31 August 2001

James Mellon
Chairman

Daniel Chan
Director

The notes on pages 34 to 75 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

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 PO 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 the Frankfurt Stock Exchange.

The Company changed its name to iRegent Group Limited on 18 September 2000. It had previously been called iRegent.com Limited since 16 May 2000. Prior to this it had been called Regent Pacific Group Limited.

The nature of the Company's operations is as follows:

Asset management
Corporate finance
Corporate investment
Property management
Internet related retailing

2. Summary of Significant Accounting Policies

(a) Basis of accounting

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice and Interpretations, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The measurement basis used is historical cost modified by stating other investments at fair value, as explained in the accounting policy for investments below.

(b) Reporting currency

The reporting currency of the Group is United States dollars.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March each year. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

(d) Subsidiaries

A company is a subsidiary if more than 50% of the issued voting capital is held for long term investment purposes. Interests in subsidiaries comprise equity interest in, and long term loans to, those subsidiaries and are stated at cost unless, in the opinion of the Directors, there have been permanent diminutions in value, in which case they are written down to values determined by the Directors as being appropriate.

(e) Associated companies

An associated company is a company, not being a subsidiary, in which the Group has a long-term interest in a significant proportion of the equity voting rights and over which it is in a position to exercise significant influence.

Notes to the Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(e) Associated companies (continued)

The Group's share of the post-acquisition results and reserves of associated companies is included in the consolidated profit and loss account and consolidated reserves respectively. The Group's investments in associated companies 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 permanent diminution in value deemed necessary by the Directors.

The results of associated companies are included in the Company's profit and loss account to the extent of dividends received and receivable. The interests in associated companies are stated in the Company's balance sheet at cost, less any provisions for permanent diminution in value deemed necessary by the Directors.

When a company ceases to fall within the definition of an associated company, it is stated in the financial statements at the carrying amount under the equity method at the date it ceases to be an associated company, less any provisions for permanent diminution in value deemed necessary by the Directors.

(f) Jointly controlled entities

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest and which operates under a contractual arrangement between the Group and other parties.

Jointly controlled entities are equity accounted for as long-term investments, carried at cost initially and adjusted thereafter for the post acquisition change in the Group's share of net assets of the jointly controlled entity. The profit and loss account reflects the Group's share of the results of the jointly controlled entity.

(g) Investment in funds managed by subsidiaries

Certain group companies from time to time purchase shares in funds managed by the subsidiaries of the Company. Under certain circumstances such holdings can amount to over 20% of the issued share capital and occasionally more than 50%. Those holdings over 50% of the issued share capital, where control is intended to be temporary, are included within current investments in the balance sheet, rather than being treated as subsidiaries. Those holdings which are over 20% but not more than 50% of the issued share capital and which are intended to be temporary are included within current investments in the balance sheet, rather than being treated as associated companies. Such investments are held at fair value.

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each asset 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
Motor vehicles	3 years

Notes to the Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(h) Fixed assets and depreciation (continued)

The carrying amount of fixed assets carried at depreciated cost is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are discounted to their present values.

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

(i) Intangible assets

Intangible assets comprise intellectual property and a database of customer details used in the internet/catalogue retailing business. The intellectual property and database are amortised over two years.

(j) Investments

(i) Investment securities are stated in the balance sheet at cost less any provisions for diminution in value.

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

(ii) Other investments are stated in the balance sheet at fair value. Changes in fair value are recognised within turnover in the profit and loss account as they arise.

(iii) Profits or losses on disposal of investments in securities are accounted for within turnover in the profit and loss account as they arise.

(k) Stocks

Stocks consist of finished goods in the internet/catalogue retailing business and are valued at the lower of cost and net realisable value.

(l) Related parties

For the purposes of 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.

(m) Goodwill

Goodwill arising on consolidation of subsidiaries and on the acquisition of associated companies and businesses represents the difference between purchase consideration paid for subsidiaries/associated companies/businesses over the fair values ascribed to the net underlying assets acquired and is charged against reserves in the year of acquisition.

Notes to the Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(m) Goodwill (continued)

Upon disposal of such subsidiaries and associated companies, the relevant portion of attributable goodwill previously eliminated against reserves is accounted for in arriving at the gain or loss on disposal of the investment.

If the investment in such subsidiaries and associated companies is considered by the Directors to be impaired, the relevant portion of goodwill previously eliminated against reserves is accounted for in the profit and loss account.

(n) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals on operating leases are charged to the profit and loss account on a straight-line basis over the lease terms.

(o) Deferred taxation

Deferred taxation is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(p) Derivatives

Futures contracts and options are marked to market and unrealised gains or losses at the balance sheet date are recognised in the profit and loss account.

(q) Foreign currencies

The Company maintains its accounting records in United States dollars. Foreign currency transactions are recorded at the approximate 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 appropriate rates of exchange ruling at that date. Exchange differences are recognised in the profit and loss account.

Open foreign currency hedges are marked to market and unrealised gains or losses at the balance sheet date are recognised in the profit and loss account, unless the hedge is against a long term asset, when the unrealised gains or losses are recognised through the exchange fluctuation reserve.

On consolidation, the financial statements of consolidated subsidiaries and associated companies with reporting currencies other than United States dollars are translated into United States dollars at the exchange rates ruling at the balance sheet date. The resulting differences are included in the exchange fluctuation reserve.

(r) 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 profit and loss account as follows:–

(i) revenue from internet sales is recognised when the products are despatched to customers. Provision is made for sales returns based on historical experience and management expectation;

Notes to the Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(r) Revenue recognition (continued)

(ii) consultancy revenue is accounted for on an accrual basis;

(iii) investment management, advisory and administration fees; and placement, arrangement 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;

(iv) profit or loss on sale of current investments is recognised when the title is passed;

(v) interest is recognised on a time apportioned basis;

(vi) dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend;

(vii) stockbroking income is recognised as revenue on the transaction dates when the relevant contract notes are executed; and

(viii) property management revenue is recognised on an accrual basis.

(s) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or can be allocated on a reasonable basis to such activities. Due to the nature of the Group's research and development activities, no development costs satisfy the criteria for recognition as an asset. Research and development costs are therefore recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements (continued)

3. Turnover

Turnover for the year ended 31 March 2001

	North America US$'000	Asia Pacific US$'000	Australasia US$'000	Eastern Europe US$'000	Russia US$'000	Western Europe US$'000	Others US$'000	Total US$'000
Financial business:								
Asset management	–	5,461	488	425	484	233	77	7,168
Corporate finance	–	56	–	200	1	16	–	273
Corporate investment	146	(6,043)	9	(803)	(1,603)	(3,033)	26	(11,301)
Stockbroking	–	–	–	–	–	–	–	–
Non-financial business:								
Property management	–	–	–	463	–	–	–	463
Internet retailing	–	71	–	–	–	2,582	–	2,653
	146	(455)	497	285	(1,118)	(202)	103	(744)

Contribution for the year ended 31 March 2001

	North America US$'000	Asia Pacific US$'000	Australasia US$'000	Eastern Europe US$'000	Russia US$'000	Western Europe US$'000	Others US$'000	Total US$'000
Financial business:								
Asset management	–	3,270	288	250	285	281	93	4,467
Corporate finance	–	(152)	–	(538)	(2)	(42)	–	(734)
Corporate investment	162	(6,689)	10	(888)	(1,775)	(3,357)	28	(12,509)
Stockbroking	–	–	–	–	–	–	–	–
Non-financial business:								
Property management	–	–	–	215	–	–	–	215
Internet retailing	–	(221)	–	–	–	(8,047)	–	(8,268)
	162	(3,792)	298	(961)	(1,492)	(11,165)	121	(16,829)

Notes to the Consolidated Financial Statements (continued)

3. Turnover (continued)

Turnover for the year ended 31 March 2000

	North America US$'000	Asia Pacific US$'000	Australasia US$'000	Eastern Europe US$'000	Russia US$'000	Western Europe US$'000	Others US$'000	Total US$'000
Financial business:								
Asset management	1,744	7,429	411	6,387	1,641	503	–	18,115
Corporate finance	–	2,092	–	338	2	250	–	2,682
Corporate investment	4,506	(6,587)	(427)	26,658	14,945	(5,911)	(1,111)	32,073
Stockbroking	–	–	–	–	1,257	–	–	1,257
Non-financial business:								
Property management	–	–	–	531	–	–	–	531
Internet retailing	–	–	–	–	–	–	–	–
	6,250	2,934	(16)	33,914	17,845	(5,158)	(1,111)	54,658

Contribution for the year ended 31 March 2000

	North America US$'000	Asia Pacific US$'000	Australasia US$'000	Eastern Europe US$'000	Russia US$'000	Western Europe US$'000	Others US$'000	Total US$'000
Financial business:								
Asset management	475	2,021	112	1,737	446	136	1	4,928
Corporate finance	–	312	–	50	–	37	–	399
Corporate investment	3,347	(8,373)	(538)	19,806	11,104	(7,799)	(1,397)	16,150
Stockbroking	–	–	–	–	(1,532)	–	–	(1,532)
Non-financial business:								
Property management	–	–	–	(104)	–	–	–	(104)
Internet retailing	–	–	–	–	–	–	–	–
	3,822	(6,040)	(426)	21,489	10,018	(7,626)	(1,396)	19,841

Notes to the Consolidated Financial Statements (continued)

4. Operating (Loss)/Profit on Core Activities

The Group's operating (loss)/profit on core activities was arrived at:–

	2001 US$'000	2000 US$'000
After charging:		
Amortisation	640	–
Depreciation	499	*578*
Auditors' remuneration	230	*315*
Operating lease rental on property	706	*1,132*
Bad debts written off	377	–
Realised loss on disposal of current investments	12,493	*2,853*
Realised loss on disposal of other non-current financial assets	–	*17*
Provision for diminution in value of other financial assets	10,045	–
Unrealised loss on other non-current financial assets	657	–
Loss on disposal of fixed assets	68	*82*
And after crediting:		
Realised profit on disposal of other non-current financial assets	1,886	–
Unrealised profit on current investments	7,615	*35,479*
Unrealised profit on other non-current financial assets	–	*5,793*
Investment income from listed investments	46	*202*
Net interest income	187	*1,147*
Exchange gain, net	448	*11*

The total cost of services rendered for the year was US$5,154,000.

Notes to the Consolidated Financial Statements (continued)

4. Operating (Loss)/Profit on Core Activities (continued)

The effect on the consolidated results for the year ended 31 March 2001 of acquisitions and disposals of subsidiaries was as follows:–

	Continuing Operations		Discontinued Operations	
	Previously Existing US$'000	Acquisitions US$'000	Disposal or Distribution US$'000	Total US$'000
Turnover:				
Asset management	5,713	–	1,455	7,168
Corporate finance	41	–	232	273
Property management	–	–	463	463
Corporate investment	(5,365)	(3,594)	(2,342)	(11,301)
Internet retailing	–	2,653	–	2,653
	389	(941)	(192)	(744)
Expenses:				
Personnel costs	(3,678)	(2,255)	(898)	(6,831)
Marketing costs	(200)	(2,911)	(12)	(3,123)
Cost of internet goods sold	–	(2,780)	–	(2,780)
Other costs	(3,751)	(3,863)	(1,527)	(9,141)
	(7,240)	(12,750)	(2,629)	(22,619)
Exceptional items:				
Profit on sale of interests in associated companies (note 5)	–	–	18,845	18,845
Profit on deemed disposal of subsidiary (note 6)	–	–	1,926	1,926
Exceptional gain on discontinuance of activity in associated company (note 7)	–	–	29,186	29,186
Impairment of goodwill on discontinuance of activity in associated company (note 8)	–	–	(49,026)	(49,026)
Other impairment of goodwill (note 8)	15,088	(38,212)	–	(23,124)
	7,848	(50,962)	(1,698)	(44,812)
Share of (loss) of associated companies	(18,846)	(602)	(33,992)	(53,440)
	(10,998)	(51,564)	(35,690)	(98,252)

There is no breakdown of the results for the previous period, as there were no material acquisitions or disposals of subsidiaries.

Notes to the Consolidated Financial Statements (continued)

5. Profits on Sale of Interests in Associated Companies

The net consolidated profits on sales of interests in associated companies relate to:–

(a) On 20 March 2001, KoreaOnline Limited ("KOL") exercised a call option pursuant to an option agreement dated 7 November 2000 to acquire 8,000,000 "A" shares in SWKOL (Labuan) Limited from State of Wisconsin Investment Board ("SWIB"). In consideration of SWIB transferring such 8,000,000 "A" shares in SWKOL (Labuan) Limited, 6,000,000 new shares in KOL were issued to SWIB on 28 April 2001, which diluted the Company's holding in KOL to 40.2%. The exercise of this option increased the Group's share of the net assets of KOL, resulting in a deemed gain on disposal of US$19,566,000 after deducting goodwill of US$5,173,000. This matter was accounted for within the year ended 31 March 2001 as the terms of the call option were such that the exercise was irrevocable notwithstanding that the administration was incomplete at the end of the financial year.

(b) As indicated in note 33(4) certain directors of Charlemagne Capital Limited (then called Regent Europe Limited) entered into a share put option in relation to that company which was exercised in May 2000. As a result of the exercise, the Group incurred a loss of US$1,071,000.

(c) On 30 March 2001, the Group sold its remaining 20.56% stake in Charlemagne Capital Limited for US$6,271,000, realising a profit of US$350,000 above the then carrying value of the shareholding.

6. Profit on Deemed Disposal of Subsidiary

The profit on deemed disposal of subsidiary relates to the dilution of the Group's interest in bigsave Holdings plc (formerly BigSave.com Limited) due to the issue of further shares by bigsave Holdings plc to its minority shareholders.

7. Exceptional Gain on Discontinuance of Activity in Associated Company

Regent Insurance Co Ltd, a subsidiary of KoreaOnline Limited, had an overall deficit in shareholders' funds. The exceptional gain related to the reduction of the deficit on the discontinuance of its business.

8. Impairment of Goodwill

(a) Goodwill of US$38,632,000 previously eliminated against reserves relating to the investment in KoreaOnline Limited ("KOL"), an associated company, has been accounted for within the profit and loss account on the basis that the Directors consider its value has been impaired consequent on significant losses and the restructuring of that company. Of this amount, US$49,026,000 has been offset against the exceptional gain arising on discontinued activities within KOL and US$5,173,000 charged against deemed partial disposal of shareholding in KOL (note 5a). The credit balance of US$15,567,000 has been written off separately.

(b) Goodwill of US$36,488,000 arising as a result of the acquisition of Interman Holdings Limited and previously shown in the Group's interim figures as being eliminated against reserves has now been accounted for within the profit and loss account on the basis that the Directors consider its value has been impaired consequent on restructuring within bigsave Holdings plc, the major asset of Interman Holdings Limited.

(c) Net goodwill of US$2,203,000 arising as a result of a number of other acquisitions has been charged to the profit and loss account directly. Of this amount US$479,000 had previously been shown in published figures as being eliminated against reserves.

Notes to the Consolidated Financial Statements (continued)

8. Impairment of Goodwill (continued)

	2001 US$'000	2000 US$'000
Goodwill taken to reserves:		
Balance at 1 April 2000	25,893	*(11,846)*
Net goodwill arising on acquisitions	57,224	*37,739*
Transfer from goodwill reserve on dividend distribution	(5,794)	–
Balance at 31 March 2001	77,323	*25,893*
Charged to profit and loss account:		
On discontinuance of activities within KOL	(49,026)	–
Against deemed partial disposal of shareholding in KOL	(5,173)	–
Due to reorganisation of KOL	15,567	–
Due to impairment within Interman Holdings Limited	(36,488)	–
Other goodwill written off	(2,203)	–
Total included within reserves	–	*25,893*

9. Directors' and Highest Paid Individuals' Remuneration

Remuneration excludes amounts relating to share options (see note 27).

	2001 US$'000	2000 US$'000
Executive Directors:		
Fees	–	–
Basic salaries and other emoluments	1,542	*1,593*
Discretionary bonuses	–	*19,131*
Retirement scheme contributions	2	–
	1,544	*20,724*
Independent Non-Executive Directors:		
Fees	49	*64*
Discretionary bonuses	–	*226*
	49	*290*

Notes to the Consolidated Financial Statements (continued)

9. Directors' and Highest Paid Individuals' Remuneration (continued)

The remuneration of Directors, including remuneration in the period prior to their appointment, fell within the following bands:–

		Number of Directors 2001	2000
HK$Nil-HK$1,000,000	(US$Nil-US$128,419)	10	*2*
HK$1,500,001-HK$2,000,000	(US$192,629-US$256,838)	–	*1*
HK$2,000,001-HK$2,500,000	(US$256,839-US$321,048)	2	–
HK$3,000,001-HK$3,500,000	(US$385,605-US$449,871)	1	–
HK$5,500,001-HK$6,000,000	(US$642,097-US$770,515)	1	–
HK$11,000,001-HK$11,500,000	(US$1,412,620-US$1,476,820)	–	*1*
HK$13,500,001-HK$14,000,000	(US$1,733,659-US$1,797,868)	–	*1*
HK$15,000,001-HK$15,500,000	(US$1,926,288-US$1,990,497)	–	*1*
HK$30,500,001-HK$31,000,000	(US$3,916,785-US$3,980,994)	–	*1*
HK$37,500,001-HK$38,000,000	(US$4,815,719-US$4,879,928)	–	*1*
HK$52,500,001-HK$53,000,000	(US$6,742,006-US$6,806,215)	–	*1*
		14	*9*

The remuneration of the Directors appointed during the year ended 31 March 2001, in the period prior to their appointment (while they were acting as directors and officers of subsidiaries of the Company) amounted to US$324,000.

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, four (2000: 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 individual is as follows:–

	2001 US$'000
Basic salaries and other emoluments	242
Retirement scheme contributions	2
	244

The above remuneration of the employee fell within the following band:–

HK$1,500,001-HK$2,000,000 (US$192,629-US$256,838)	1

Notes to the Consolidated Financial Statements (continued)

10. Taxation

Profit and Loss Account:

	2001 US$'000	2000 US$'000
Group:		
Hong Kong profits tax for the year	–	–
Overseas taxation:		
Group subsidiaries	1,291	*1,314*
Share of tax of associated companies	1,549	*11,233*
Deferred taxation (note 20)	–	*(264)*
	2,840	*12,283*

No provision for Hong Kong profits tax has been made in the financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the year. Taxes on profits assessable in overseas countries have been calculated at the rates of taxation prevailing in such countries. Provision has been set aside in respect of all entities where the directors believe a liability exists.

Further to certain enquiries into the amount of tax paid by the Company and its subsidiaries in respect of its operations in some jurisdictions in previous years, the Directors have deemed it appropriate to make further general provisions of US$1.25 million against the possibility that further tax may become payable. The Company and its subsidiaries do not accept the existence of any liability in relation to this matter and will strongly contest any assessments made.

Balance Sheet:

	2001 US$'000	2000 US$'000
Group:		
Overseas taxation – non-current	2,500	–
Overseas taxation – current	–	*1,547*

As a Cayman Islands registered entity, the Company is not liable for any corporate taxes in the Cayman Islands.

As indicated above, the Group has set aside certain general provisions in this and previous years against potential liabilities. Such provisions now stand at US$2,500,000 and are guaranteed by the Company.

Provision for taxation of associated companies is not shown in the consolidated balance sheet.

11. Net (Loss)/Profit Attributable to Shareholders

The net loss attributable to shareholders dealt with in the financial statements of the Company amounted to US$80,024,000 (2000: profit of US$60,709,000).

Notes to the Consolidated Financial Statements (continued)

12. Dividends and Dividends per Share

	2001 US$'000	2000 US$'000
First interim dividend (2000: US1.0296 cents)	–	*9,466*
Second interim dividend (2000: US1.541 cents or a share in Regent Europe Limited)	–	*23,325*
Third interim dividend (2000: US0.5 cents)	–	*5,947*
	–	*38,738*

The Group does not intend to declare a final dividend, nor did the Group declare any interim dividend at the time when the interim results were announced.

13. (Loss)/Earnings per Share

The calculation of loss/earnings per share is based on the net loss attributable to shareholders for the year of US$98,331,000 (2000: profit of US$85,564,000) and the weighted average number of shares of 1,156,543,357 shares (2000: 917,059,287 shares) in issue during the year.

Diluted earnings per share is not presented, as the potential ordinary shares are not dilutive.

14. Tangible Fixed Assets

Group:

	Furniture and fixtures US$'000	Computer and other equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost:				
At beginning of year	991	943	215	2,149
Additions	58	461	–	519
Disposals	(167)	(27)	(215)	(409)
Acquisition of subsidiaries	52	757	–	809
Distribution of subsidiaries	(515)	(574)	–	(1,089)
Exchange adjustment	(17)	(17)	–	(34)
At 31 March 2001	402	1,543	–	1,945
Accumulated depreciation:				
At beginning of year	482	662	215	1,359
Provided during the year	92	407	–	499
Disposals	(102)	(10)	(215)	(327)
Acquisition of subsidiaries	1	150	–	151
Distribution of subsidiaries	(277)	(421)	–	(698)
Exchange adjustment	(5)	(5)	–	(10)
At 31 March 2001	191	783	–	974
Net book value:				
At 31 March 2001	211	760	–	971
At 31 March 2000	*509*	*281*	–	*790*

There were no fixed assets in the Company.

Notes to the Consolidated Financial Statements (continued)

15. Intangible Assets

Group:

	Titles US$'000	Database US$'000	Total US$'000
Cost:			
Acquisition of subsidiaries	25	–	25
Additions	164	1,080	1,244
At 31 March 2001	189	1,080	1,269
Amortisation:			
Acquisition of subsidiaries	1	–	1
Amortisation for the period	100	540	640
At 31 March 2001	101	540	641
Net book value:			
At 31 March 2001	88	540	628

The titles consists of internet domain name registrations, registered trademarks and a publishing title. The database comprises a list of customer details acquired in December 2000. The consideration comprised the following:–

	US$'000
Cash consideration	71
Non-cash consideration of shares	986
Professional fees relating to the acquisition	23
	1,080

The non-cash consideration comprised 332,500 shares in bigsave Holdings plc at deemed value of US$3 per share.

There were no intangible assets in the Company.

16 Interests in Subsidiaries

	Company	
	2001 US$'000	2000 US$'000
Unlisted shares, at cost less provision	4,579	*7,298*
Subordinated loan to a subsidiary	–	*16,345*
	4,579	*23,643*

Other balances with subsidiaries are included within current assets and current liabilities.

Notes to the Consolidated Financial Statements (continued)

16. Interests in Subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2001 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	Indirect	Principal activities
Alphorn Management Limited	Barbados	Ordinary US$1	–	100%	Investment holding
AstroEast.com (Hong Kong) Limited*	Hong Kong	Ordinary HK$2	–	51%	Internet services
AstroEast.com Limited*	Cayman Islands	Ordinary US$280,222.47	–	51%	Investment holding
bigsave.com Limited (note below)	Isle of Man	Ordinary £2	–	65.3%	Internet retailing
bigsave (Deutschland) GmbH (note below)	Germany	Ordinary Euro200,000	–	65.3%	Internet retailing
bigsave Holdings plc (note below)	Isle of Man	Ordinary US$397,375	–	65.3%	Investment holding
bigsave IOM Limited (note below)	Isle of Man	Ordinary £2,000	–	65.3%	Investment holding
bigsave Travel (UK) Limited (note below)	United Kingdom	Ordinary £40,000	–	65.3%	Travel agent
bigsave UK Limited (note below)	United Kingdom	Ordinary £1,000	–	65.3%	Investment holdings
Capital Nominees Limited	British Virgin Islands	Ordinary US$1	–	100%	Corporate finance and structuring
Cycletek Investments Limited	British Virgin Islands	Ordinary US$300,000	–	86.5%	Investment holding
Dynamic Value (Delaware) Limited	Delaware	Ordinary US$2	–	51%	Internet services
Dynamic Value Group Limited	Bahamas	Ordinary US$2,500	–	51%	Investment holding
IM Life Sciences Limited	United Kingdom	Ordinary £950	89.5%	–	Investment management
Interman Europe plc	Isle of Man	Ordinary £436,152	100%	–	Investment holding
Interman Holdings Limited	British Virgin Islands	Ordinary US$41,500	100%	–	Investment holding
Interman (Hong Kong) Limited*	Hong Kong	Ordinary HK$2	100%	–	Provision of management services

Notes to the Consolidated Financial Statements (continued)

16. Interests in Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Interman Limited	Isle of Man	Ordinary £436,152	–	100%	Investment holding
Interman Services Limited	Isle of Man	Ordinary £0.10	–	100%	Provision of management services
Interman UK Limited	United Kingdom	Ordinary £1	–	100%	Provision of management services
iRegent Corporate Finance Limited	Cayman Islands	Ordinary US$2	100%	–	Corporate finance
paymonthly.com (IOM) Limited	Isle of Man	Ordinary £1	–	65.3%	Internet services
Regent Financial Services Limited*	Hong Kong	Ordinary HK$5,000,000	–	100%	Marketing of unit trusts, investment holding and advisory services
Regent Fund Management Limited	Barbados	Ordinary US$150,000	–	100%	Investment management
Regent Pacific Corporate Finance Limited	United Kingdom	Ordinary £730,000	100%	–	Corporate finance
Regent Pacific Group (Hong Kong) Limited*	Hong Kong	Ordinary HK$5,000,000	100%	–	Provision of management services
Regent Pacific Private Equity Limited	Barbados	Ordinary US$1	100%	–	Private equity
RLF Management Limited	Barbados	Ordinary US$100	100%	–	Investment management
RPCA (L) Limited	Labuan	Ordinary US$1	–	100%	Investment holding
RPG (Bahamas) Limited	Bahamas	Ordinary US$134,220	100%	–	Investment holding

Note: These companies have a statutory financial year end of 31 December, in order to comply with local regulations. For the purposes of the Group accounts as at 31 March 2001, financial statements to that date have been prepared and audited.

* The financial statements of these companies for the year ended 31 March 2001 were audited by a firm of auditors other than KPMG.

Notes to the Consolidated Financial Statements (continued)

17. Interests in Associated Companies and Jointly Controlled Entity

	Group 2001 US$'000	Group 2000 US$'000	Company 2001 US$'000	Company 2000 US$'000
Unlisted shares, at cost less provision	–	–	64,060	*92,028*
Share of net assets other than goodwill:				
– Listed	–	–	–	–
– Unlisted	64,332	*90,256*	–	–
	64,332	*90,256*	64,060	*92,028*

The principal associated companies are as follows:–

Name of associated company	Place of incorporation	Percentage of equity attributable to the Group Direct	Percentage of equity attributable to the Group Indirect	Principal activities
Eclipse Investment Holdings Limited*	British Virgin Islands	–	36.3%	Travel agent
Exchangebet.com Holdings Limited*	British Virgin Islands	49.9%	–	Online betting
KoreaOnline Limited* (note 5)	Cayman Islands	40.2%	–	Investment holding

Eclipse Investment Holdings Limited principally operates in Hong Kong. KoreaOnline Limited principally operates in Korea. Exchangebet.com Holdings Limited has its principal centre of operation in Malta.

* The financial statements of these companies for the year ended 31 March 2001 were audited by a firm of auditors other than KPMG.

Notes to the Consolidated Financial Statements (continued)

17. Interests in Associated Companies and Jointly Controlled Entity (continued)

As the value of the Group's holding in KoreaOnline Limited is significant to the Group, further details regarding the results of KoreaOnline Limited for the year ended 31 March 2001 and balance sheet as at 31 March 2001 are disclosed as follows:–

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

	2001 US$'000	2000 US$'000
Revenues	197,820	*134,643*
Operating (loss)/profit	(77,987)	*47,547*
Exceptional items:		
Deemed gain on discontinuance of operations	62,928	*–*
Impairment of value of goodwill	(119,086)	*–*
Loss on deemed disposal of associated companies	(5,360)	*–*
Loss on disposal of subsidiaries	(663)	*–*
	(140,168)	*47,547*
Share of loss of associated companies	(36,086)	*(4,156)*
	(176,254)	*43,391*
Finance costs	(9,412)	*(8,266)*
(Loss)/profit before tax	(185,666)	*35,125*
Taxation	(3,339)	*(15,030)*
(Loss)/profit after tax	(189,005)	*20,095*
Minority interests	25,207	*(10,293)*
Net (loss)/profit	(163,798)	*9,802*

Balance Sheet information:–

	2001 US$'000	2000 US$'000
Fixed assets	71,132	*24,344*
Interest in associated companies	604	*(17,403)*
Long term investments	37,477	*19,832*
Total non-current assets	109,213	*26,773*
Non current liabilities	–	*(803)*
Net non-current assets	109,213	*25,970*
Current assets	340,961	*511,287*
Current liabilities	(149,509)	*(271,959)*
Net assets	300,665	*265,298*
Share capital	4,481	*3,881*
Reserves	153,198	*184,288*
Shareholders' equity	157,679	*188,169*
Minority interests	142,986	*77,129*
Capital and reserves	300,665	*265,298*

Notes to the Consolidated Financial Statements (continued)

17. Interests in Associated Companies and Jointly Controlled Entity (continued)

The management of Regent Insurance Co Ltd, a non-wholly-owned subsidiary of KoreaOnline Limited, was taken over by the Financial Supervisory Services (the "FSS"), the regulatory authority in Korea, on 11 May 2001. The directors of KoreaOnline Limited understand that it is the intention of the FSS to sell all the insolvent insurance companies, including Regent Insurance Co Ltd, to interested buyers. In the event that such sale is not materialised, public funds would have to be injected into these companies to maintain solvency. The directors of KoreaOnline Limited have obtained legal advice to the effect that as a previous shareholder of Regent Insurance Co Ltd, the group of KoreaOnline Limited shall have no further legal liabilities to participate in any future funding process initiated by the government. Although unlikely, the Korean government may at its absolute discretion determine that the group of KoreaOnline Limited shall have moral obligations to participate in the funding process or to pay a penalty in respect of the failed operation of Regent Insurance Co Ltd. The extent of such request, if any, cannot be quantified at the time of this report.

In the shareholders' agreement dated 11 May 2001 entered into between Tong Yang Card Corporation, Tong Yang Capital Corporation, Regent Securities Co Ltd and KoreaOnline (Labuan) Limited in relation to the merger of Regent Merchant Bank and Tong Yang Investment Bank, it is stated that if any off- balance-sheet liabilities are found within one year from the date of the agreement, both Regent Securities Co Ltd and KoreaOnline (Labuan) Limited shall make best efforts to make good the off-balance-sheet liabilities up to an amount comprised of the product of (i) number of shares of the merged entity held by both Regent Securities Co Ltd and KoreaOnline (Labuan) Limited immediately after the registration of merger and (ii) final sales price of the shares of the merged entity at Korean Stock Exchange based on the date of the registration of merger, amounting to KRW6,803 million (approximately US$5,111,000).

On 8 August 2001, a dealing error was made by the derivative trading team of Regent Securities Co Ltd, a non wholly-owned subsidiary of KoreaOnline Limited, resulting in a dealing loss of KRW6.5 billion (approximately US$4,884,000), of which the Group will share a loss of US$1.4 million in the year ending 31 March 2002.

The interest in the jointly controlled entity ceased to be held during the year as part of the in specie distribution of Charlemagne Capital Limited (then Regent Europe Limited).

Notes to the Consolidated Financial Statements (continued)

18. Investments

Investments relating to the Group's financial business can be analysed as follows:–

Other non-current financial assets:

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Investment securities:				
Unlisted equity securities	19	*446*	19	*446*
Other investments:				
Listed equity securities				
– in Hong Kong	3,800	–	3,800	–
– outside Hong Kong	688	*362*	242	*362*
Unlisted equity securities at cost	15,814	*16,469*	66	*5,037*
Less: Provision for diminution	(10,045)	*(1,040)*	(1,960)	*(1,040)*
	10,276	*16,237*	2,167	*4,805*

All the above investments are in corporate entities.

Current investments:

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Other investments:				
Listed outside Hong Kong				
– Equity securities	585	*6,199*	–	–
– Debt securities	–	*1,307*	–	–
Unlisted investments				
– Equity securities	548	*24,006*	–	–
– Debt securities	–	*957*	–	–
	1,133	*32,469*	–	–
Other investments:				
Bank and other financial institutions	212	*4,098*	–	–
Corporate entities	921	*28,371*	–	–
	1,133	*32,469*	–	–

Listed securities are shown at their market values on the balance sheet date.

The unlisted investments are not readily marketable. Cost less provision for diminution has been used by the Directors as the best estimation of fair value.

Notes to the Consolidated Financial Statements (continued)

19. Debt Securities Relating to Financial Business

There are no debt securities within investments in note 18.

20. Deferred Taxation

The principal components of the Group's provision for deferred taxation liability are as follows:–

	Group	
	2001 US$'000	2000 US$'000
Accelerated capital allowances	–	*47*
Other timing differences	–	*96*
	–	*143*

There is no unprovided deferred taxation.

21. Cash and Bank Balances

Cash and short-term funds relating to the financial business of the Group and the Company can be analysed as follows:–

	Group US$'000	Company US$'000
Cash and balances with banks	1,818	90
Money at call and short notice	500	–
Cash and bank balances in relation to financial business	2,318	90
Other bank deposits	996	–
	3,314	90

Within bank deposits, an amount of GBP480,000 was blocked as security for letters of credit issued to certain suppliers of the group of bigsave Holdings plc as part of the normal trade conditions imposed by those suppliers.

22. Accounts Receivable

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Current	463	*24,431*	–	*1,815*
1 to 3 months old	9	*1,660*	–	–
More than 3 months old but less than 12 months old	42	*547*	33	–
Total accounts receivable	514	*26,638*	33	*1,815*

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.

Notes to the Consolidated Financial Statements (continued)

23. Due from Associated Company

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
KoreaOnline (Labuan) Limited				
– Loan	8,500	–	8,500	–
– Advance and management fees	4,327	–	4,302	–
	12,827	–	12,802	–

The loan is unsecured, bears interest at 1.625% over the US$ best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time and is repayable on demand but with a final repayment date of 31 August 2001 (referred to in notes 25 and 33(16)).

Advance and management fees receivable are unsecured, interest-free and repayable on demand.

24. Due From Related Party

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Charlemagne Capital Limited				
(formerly Regent Europe Limited)	2,039	–	2,039	–

The amount due was unsecured, interest-free and repaid on 24 April 2001.

25. Bank Borrowings

Bank borrowings as at 31 March 2001 of US$7,543,000 (2000: Nil) comprise a bank loan which is repayable on demand, with a final repayment date of 31 August 2001.

The loan is secured by an assignment of the debt due to the Company by virtue of a loan made by the Company to KoreaOnline (Labuan) Limited (referred to in notes 23 and 33(16)) and a pledge over 25,000,000 shares in Regent Securities Co Ltd being held by RPG (L) Ltd, a wholly-owned subsidiary of KoreaOnline (Labuan) Limited, and guaranteed by RPG (L) Ltd and KoreaOnline (Labuan) Limited, a wholly-owned subsidiary of KoreaOnline Limited. The borrowings were incurred in connection with a loan to KoreaOnline (Labuan) Limited.

26. Accounts Payable, Accruals and Other Payables

	Group		Company	
	2001 US$'000	2000 US$'000	2001 US$'000	2000 US$'000
Due within 1 month or on demand	324	*14,228*	–	–
Due after 1 month but within 3 months	–	*41*	–	–
Due after 3 months but within 6 months	37	*228*	–	*400*
Total accounts payable	361	*14,497*	–	*400*
Accruals and other payables	1,922	*17,175*	494	*9,136*
Total accounts payable, accruals and other payments	2,283	*31,672*	494	*9,536*

Notes to the Consolidated Financial Statements (continued)

27. Share Capital

Shares

	Company 2001 US$'000	2000 US$'000
Authorised:		
2,000,000,000 ordinary shares of US$0.01 each	20,000	*20,000*
86,728,147 (2000: Nil) 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	867	–
	20,867	*20,000*
Issued and fully paid:		
1,100,174,288 (2000: 926,838,110) ordinary shares of US$0.01 each	11,002	*9,268*
86,728,147 (2000: nil) non-voting convertible deferred shares of US$0.01 each	867	–
	11,869	*9,268*

At the extraordinary general meeting of the Company held on 16 May 2000, the authorised share capital of the Company was increased to US$20,867,281.47 comprising 2,000,000,000 ordinary shares of US$0.01 each and 86,728,147 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.

During the year ended 31 March 2001, there were the following changes in the share capital of the Company:–

a. an aggregate of 41,223,965 ordinary shares were issued and allotted for a total consideration of HK$51,881,159.30 (or approximately US$6,663,000) upon exercise of options in respect of 41,223,965 shares under the employee share option scheme of the Company;

b. 134,620,213 ordinary shares and 86,728,147 non-voting convertible deferred shares ("Deferred Shares") were issued and allotted on 17 May 2000 to Indigo Securities Limited as consideration for the acquisition by the Company of 41,500 shares in, being the entire issued share capital of, Interman Holdings Limited upon completion of a sale and purchase agreement dated 15 March 2000 (as novated by a novation deed dated 5 April 2000 and further amended by a supplemental agreement dated 15 May 2000);

c. An aggregate of 2,513,000 ordinary shares were repurchased by the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May 2000 at the aggregate consideration amounting to HK$3,738,475.60 (or approximately US$480,000); and

d. 5,000 ordinary shares were issued for a consideration of HK$14,000 (or approximately US$1,800) upon exercise of the subscription rights in respect of 5,000 shares attached to the registered warrants of the Company, which are exercisable during the period from 9 June 2000 up to and including 30 June 2003, both days inclusive, at an initial subscription price of HK$2.80, subject to adjustment, for each share of US$0.01 in the Company.

All the repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium and brokerage expense payable on repurchase was charged against share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserves (note 28).

Notes to the Consolidated Financial Statements (continued)

27. Share Capital (continued)

Rights of Deferred Shares

Holders of the Deferred Shares are not entitled to vote at any of the general meetings of the Company. The Deferred Shares are transferable with the prior written consent of the Directors of the Company and with prior notice to the Stock Exchange.

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 including the right to any dividends or distribution.

No application was made for the listing of the Deferred Shares on the Stock Exchange. However, application has been made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

During the year ended 31 March 2001, no Deferred Shares were converted into ordinary shares.

Warrants

On 9 June 2000, the Company issued and allotted, by way of bonus, an aggregate of 237,882,087 units of registered warrants (the "Warrants 2003") exercisable during the period from 9 June 2000 up to 30 June 2003, both days inclusive, at an initial subscription price of HK$2.80, subject to adjustment, for each share of US$0.01 in the Company to its shareholders whose names appeared in its Register of Members at 9:00 am on 17 May 2000 in the proportion of one unit of warrant for every five shares in the Company then held.

5,000 ordinary shares were issued and allotted on 31 July 2000 for a consideration of HK$14,000 (or approximately US$1,800) upon exercise of the subscription rights in respect of 5,000 shares attached to the Warrants 2003.

Share options

Under the terms of the Company's employee share option scheme approved by the shareholders on 24 July 1996 and as amended on 27 May 1998 and deemed to have commenced on 15 July 1994 to replace and succeed two previous share option schemes of the Company (which had both commenced on 15 July 1994 and which both lapsed on 2 July 1996), the Directors may at their discretion invite employees, including Directors, to take up options to subscribe for shares of the Company at any time during the 10 years from the date of the scheme's approval.

During the year ended 31 March 2001, options in respect of 41,223,965 (2000: 15,701,311) shares were exercised and options in respect of 17,194,730 (2000: 34,250,005) shares lapsed. Options in respect of an aggregate of 25,270,000 (2000: 50,182,005) shares were granted. At the balance sheet date, the Company had outstanding share options entitling the holders to subscribe in stages from the respective dates of grant for a period of 60 months for an aggregate of 15,331,984 (2000: 48,480,679) ordinary shares of US$0.01 each at exercise prices ranging from HK$0.60 to HK$1.91 per share. Exercise in full of such share options would result in the issue of 15,331,984 additional ordinary shares of US$0.01 each for aggregate proceeds, before expenses, of approximately HK$16,793,234 (or approximately US$2,158,513).

Notes to the Consolidated Financial Statements (continued)

27. Share Capital (continued)

Share options (continued)

Changes in the share options subsequent to the year end date are set out below:–

a. options in respect of 12,231,984 shares lapsed; and
b. options in respect of 18,400,000 shares were granted.

Accordingly, as at the date of this annual report, the Company has outstanding share options entitling the holders to subscribe for an aggregate of 21,500,000 shares at exercise prices ranging from HK$0.16 to HK$1.40 per share.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with any securities subject to any other scheme may not exceed 10% of the issued share capital of the Company from time to time. The maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme.

The Directors may impose restrictions on the exercise of subscription rights and the exercise price is to be determined by the directors in their absolute discretion provided that in no event shall such price be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the option.

Notes to the Consolidated Financial Statements (continued)

28. Reserves

	Retained profits/ accumulated loss US$'000	Share premium US$'000	Asset revaluation reserve US$'000	Capital redemption reserve US$'000	Goodwill reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group							
At 31 March 1999	17,010	64,988	–	1,143	11,846	2,365	97,352
Excess of amount received over the par value of shares issued	–	2,092	–	–	–	–	2,092
Excess of amount paid over the par value of shares repurchased	–	(1,324)	–	–	–	–	(1,324)
Transfer from retained profits in respect of repurchases of shares	(36)	–	–	36	–	–	–
Movement of goodwill	–	–	–	–	(37,739)	–	(37,739)
Foreign currency translation adjustment	–	–	–	–	–	1,829	1,829
Profit for the year	85,564	–	–	–	–	–	85,564
Dividends (note 12)	(38,738)	–	–	–	–	–	(38,738)
At 31 March 2000	63,800	65,756	–	1,179	(25,893)	4,194	109,036
Excess of amount received over the par value of shares issued	–	48,965	–	–	–	–	48,965
Excess of amount paid over the par value of shares repurchased	–	(458)	–	–	–	–	(458)
Transfer from retained profits in respect of repurchase of shares	(25)	–	–	25	–	–	–
Share of property revaluation within associated companies	–	–	3,735	–	–	–	3,735
Movement of goodwill	–	–	–	–	20,099	–	20,099
Goodwill transferred on dividend distribution	(5,794)	–	–	–	5,794	–	–
Foreign currency translation adjustment	–	–	–	–	–	(10,844)	(10,844)
Loss for the year	(98,331)	–	–	–	–	–	(98,331)
At 31 March 2001	(40,350)	114,263	3,735	1,204	–	(6,650)	72,202

Notes to the Consolidated Financial Statements (continued)

28. Reserves (continued)

	2001 US$'000	2000 US$'000
(Loss)/Profit for the year in:		
Group	(25,051)	*64,619*
Associated companies	(73,280)	*20,945*
	(98,331)	*85,564*

	2001 US$'000	2000 US$'000
(Losses)/Profits retained by:		
Company	(52,081)	*27,968*
Subsidiaries	52,571	*31,091*
Associated companies	(40,840)	*4,741*
Group total	(40,350)	*63,800*

The increase in share premium as stated above comprises US$43,286,000 resulting from the acquisition of Interman Holdings Limited and US$6,253,000 due to exercise of share options and warrants less share issue expenses of US$574,000.

Movements on the Goodwill Reserve are detailed in note 8.

	Retained profits US$'000	Share premium account US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company					
At 31 March 1999	6,033	67,253	1,143	79	74,508
Excess of amount received over the par value of shares issued	–	2,092	–	–	2,092
Excess of amount paid over the par value of shares bought back	–	(1,324)	–	–	(1,324)
Transfer from retained profits in respect of repurchase of shares	(36)	–	36	–	–
Profit for the year (note 11)	60,709	–	–	–	60,709
Dividends (note 12)	(38,738)	–	–	–	(38,738)
At 31 March 2000	27,968	68,021	1,179	79	97,247
Excess of amount received over the par value of shares issued	–	48,965	–	–	48,965
Excess of amount paid over the par value of shares bought back	–	(458)	–	–	(458)
Transfer from retained profits in respect of repurchase of shares	(25)	–	25	–	–
Loss for the year (note 11)	(80,024)	–	–	–	(80,024)
At 31 March 2001	(52,081)	116,528	1,204	79	65,730

The Company considers that only retained profits are distributable to shareholders.

Notes to the Consolidated Financial Statements (continued)

29. Retirement Scheme

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 schemes prior to vesting fully in the contributions. During the year, there were no forfeited contributions and the Group's contribution was US$20,519 (2000: US$9,733).

30. Notes to the Consolidated Cash Flow Statement

a. Reconciliation of operating (loss)/profit from core activities to net cash outflow from operating activities

	2001 US$'000	2000 US$'000
Net cash outflow from operating activities:		
Operating (loss)/profit from core activities	(76,059)	*46,903*
Interest income	(545)	*(1,147)*
Depreciation and amortisation	1,139	*578*
Provision for unrealised (profit) on foreign exchange contracts and current investments	(7,615)	*(35,479)*
Loss on disposal of fixed assets	68	*82*
Exchange loss on fixed assets	–	*58*
Share of losses/(profits) of associated companies	53,440	*(32,178)*
Loss on disposal of current investments	12,493	*2,853*
(Profit)/loss on sale of other non-current financial assets	(1,886)	*17*
Provision for diminution in value of non-current financial assets	10,045	–
Unrealised loss/(profit) on other non-current financial assets	657	*(5,793)*
Foreign exchange (gains)	(1,343)	–
Decrease/(increase) in accounts receivable	23,383	*(17,869)*
Increase in amount due from associated company	(4,327)	–
Decrease in prepayments, deposits and other receivables	4,289	*7,541*
(Increase) in stock	(212)	–
(Decrease)/increase in accounts payable, accruals and other payables	(24,260)	*19,780*
Net cash outflow from operating activities	(10,733)	*(14,654)*

Notes to the Consolidated Financial Statements (continued)

30. Notes to the Consolidated Cash Flow Statement (continued)

b. Purchase of subsidiaries

	Interman Holdings Limited US$'000	Cycletek Investments Limited US$'000	AstroEast.com Limited US$'000	IM Life Sciences Limited US$'000	Total US$'000
Fixed assets	625	–	32	–	657
Intangible assets	25	–	–	–	25
Interests in associated companies	–	333	–	–	333
Other non-current financial assets	4,330	–	102	–	4,432
Accounts receivable	164	–	33	–	197
Cash at bank	5,567	–	42	399	6,008
Prepayments, deposits and other receivables	2,305	21	4	–	2,330
Accounts payable and accruals	(795)	–	(61)	–	(856)
Share of loss of associated companies	–	–	565	–	565
	12,221	354	717	399	13,691
Less: Minority interests	(2,694)	(50)	(222)	(150)	(3,116)
	9,527	304	495	249	10,575
Add: Goodwill	35,971	114	1,460	150	37,695
	45,498	418	1,955	399	48,270
Satisfied by:					
– shares allotted	45,498	–	–	–	45,498
– cash	–	418	1,500	399	2,317
– investments	–	–	455	–	455
	45,498	418	1,955	399	48,270

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries:

Cash consideration	–	(418)	(1,500)	(399)	(2,317)
Cash at bank and deposits acquired	5,567	–	42	399	6,008
Net inflow/(outflow) of cash and cash equivalents in respect of subsidiaries acquired	5,567	(418)	(1,458)	–	3,691

Notes to the Consolidated Financial Statements (continued)

30. Notes to the Consolidated Cash Flow Statement (continued)

c. Distribution of subsidiary and sale of associated company

	Regent Europe Limited US$'000
Fixed assets	392
Interests in associated companies	(8,973)
Interests in joint venture	2,350
Other non-current financial assets	4,343
Current investments	13,282
Accounts receivable	3,645
Cash at bank	7,678
Prepayment, deposits and other receivables	235
Accounts payable and accruals	(5,854)
Tax payable	(121)
Net assets disposed by in specie dividend	16,977
Net outflow of cash and cash equivalents in respect of subsidiary disposed of	(7,678)

d. Analysis of changes in financing during the year

	Share capital US$'000	Share premium US$'000	Minority interests US$'000	Total US$'000
At 31 March 2000	9,268	65,756	54	75,078
Cash inflow from issue of shares	413	5,679	–	6,092
Cash outflow from repurchase of shares	(25)	(458)	–	(483)
Acquisition of subsidiaries	2,213	43,286	3,116	48,615
Share of loss for the year	–	–	(3,119)	(3,119)
Deemed disposal of subsidiary	–	–	1,539	1,539
At 31 March 2001	11,869	114,263	1,590	127,722

31. Off Balance Sheet Exposures

Derivatives

At the balance sheet date, there were no outstanding positions in relation to off-balance sheet financial instruments arising from forwards and options transactions (derivatives) undertaken by the Group in the foreign exchange and equity markets.

The Group's trading in derivatives is partly for hedging purposes, and partly for speculative investment. Where hedging is involved, the policy is fully or partly to match positions held in other assets. Speculative investment is carefully used, in accordance with parameters set by the board, in short term situations where physical assets are inappropriate.

Derivatives refer to financial contracts whose value depends on the face value of one or more underlying assets or indices.

There were no realised or unrealised gains or losses on derivatives trading in the year (2000: Realised loss of US$13,781,000).

Notes to the Consolidated Financial Statements (continued)

31. Off Balance Sheet Exposures (continued)

Derivatives (continued)

There were no derivative transaction balances outstanding as at the year end (2000: US$Nil).

The purchase and sale of derivatives are subject to limits as established by the Directors. These are monitored on a regular basis and the Group continues to develop its statistical techniques for monitoring purposes.

There is strict segregation between the investment management and deal settlement functions.

In the course of the Group's normal trading in currencies, futures and options, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2001, the amount of these margin deposits was US$6,000 (2000: US$771,000).

Lease commitments

Group

	2001 US$'000	2000 US$'000
Operating lease commitments during the next 12 months are as follows:–		
Property, expiring:		
– within 1 year	245	*12*
– in the 2nd to fifth year, inclusive	223	*944*
– over 5 years	–	–
	468	*956*
Plant and equipment:		
– within 1 year	–	–
– in the 2nd to fifth year, inclusive	3	–
– over 5 years	–	–
	3	–

Company

The Company has no lease commitments.

Capital commitments

On 6 December 2000, the Company agreed to acquire 89.5% stake in IM Life Sciences Limited for a consideration of GBP1,000,000. As at 31 March 2001, the Company has an outstanding balance of GBP718,385 in relation to this.

32. Major Customers and Suppliers

The Group's major customers are the investment fund companies for which it holds a fund management mandate. The percentage of turnover accounted for by the five largest of these companies amounted to 75%. The largest single contribution by one fund company amounted to 52% of the turnover of the Group.

Notes to the Consolidated Financial Statements (continued)

32. Major Customers and Suppliers (continued)

It is the nature of these fund companies that the Company's Directors, their associates, or any shareholders of the Company could own shares in them.

The major suppliers of the Group provided less than 30% of the total purchase expenditure of the Group.

33. Material Related Party Transactions

The following is a summary of significant contracts which subsisted at 31 March 2001 or at any time during the year, to which the Company or any of its subsidiaries was a party and in which a Director or Directors is/are or was/were materially interested, either directly or indirectly. All such transactions were entered into in the ordinary course of business of the Company.

(1) A lease agreement dated 29 September 1997 was entered into between Burnbrae Limited as lessor and Regent Fund Management (IOM) Limited (currently Charlemagne Capital (IOM) Limited), then a wholly-owned subsidiary of the Company. Pursuant to such lease agreement, Regent Fund Management (IOM) Limited agreed to lease Regent House at 16-18 Ridgeway Street, Douglas, Isle of Man at an annual rent of GBP61,984 for an area of 3,874 square feet for a term of five years from 1 September 1997, payable quarterly in advance and subject to a rental review three years after the commencement date.

Burnbrae Limited was, as at the date of the above lease agreement, and is currently wholly-owned by a trust, of which James Mellon was and is currently the sole beneficial owner. David McMahon and Anderson Whamond are currently directors of Burnbrae Limited.

Until 31 May 2000 when Regent Fund Management (IOM) Limited was separated from the Company pursuant to the group re-structuring scheme referred to in paragraph (5) below in this section, GBP10,279 (approximately US$15,702) was paid to Burnbrae Limited pursuant to the above lease agreement.

(2) A loan agreement dated 9 March 2000 was entered into between (a) the Company as lender and (b) KoreaOnline (Labuan) Limited, a direct wholly-owned subsidiary KoreaOnline Limited which was then a 60% owned subsidiary of the Company, as borrower, pursuant to which the Company agreed to grant an unsecured loan facility of US$15 million to KoreaOnline (Labuan) Limited.

As at the date of the above loan agreement, James Mellon, Peter Everington and David McMahon were directors of KoreaOnline Limited. James Mellon and David McMahon resigned as its directors on 7 December 2000 and 25 May 2000 respectively. Daniel Chan was appointed a director of KoreaOnline Limited in May 2001.

Since April 2000, Peter Everington has been holding an interest of approximately 0.2% in the total issued share capital of KoreaOnline Limited.

(3) A sale and purchase agreement dated 15 March 2000 (the "Interman Sale and Purchase Agreement") was entered into between (a) the Company as purchaser; (b) Holmehead Limited as vendor; and (c) James Mellon as guarantor in respect of the acquisition by the Company of 41,500 shares in Interman Holdings Limited, being its entire issued share capital, at a consideration of US$81,521,204 (or approximately HK$634,536,596), which was to be satisfied by the issue by the Company of an aggregate of 226,620,213 new ordinary shares, representing approximately 20% of the enlarged issued share capital of the Company (the "Interman Acquisition").

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

A novation deed dated 5 April 2000 was entered into between (a) the Company as purchaser; (b) Holmehead Limited; (c) James Mellon as guarantor; and (d) Indigo Securities Limited as vendor, whereby Indigo Securities Limited substituted Holmehead Limited as the vendor of the Interman Acquisition and the consideration of the Interman Acquisition was amended to 134,620,213 new ordinary shares, representing 12.70% of the enlarged issued ordinary share capital of the Company, and 92,000,000 non-voting convertible deferred shares in the Company ("Deferred Shares").

The Interman Sale and Purchase Agreement was further amended by a supplemental agreement dated 15 May 2000 entered into between (a) the Company as purchaser; (b) Indigo Securities Limited as vendor; and (c) James Mellon as guarantor in respect of the reduction of the consideration of the Interman Acquisition to US$79,624,781 (or approximately HK$619.8 million) to be satisfied by the issue by the Company of 134,620,213 new ordinary shares and 86,728,147 Deferred Shares.

The agreement was completed on 16 May 2000 upon it being approved at the extraordinary general meeting of the Company held on 16 May 2000, and the consideration shares were duly issued and allotted to Indigo Securities Limited on 17 May 2000.

The respective Directors' interests in the Interman Acquisition were as follows:–

(i) James Mellon was interested in Indigo Securities Limited as that company was indirectly wholly-owned by a discretionary trust, of which he was the sole beneficiary;

(ii) Jayne Sutcliffe, David McMahon, Anderson Whamond and Chang-Kon Koh, then a Director of the Company, were interested in BigSave.com Limited (currently bigsave Holdings plc) which in turn was the principal asset of Interman Holdings Limited and represented over 90% of the value of its total investments; and

(iii) Robert Owen, then a Director of the Company, was interested in the Interman Acquisition to the extent that he was the Chairman of techpacific.com Limited, which acted as the adviser of Indigo Securities Limited.

(4) A share put option dated 5 April 2000 was entered into between (a) the Company as optionholder and (b) Jayne Sutcliffe, David McMahon and David Curl (collectively the "Regent Europe Shareholders") in respect of the purchase by the Regent Europe Shareholders of shares in Regent Europe Limited (currently Charlemagne Capital Limited), then a wholly owned subsidiary of the Company, at a price of HK$0.12 per share up to a maximum of HK$20,000,000 (or approximately 166,666,667 shares in Regent Europe Limited) in the event that some shareholders of the Company elected to receive cash in respect of the second interim dividend of HK$0.12 per share (with an alternative by way of a distribution in specie of one share in Regent Europe Limited for every share then held in the Company) declared by the Company for the year ended 31 March 2000 (the "2000 Second Interim Dividend").

The share put option was completed on 16 May 2000 upon it being approved at the extraordinary general meeting of the Company held on 16 May 2000, and Jayne Sutcliffe, David McMahon and David Curl acquired 100,000,000 shares, 25,000,000 and 41,666,667 shares in Regent Europe Limited, being 8.41%, 2.10% and 3.50% respectively in its total issued share capital. Both Jayne Sutcliffe and David McMahon were, at the date of the share put option, directors of Regent Europe Limited.

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

The Company incurred a loss of US$1,071,000 from the disposal of the above shares in Regent Europe Limited pursuant to the above share put option.

Besides, the following Directors of the Company, as at the record date for the 2000 Second Interim Dividend, and their respective associates, elected to receive the following numbers of shares in Regent Europe Limited in respect of the 2000 Second Interim Dividend:–

Name of Director	Number of shares in Regent Europe Limited	Percentage in the total issued share capital of Regent Europe Limited
James Mellon	340,283,730	28.61
Peter Everington	49,291,210	4.14
David McMahon	5,000,000	0.42
Robert Owen	1,500,000	0.13
Jayne Sutcliffe	38,727,260	3.26
Anderson Whamond	5,000,000	0.42

(5) A separation agreement dated 31 May 2000 was entered into between (a) the Company and (b) Regent Europe Limited (currently Charlemagne Capital Limited) in respect of a group restructuring scheme, pursuant to which Regent Europe Limited should cease to be a subsidiary of the Company with effect from the dividend payment date of the 2000 Second Interim Dividend referred to in paragraph (4) above in this section and certain subsidiaries of the Company of then would become wholly-owned subsidiaries of Regent Europe Limited. The parties to the agreement agreed to regulate certain matters in relation to the re-valuation of the net asset value of Regent Europe Limited and its then subsidiaries as at 31 May 2000.

A series of share sale and purchase agreements were thereafter entered into in respect of the transfer of companies from the Company or any of its subsidiaries to Regent Europe Limited or any of its subsidiaries pursuant to the above separation agreement.

As at the date of the above separation agreement, James Mellon, Jayne Sutcliffe and David McMahon were directors and shareholders of Regent Europe Limited, holding interests of 28.61%, 11.66% and 2.52% respectively in its total issued share capital. Additionally, Peter Everington held an interest of less than 5% in Regent Europe Limited, and each of Anderson Whamond and Robert Owen held an interest of less than 1% in Regent Europe Limited.

(6) The following operational support agreements, both dated 9 June 2000, were entered into between the Company with (a) Regent Europe Limited (currently Charlemagne Capital Limited) and (b) Regent Europe Asset Management (UK) Limited (currently Charlemagne Capital (UK) Limited), a direct wholly-owned subsidiary of Regent Europe Limited, respectively, pursuant to which:–

(i) Regent Europe Limited agreed to share with the Company, and its subsidiaries, certain facilities to be provided in New York, the United States of America by Regent Europe Limited through its subsidiary namely Regent (US) Inc; and

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

(ii) Regent Europe Asset Management (UK) Limited agreed to provide a range of administrative and other services to the Company and its subsidiaries, principally (but not limited to) Interman UK Limited and iRegent Corporate Finance Limited.

Further, another operational support agreement dated 9 June 2000 was entered into between (a) Interman Europe Plc, a direct wholly-owned subsidiary of the Company, and (b) Regent Europe Asset Management (IOM) Limited (currently Charlemagne Capital (IOM) Limited), a wholly-owned subsidiary of Regent Europe Limited, pursuant to which Regent Europe Asset Management (IOM) Limited agreed to provide a range of administrative and other services to Interman Europe Plc and its subsidiaries, principally (but not limited to) Interman Limited and Interman Services Limited.

As at the date of the above operational support agreements, James Mellon, Jayne Sutcliffe and David McMahon were directors and shareholders of Regent Europe Limited, holding interests of 28.61%, 11.66% and 2.52% respectively in its total issued share capital. Additionally, Peter Everington held an interest of less than 5% in Regent Europe Limited, and each of Anderson Whamond and Robert Owen held an interest of less than 1% in Regent Europe Limited. Such interests remain unchanged as at the date of this report save that Robert Owen resigned as a Director of the Company on 24 November 2000 and ceased to have disclosure obligation under the SDI Ordinance in respect of his interests in the Company and its associated corporations since then.

Anthony Baillieu, who was appointed as a Director of the Company on 22 April 2001, also holds an interest of less than 1% in Charlemagne Capital Limited.

During the year ended 31 March 2001, US$86,202, GBP75,886 (approximately US$110,747) and GBP32,218 (approximately US$46,984) were paid by the Company and Inteman Europe Plc to Charlemagne Capital Limited, Charlemagne Capital (UK) Limited and Charlemagne Capital (IOM) Limited respectively pursuant to the above operational support agreements.

(7) A share sale and purchase agreement dated 9 June 2000 was entered into between (a) James Mellon and Julian Mayo as vendors and (b) Alphorn Management Limited, an indirect wholly-owned subsidiary of the Company, as purchaser in respect of the sale and purchase of shares in the capital of Cycletek Investments Limited, which was then owned by James Mellon as to 40%, by Julian Mayo as to 20% and by an independent third party as to 40%. Pursuant to such share sale and purchase agreement, Alphorn Management Limited agreed to purchase all the interests then owned by James Mellon and Julian Mayo in Cycletek Investments Limited at a total consideration of US$126,000, being US$4.20 per share.

Another share sale and purchase agreement dated 9 June 2000 was entered into between (a) the independent third party referred to above as vendor and (b) Alphorn Management Limited, pursuant to which Alphorn Management Limited agreed to purchase from that independent third party 8,474 shares in Cycletek Investments Limited, being 16.948% of its then total issued share capital, for a total consideration of US$71,181.60, being US$8.40 per share.

Both the above share sale and purchase agreements were completed on 30 June 2000.

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

(8) A placing agreement dated 6 September 2000 was entered into between (a) AstroEast.com Limited, then a 32.6% owned associated company of the Company, and (b) iRegent Corporate Finance Limited, a direct wholly-owned subsidiary of the Company, pursuant to which AstroEast.com Limited was to appoint iRegent Corporate Finance Limited as its agent and iRegent Corporate Finance Limited agreed to use its best efforts to procure placees to subscribe for up to a maximum of 1,250,000 new shares in AstroEast.com Limited at a price of US$1 per share by way of private placing (the "AstroEast Placing").

AstroEast.com Limited should pay to iRegent Corporate Finance Limited a commission equal to 4% of the aggregate amount raised by iRegent Corporate Finance Limited pursuant to the AstroEast Placing. The commission received by iRegent Corporate Finance Limited from AstroEast.com Limited amounted to US$23,530.

Furthermore, pursuant to the placing memorandum dated 7 November 2000 issued by AstroEast.com Limited, iRegent Corporate Finance Limited was entitled to 500,000 units of registered warrants of AstroEast.com Limited exercisable at any time up to 3 years after the close of the AstroEast Placing at an exercise price of US$1, subject to adjustment, for each share in AstroEast.com Limited.

As at the date of the above placing agreement, James Mellon and Anthony Baillieu, who was appointed a Director of the Company on 22 April 2001, were directors of AstroEast.com Limited. Additionally, Peter Everington held an interest of less than 2% of its total issued share capital, and each of Anthony Baillieu, Chang-Kon Koh, Robert Owen, David Paterson, Jayne Sutcliffe, Anderson Whamond and Julian Mayo, who was appointed the alternate to James Mellon on 12 March 2001, held an interest of less than 1% of its total issued share captial.

Chang-Kon Koh, Robert Owen and David Paterson resigned as Directors of the Company on 22 November 2000, 24 November 2000 and 22 April 2001 respectively.

(9) A share sale and purchase agreement dated 5 January 2001 was entered into between (a) the Company as vendor; (b) Abraxas Capital Limited, an indirect wholly-owned subsidiary of KoreaOnline Limited which was then a 46.4% associated company of the Company, as purchaser; and (c) KoreaOnline Limited, in respect of the proposed disposal by the Company of its entire holding of 18,000,000 shares in KoreaOnline Limited to Abraxas Capital Limited for a consideration of US$180 million (approximately HK$1,404 million), representing US$10 per share, which was to be satisfied by three-year promissory notes issued by Abraxas Capital Limited with a nominal value of US$180,000,000 carrying a coupon of 5% per annum payable in arrears.

Pursuant to an amendment dated 27 February 2001, the completion date of such share sale and purchase agreement was postponed from 31 March 2001 to 31 May 2001. The agreement was cancelled on 14 May 2001.

The disposal of the Company's interests in KoreaOnline Limited would have constituted a major transaction of the Company under the Listing Rules and been subject to, inter alia, approval by shareholders of the Company at extraordinary general meeting.

As at the date of the above share sale and purchase agreement, Peter Everington and Robin Willi, who resigned as a Director of the Company on 1 March 2001, were directors of KoreaOnline Limited, and Peter Everington held an interest of approximately 0.2% in its total issued share capital.

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

(10) An operational support agreement dated 1 March 2001 was entered into between (a) Regent Pacific Group (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company, and (b) AstroEast.com Limited, then a 34.1% owned associated company of the Company, relating to the provision of certain administrative and other related services by Regent Pacific Group (Hong Kong) Limited to AstroEast.com Limited at a fixed monthly fee of HK$18,000 for the period from 1 March 2001 to 6 December 2001, unless the agreement is terminated by either party before 6 December 2001.

As at the date of such operational support agreement, James Mellon and Anthony Baillieu, who was appointed a Director of the Company on 22 April 2001, were directors of AstroEast.com Limited. Additionally, Peter Everington held an interest of less than 2% of its total issued share capital, and each of Anthony Baillieu, David Paterson, Jayne Sutcliffe, Anderson Whamond and Julian Mayo, who was appointed the alternate to James Mellon on 12 March 2001, held an interest of less than 1% of its total issued share capital. Such interests remain unchanged as at the date of this report save that David Paterson has resigned as a Director of the Company on 22 April 2001 and ceased to have disclosure obligation under the SDI Ordinance in respect of his interests in the Company and its associated corporations at that time.

During the year ended 31 March 2001, US$2,308 was received from AstroEast.com Limited pursuant to the above operational support agreement.

(11) Two share sale and purchase agreements, both dated 19 March 2001, were entered into between (a) Alphorn Management Limited and Interman Holdings Limited, both wholly-owned subsidiaries of the Company, respectively as sellers and (b) AstroEast.com Limited, then a 34.1% owned associated company of the Company, as buyer in respect of the acquisition by AstroEast.com Limited of 257,454 shares and 418,171 shares in iFuture.com Inc from Alphorn Management Limited and Interman Holdings Limited respectively. In return, AstroEast.com Limited would issue and allot 597,940 new shares and 971,207 new shares in AstroEast.com Limited to Alphorn Management Limited and Interman Holdings Limited respectively.

Another share sale and purchase agreement dated 19 March 2001 was entered into between (a) Interman Holdings Limited as seller and (b) AstroEast.com Limited as buyer in respect of the acquisition by AstroEast.com Limited of 250,000 shares in Dynamic Value Group Limited, being its entire issued share capital. In return, AstroEast.com Limited would issue and allot 5,619,834 new shares to Interman Holdings Limited.

All the above share sale and purchase agreements were completed on 19 March 2001, upon which AstroEast.com Limited became an indirect 51% owned subsidiary of the Company.

As at the date of the above share sale and purchase agreements, James Mellon and Anthony Baillieu, who was appointed a Director of the Company on 22 April 2001, were directors of AstroEast.com Limited. Additionally, Peter Everington held an interest of less than 2% of its total issued share capital, and each of Anthony Baillieu, Julian Mayo, David Paterson, Jayne Sutcliffe and Anderson Whamond held an interest of less than 1% of its total issued share capital. Such interests remain unchanged as at the date of this report save that David Paterson has resigned as a Director of the Company on 22 April 2001 and ceased to have disclosure obligation under the SDI Ordinance in respect of his interests in the Company and its associated corporations since then.

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

(12) An operational support agreement dated 26 March 2001 was entered into between (a) Regent Financial Services Limited, an indirect wholly-owned subsidiary of the Company, and (b) KoreaOnline Limited, then a 46.4% owned associated company of the Company, relating to the provision of certain administrative and other related services by Regent Financial Services Limited to KoreaOnline Limited for 6 months from 1 March 2001 at a fixed monthly fee of US$25,000.

As at the date of such operational support agreement, Peter Everington was a director of KoreaOnline Limited and held an interest of approximately 0.2% in its total issued share capital, which interest remains unchanged as at the date of this report.

Daniel Chan was appointed a director of KoreaOnline Limited in May 2001.

During the year ended 31 March 2001, US$25,000 was receivable from KoreaOnline Limited pursuant to the above operational support agreement.

Prior to the above operational support agreement, KoreaOnline Limited agreed to pay consultancy service fees totalling US$3,740,562 for the period from 1 August 1999 to 28 February 2000 to iRegent Group Limited and its related subsidiaries, representing the consultancy service fees referred to in paragraph (17) below in this section.

(13) A share repurchase agreement dated 30 March 2001 was entered into between (a) Regent Europe Limited (currently Charlemagne Capital Limited) as buyer and (b) the Company as seller in respect of the repurchase by Regent Europe Limited from the Company of 244,599,513 shares in Regent Europe Limited, being all the shares then beneficially owned by the Company, at a net purchase price of US$3,454,890 (or approximately HK$26,879,044). The agreement was completed on 30 March 2001.

The Company realised a profit of US$350,000 above the then carrying value of the shareholding from the disposal of the above shares in Regent Europe Limited pursuant to the above share repurchase agreement.

Directors' interests in Regent Europe Limited are set out in paragraph (6) above in this section.

(14) Over 95% of the turnover from investment management, advisory, administration and performance incentive fees; and placement, arrangement and other corporate finance and advisory fees and commissions is derived from funds over which the Directors consider the Group has significant influence by virtue of its management, administration and advisory roles.

(15) Certain Directors have shareholdings in certain funds managed by the subsidiaries of the Company.

Subsequent to 31 March 2001, the following significant contracts, to which the Company or any of its subsidiaries was a party and in which a Director or Directors is/are or was/were materially interested, either directly or indirectly, were entered into. All such transactions were entered into in the ordinary course of business of the Company.

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

(16) A deed of assignment dated 3 April 2001 was entered into between (a) the Company as assignor; (b) KoreaOnline (Labuan) Limited as debtor and (c) The Hongkong and Shanghai Banking Corporation Limited ("HSBC") as assignee, pursuant to which the Company agreed to assign to HSBC, by way of security, all the Company's rights and benefits under the loan agreement dated 9 March 2000 referred to in paragraph (2) above in this section.

The loan was due for repayment to HSBC on 30 June 2001. It was noted that an amount of US$6.6 million was repaid by KoreaOnline (Labuan) Limited to HSBC, and in June 2001, KoreaOnline (Labuan) Limited requested an extension of the final repayment date for two months to 31 August 2001. The loan has now been repaid in full.

As at the date of the above deed of assignment, Peter Everington was a director of KoreaOnline Limited and held an interest of approximately 0.2% in its total issued share capital, which interest remains unchanged as at the date of this report.

Daniel Chan was appointed a director of KoreaOnline Limited in May 2001.

(17) An acknowledgement of debt dated 27 April 2001 was entered into between (a) the Company as lender and (b) KoreaOnline (Labuan) Limited as borrower, pursuant to which KoreaOnline (Labuan) Limited acknowledged that in addition to the loan agreement dated 9 March 2000 referred to in paragraph (2) in this section, KoreaOnline (Labuan) Limited owed to the Company a sum of US$4,038,781 representing consultancy service fees totalling US$3,740,562 and professional fees and out-of-pocket expenses of US$298,219 as at 28 February 2001. These amounts are due in equal instalments on 30 September 2001 and 31 December 2001.

Directors' interests in the above acknowledgement of debt are the same as those set out in paragraph (16) above in this section.

(18) A subscription agreement dated 8 June 2001 was entered into between, inter alia, (a) Interman Limited, an indirect wholly-owned subsidiary of the Company; (b) Asian Opportunity Fund 1998 - I; (c) Asian Opportunity Fund 1998 - II; (d) Digital View Group Limited; (e) iRegent Corporate Finance Limited, a direct wholly-owned subsidiary of the Company, and (f) Burnbrae Limited in respect of Digital View Group Limited. Pursuant to such subscription agreement, inter alia:–

(i) Asian Opportunity Fund 1998 - II, which then owned 80,000 shares in Digital View Group Limited, agreed to subscribe for 217,391 new shares in Digital View Group Limited at a price of US$6.90 per share;

(ii) Burnbrae Limited agreed to subscribe for 14,492 new shares in Digital View Group Limited at a price of US$6.90 per share;

(iii) in consideration for iRegent Corporate Finance Limited having facilitated the subscription of new shares in Digital View Group Limited by Asian Opportunity Fund 1998 - II and Burnbrae Limited, Digital View Group Limited agreed to compensate iRegent Corporate Finance Limited the sum of US$80,000 and 25,000 units of Series 2 Warrants of Digital View Group Limited.

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

As at the date of such subscription agreement:–

- the investment manager, RLF Management Limited, and the administrator, Regent Financial Services Limited, of Asian Opportunity Fund 1998 - I and Asian Opportunity Fund 1998 - II were wholly-owned subsidiaries of the Company;
- Burnbrae Limited was a private company wholly-owned by a trust, of which James Mellon was the sole beneficial owner;
- James Mellon was a director of RLF Management Limited, Asian Opportunity Fund 1998 – I and Asian Opportunity Fund 1998 – II;
- Peter Everington was a director of RLF Management Limited, Regent Financial Services Limited, Asian Opportunity Fund 1998 - I and iRegent Corporate Finance Limited;
- Jayne Sutcliffe was a director of RLF Management Limited;
- David McMahon was a director of Burnbrae Limited;
- Anderson Whamond was a director of Burnbrae Limited, Interman Limited and Asian Opportunity Fund 1998 – I;
- Daniel Chan was a director of Regent Financial Services Limited; and
- Julian Mayo was a director of RLF Management Limited, Regent Financial Services Limited and iRegent Corporate Finance Limited.

34. Changes in Group Structure

The financial statements for the year ended 31 March 2001 reflect a number of structural changes to the Group as indicated in a circular sent to shareholders on 20 April 2000 and reflected by means of an unaudited proforma on page 59 of the published financial statements as at 31 March 2000.

The proforma set out the anticipated effects of:

- Acquisition of Interman Holdings Limited
- Distribution of controlling interest in Regent Europe Limited
- Acquisitions by KoreaOnline Limited of a controlling interest in Regent Insurance Co Ltd
- Issue of new shares pursuant to the exercise of options

Notes to the Consolidated Financial Statements (continued)

34. Changes in Group Structure (continued)

Interman Holdings Limited was acquired on 16 May 2000 and, contrary to the presentation adopted in the proforma, has been fully consolidated. Its major investment bigsave Holdings plc was originally expected to be treated as a long term investment but the board has decided it would be more appropriate to consolidate its figures fully. In accordance with generally accepted accounting practice, the overall consideration for the transaction has been restated based on HK$1.60 per share, the price ruling on completion, rather than the HK$2.80 per share used when the transaction was originally announced. This leads to a share premium account increase of US$43,300,000.

Regent Europe Limited (now Charlemagne Capital Limited) shares were distributed as a dividend as indicated in the same document. Accordingly on 31 May 2000, the Regent Europe Limited group of companies ceased to be subsidiaries and became an associated company. On 30 March 2001, the remaining stake in Regent Europe Limited was disposed of (see note 5c).

35. Post Balance Sheet Events

There are no material post balance sheet date events which have not been accounted for or detailed elsewhere in this report.

36. Contingent Liabilities

The Group is not aware of any contingent liability for which appropriate provision has not been made within the Financial Statements.

The Company has issued a number of letters of support to subsidiaries, or has agreed to forego immediate repayment of intragroup balances, which may create a liability for the Company in due course.

On 27 August 1999, Regent Pacific Private Equity Limited ("RPPEL"), a direct wholly-owned subsidiary of the Company, entered into certain binding heads of agreement with Kookmin Bank and Kookmin Bank Venture Capital Co Ltd ("KBVCC") relating to a potential acquisition of an interest in KBVCC on behalf of KoreaOnline (Labuan) Limited, a wholly-owned subsidiary of KoreaOnline Limited, and two other funds. Pursuant to a subsequent agreement between KoreaOnline (Labuan) Limited and these two other funds, KoreaOnline (Labuan) Limited agreed to be the sole buyer of KBVCC and a 10% escrow deposit of US$4,000,000 was placed with an escrow agent shortly after the execution of the agreement. The closing of the acquisition was subject to the satisfactory completion of a final due diligence. During due diligence, it was discovered that crucial factors of the transaction had been misrepresented to RPPEL by KBVCC. RPPEL also alleged a fundamental failure of consideration. KBVCC denied such claims. Kookmin Bank has issued a writ against RPPEL for compensation of damage of US$4,100,000 in a Korean court and the hearing date is set at 16 November 2001. The escrow deposit was recorded as a prepayment in the accounts of KoreaOnline (Labuan) Limited and has been fully provided for in the accounts of KoreaOnline (Labuan) Limited and RPPEL has made no provision in its accounts for the potential liability. The directors of KoreaOnline (Labuan) Limited are negotiating with Kookmin Bank to settle this issue out of court.

37. Reclassification of Comparative Figures

Certain comparative amounts have been reclassified to conform with current year presentation requirements. In addition, extra line items have been included on the face of the consolidated profit and loss account and balance sheet as required by SSAP1 (revised) "Presentation of financial statements" and comparative figures have been reclassified accordingly.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company for the year 2001 will be held at 904-906 Asia Pacific Finance Tower, 3 Garden Road, Central, Hong Kong on Friday, 28 September 2001 at 11:00 am for the following purposes:–

1. To receive and consider the audited financial statements of the Company and the reports of the directors and auditors for the year ended 31 March 2001.

2. To re-elect directors of the Company and to confirm their remuneration.

3. To re-appoint auditors of the Company and to authorise the directors of the Company to fix their remuneration.

4. As special business, to consider and, if thought fit, pass (with or without amendments) the following resolution

   As an Ordinary Resolution:–
   "**THAT** there be granted to the directors of the Company (the "Directors") an unconditional general mandate to issue, allot and otherwise deal with additional shares of US$0.01 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:–

   (a) such mandate shall not extend beyond the Relevant Period save that the Directors may, during the Relevant Period, make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

   (b) the aggregate number of Shares to be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to this Resolution, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants or any other securities issued by the Company carrying rights to subscribe for or purchase or convert into Shares; or (iii) the exercise of share options under any employee share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares, shall not exceed 20 per cent of the issued share capital of the Company as at the date of the passing of this Resolution (inclusive of the non-voting convertible deferred shares of US$0.01 each in issue in the capital of the Company);

   (c) such mandate shall be additional to the authority given to the Directors at any time to allot and issue additional Shares pursuant to the exercise of subscription rights under any warrants or any options under any employee share option scheme of the Company; and

   (d) for the purposes of this Resolution:–

      "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earlier of:–

      (i) the conclusion of the next annual general meeting of the Company;

Notice of Annual General Meeting (continued)

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means the allotment, issue or grant of Shares pursuant to an offer (open for a period fixed by the Directors) made to holders of the Shares or any class thereof on the Register of Members of the Company on a fixed record date pro rata to their then holdings of such Shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong)."

5. As special business, to consider and, if thought fit, pass (with or without amendments) the following resolution

As an Ordinary Resolution:–

"**THAT** there be granted to the directors of the Company (the "Directors") an unconditional general mandate to repurchase, on The Stock Exchange of Hong Kong Limited, (i) its own shares of US$0.01 each ("Share(s)") and (ii) its own registered warrants exercisable during the period from 9 June 2000 up to and including 30 June 2003, both days inclusive, at an initial subscription price of HK$2.80 per Share, subject to adjustment ("Warrants 2003"), subject to and in accordance with all applicable laws, rules and regulations and the following conditions:–

(a) such mandate shall not extend beyond the Relevant Period;

(b) such mandate shall authorise the Directors to procure the Company to repurchase Shares and Warrants 2003 at such prices as the Directors may at their discretion determine;

(c) the aggregate number of Shares and Warrants 2003 to be repurchased by the Company pursuant to this Resolution during the Relevant Period shall not exceed (i) 10 per cent of the issued share capital (inclusive of the non-voting convertible deferred shares of US$0.01 each in issue in the capital of the Company) and (ii) 10 per cent of the outstanding Warrants 2003 as at the date of the passing of this Resolution respectively; and

(d) for the purposes of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

Notice of Annual General Meeting (continued)

6. As special business, to consider and, if thought fit, pass (with or without amendments) the following resolution

As an Ordinary Resolution:–

"**THAT**, conditional upon the passing of Ordinary Resolutions numbered 4 and 5 above, the aggregate number of Shares which may from time to time be repurchased by the Company pursuant to, and in accordance with, the general mandate granted under Ordinary Resolution numbered 5 shall be added to the aggregate number of Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to, and in accordance with, the general mandate granted under Ordinary Resolution numbered 4."

By Order of the Board of
iRegent Group Limited

Stella Fung
Company Secretary

Hong Kong, 31 August 2001

Notes:–

(1) The Directors standing for re-election are Daniel Chan, Errol Williams, Anthony Baillieu and David McMahon.

(2) The general mandate granted to the Directors of the Company at its annual general meeting held on 18 September 2000 to allot, issue and otherwise deal with additional shares in the Company up to a maximum of 20 per cent of the then issued share capital will expire at the conclusion of the annual general meeting of the Company for the year 2001 convened by this notice (the "2001 Annual General Meeting"). Hence, the Directors propose Ordinary Resolution numbered 4 to renew the aforesaid general mandate.

The aforesaid share issue mandate, if approved at the 2001 Annual General Meeting, will expire at the conclusion of the next annual general meeting of the Company unless it is revoked or varied by shareholders' resolution.

(3) Members are recommended to read the accompanied shareholders' circular which contains important information concerning Ordinary Resolution numbered 5 in respect of the share repurchase mandate.

(4) A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting.

(5) A form of proxy for the meeting is enclosed. In order for it to be valid, the form of proxy and the power of attorney (if applicable) or other authority (if any) under which it is signed or a certified copy of that power or authority must be deposited at the principal place of business in Hong Kong of the Company at 904-906 Asia Pacific Finance Tower, 3 Garden Road, Central, Hong Kong not later than 11:00 am on Wednesday, 26 September 2001.

(6) In the case of joint registered holders of any shares, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the holders stand in the Register of Members.

(7) In the case of a conflict between the English text of this notice and its Chinese translation, the English text will prevail.

Notes

You can contact the iRegent Group at any of the following addresses

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