

# iRegent Group Limited

(Incorporated in the Cayman Islands with limited liability)

## Annual Report and Financial Statements

Year Ended 31 March 2002



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# Chairman's Statement

I am pleased to announce that for the full year to 31 March 2002 the Group returned to profitability. The Group recorded a profit attributable to shareholders of US\$3.6 million (2001: loss of US\$98.3 million) in the year ended 31 March 2002, representing earnings per share of 0.3 US cents (2001: loss of 8.5 US cents per share). The change in the results is mainly due to the improvement in the results of the Group's Korean associate, KoreaOnline Limited ("**KOL**"), which contributed US\$15.7 million profit during the year (2001: loss of US\$40.2 million, inclusive of goodwill impairment of US\$32.9 million). The value of shareholders' equity increased slightly by 3.5% to US\$87 million (2001: US\$84.1 million) over the previous year on an unchanged number of shares outstanding. Net assets per share were 7.3 US cents (2001: 7.1 US cents), an increase of 3% over the previous year. As at 31 March 2002, the Group had US\$5.1 million net cash or 6% of its total shareholders' funds.

Set out below is a brief summary of the main elements of the profit attributable to shareholders, which are as follows:

|   | US\$m      |
|---|------------|
| Share of profits connected with KOL                           | 15.7       |
| Share of losses connected with technology related investments | (7.2)      |
| Other operating losses  | (4.9)      |
| <b>Total profit attributable to shareholders</b>              | <b>3.6</b> |

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

|                                    | US\$m       |
|------------------------------------|-------------|
| Stake in KOL                       | 78.2        |
| Value of technology related assets | 4.1         |
| Other net assets                   | 4.7         |
| <b>Total net assets</b>            | <b>87.0</b> |

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

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

The Directors of the Company have decided not to declare a dividend for the year.

## Chairman's Statement (continued)

The year prior to the one which has just ended was very difficult, encompassing the effective stockmarket demise of the internet sector and the various problems which engulfed KOL, our Korean affiliate. The Group has made a determined effort to reduce costs and to improve the performance of its operations in its core areas of business.

The Directors propose to change the name of the Company back to "Regent Pacific Group Limited", subject to approval of the Company's shareholders and the Registrar of Companies of the Cayman Islands. The proposed change of name reaffirms the Company's commitment to value focussed asset management both of our own and of client assets. Private equity investment, including that done for our own account, has done well and has vindicated our decisions to concentrate on Korea and Indonesia within our traditional markets in Asia.

Jamie Gibson and myself have informed the Board that on 16 May 2002 we amicably concluded without reaching any result the discussions with KGI International Holdings Limited regarding its proposed offer for all the outstanding securities of the Company, due primarily to the proposed price offered and conditions of the deal.

Latterly, however, the return of our largest investment, KOL, has improved. This has been largely due to the repurchase of shares by Ileun Securities Co Ltd into treasury and the merger of Regent Securities Co Ltd and Ileun Securities Co Ltd to form Bridge Securities Co Ltd. KOL's net asset value has therefore increased and has further been helped by the appreciation of the Korean Won against the US dollar during the year.

Over the year there has been an increasing divergence of opinion between KOL management and the Board of the Company on issues relating to the manner of operation of KOL. In this respect, iRegent and The State of Wisconsin Investment Board ("**SWIB**") have resolved to rectify this divergence of opinion by entering into a new shareholders' agreement regarding the shareholdings of iRegent and SWIB in KOL (the "**KOL Shareholders' Agreement**"). iRegent and SWIB own approximately 40% and 27% of the issued share capital of KOL respectively and are in the process of seeking to change the management team at KOL. On 11 July 2002, iRegent and SWIB jointly deposited with the board of directors of KOL a notice requisitioning an extraordinary general meeting ("**EGM**") for the purpose of the dismissal of all of the current directors of the board of KOL and the appointment of new directors to the board of KOL. iRegent, SWIB and certain other minority shareholders, which together own approximately 83% of the issued share capital of KOL, have expressed their commitment to vote, and therefore are expected to vote, in favour of the resolutions contained in the requisition notice. In response to the requisition notice, the board of directors of KOL has issued a notice of an EGM to be held on 10 January 2003 to consider and, if thought fit, pass the ordinary resolutions outlined in the requisition notice. Accordingly, iRegent and SWIB commenced legal action in the Cayman Islands on 2 August 2002 seeking an order that KOL does convene an EGM as requisitioned by iRegent and SWIB within 7 days of the court order or such other period as the court thinks fit or that, unless KOL convenes the EGM as requisitioned by iRegent and SWIB within 7 days of the court order or such other period as may be ordered by the court, iRegent and SWIB be at liberty to convene the EGM. It is expected that the application seeking the relief sought by iRegent and SWIB will be heard by the court on 16 and 17 October 2002.

## Chairman's Statement (continued)

The Company and SWIB have, amongst other things, agreed in the KOL Shareholders' Agreement to explore ways in which to realise their investments in KOL in the most effective and profitable manner. If a sale on terms satisfactory to the Board is agreed, the disposal of the Company's shares in KOL would be a major transaction and would be conditional on approval by the Company's shareholders. Shareholders, including certain Directors of the Company, who together hold approximately 36% of the Company's issued ordinary shares, have indicated to the Board that they would intend to vote in favour of a sale if the terms are satisfactory to the Board. The Board intends that the benefit of any such sale, including the distribution of proceeds, will be made available to all shareholders of the Company equally although it is not yet possible to say what form such a distribution would take.

Assuming the realisation of the investment in KOL and distribution of the proceeds is approved by the Company's shareholders, it is the intention of the Board that it will retain up to 10% of the benefit of a sale to provide resources to rebuild its asset management business to the scale it reached at the time of listing in May 1997. It is also the intention of the Board that the Company will focus on value-based investment, an area in which we believe that we have considerable experience and have previously enjoyed great success.

I thank my fellow Directors and colleagues for all their hard work in the past year. Jamie Gibson, who is responsible at the iRegent level for selling KOL, has assumed the role of Chief Executive Officer and is charged with the day-to-day operations of the Company.

A report on each of the main business areas of the Group (apart from KOL which is described above) follow, authored by those who are responsible for them in the management structure.

**James Mellon**

Hong Kong, 2 October 2002

## Chairman's Statement (continued)

### **Interman Holdings Limited**

Interman Holdings Limited ("**Interman**") is a technology investment company operating on a venture capital basis. Interman had a portfolio of 26 investments at the last annual report. The funding environment for small technology companies continues to be severely restricted. Interman made no new investments during the year. Against a backdrop of a severe bear market in small unlisted technology companies the Directors of iRegent have decided to make a further provision of US\$3 million against the portfolio. 20 have been provided for completely but are still trading and 6 remain. The key companies are:

**Digitalbrain plc**, a leading UK e-learning company, which builds virtual learning environments and creates online content, raised GBP2.7 million during the year from Bank of Scotland Private Equity. Sales for 2001 were GBP9.4 million.

**Digital View Group Limited ("**Digital View**")**, a flat panel display technology company, had a difficult year in 2001 on sales of GBP10.2 million. William Mitchell took over as Chief Executive Officer in February 2002. Digital View has moved into the network market for flat panel screens and has recently completed the installation of 500 flat panels at point of sale for Camelot, the operator of the UK National Lottery. This is a great validation of their technology and products.

**bigsave Holdings plc ("**bigsave**")** operated as retailer via the internet and retail shops and as a re-seller of computers during the financial year concerned. bigsave continued to incur losses whilst operating in a difficult environment. The Directors of iRegent have decided to write off the Group's investment in bigsave and it will require the continued financial support of Burnbrae Limited, a private company wholly-owned by a trust, of which James Mellon is the sole beneficiary, to operate as a going concern,

**Mark Child and Kazem Behjat**

## Chairman's Statement (continued)

### **iRegent Group Limited**

#### **Fund management and business development**

In the interim statement, we opined that the bear market in western equities would not end until the "bubble" characteristics (essentially overindebtedness and undersaving) were unwound. We see the basic imbalances still, added to which the build-up of US military spending will put a floor on interest rates and cap equity valuations. The only difference is that major US indices are retesting their September 2001 lows. However, they are still, if anything, expensive. Bear markets usually end with capitulation and markets below fair value – such as Asia in 1998 – and we see no sign yet of that. But we are getting there.

For our business, managing client monies in Asia, this has two implications. The first, the income effect, is that investors have lost money and equities worldwide seem no longer as attractive as before. The second, the substitution effect, is that people start looking for ideas outside those that have fared them so well in the past and so badly recently. An obvious potential beneficiary of the latter effect is Asia. The region is now back on the radar screens of some investors who, having exited these markets in 1993/4, have ignored them ever since.

The core to our approach in managing money in Asian listed equities remains a long/short strategy with a long bias. Our flagship fund, Undervalued Assets Fund – Asia, has benefited from its ability to hedge and is succeeding in its aims to outperform the Asian market, to make a positive absolute return, and to do this with a low volatility. We are starting to see some inflows into our regional products for the first time for a while. The private equity funds have benefited from a return to favour of Indonesian assets and some revised management procedures.

Looking ahead, we are confident that the tide has turned and that the markets of Asia, which has in many cases restructured following the 1997 Asian financial crisis, are set for a period of outperformance. Given the performance of our core products, we are relatively optimistic that this can be translated into a growing business and better returns for shareholders.

### **Julian Mayo**

#### **Corporate finance services**

Regent Corporate Finance ("RCF") offers corporate finance advice to technology companies held by Interman Holdings Limited and the private equity funds managed by iRegent Group, if appropriate. RCF also offers corporate finance services to companies outside the Group. In the fiscal year RCF completed fund raisings for 5 companies and earned placement fees in excess of US\$500,000 and warrants in the respective companies.

During the period, RCF successfully negotiated a down round and raised US\$1.6 million for Digital View Group Limited and raised GBP2.7 million for Digitalbrain plc from the Bank of Scotland. RCF acted as adviser and raised GBP3 million for Betinternet.com plc, an AIM listed online gaming company.

### **Mark Child**

# Report of the Directors

The Directors of the Company submit herewith their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002 (the “**Financial Statements**”).

## Principal Activities

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

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

## Results and Dividends

The Group’s profit for the year ended 31 March 2002 and the state of affairs of the Company and the Group as at that date are set out in the Financial Statements on pages 24 to 71.

No interim dividend was paid during the year (2001: Nil).

The Directors do not recommend the payment of a final dividend for the year (2001: 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 |                  |                  |                  |                  |
|---|-----------------------------|------------------|------------------|------------------|------------------|
|   | 2002<br>US\$'000            | 2001<br>US\$'000 | 2000<br>US\$'000 | 1999<br>US\$'000 | 1998<br>US\$'000 |
| <b>Turnover</b>   | 2,808                       | (744)            | 54,658           | (32,197)         | 126,843          |
| Turnover less expenses                                  | (13,544)                    | (22,619)         | 14,725           | (54,700)         | 78,527           |
| Share of profits/(losses) of associates                 | 16,143                      | (53,440)         | 32,178           | 4,251            | (398)            |
| Operating profit/(loss) on core activities              | 2,599                       | (76,059)         | 46,903           | (50,449)         | 78,129           |
| (Losses)/Profits on non-core activities                 | (8)                         | (22,193)         | 51,940           | 1,174            | (239)            |
| Operating profit/(loss) from ordinary activities        | 2,591                       | (98,252)         | 98,843           | (49,275)         | 77,890           |
| Finance costs – interest on bank overdraft              | (145)                       | (358)            | (462)            | (688)            | (454)            |
| Profit/(Loss) on ordinary activities<br>before taxation | 2,446                       | (98,610)         | 98,381           | (49,963)         | 77,436           |
| Taxation  | (923)                       | (2,840)          | (12,283)         | (1,090)          | (1,679)          |
| Profit/(Loss) after taxation                            | 1,523                       | (101,450)        | 86,098           | (51,053)         | 75,757           |
| Minority interests                                      | 2,030                       | 3,119            | (534)            | 764              | (2,037)          |
| <b>Net profit/(loss) attributable to shareholders</b>   | <b>3,553</b>                | <b>(98,331)</b>  | <b>85,564</b>    | <b>(50,289)</b>  | <b>73,720</b>    |



# Report of the Directors (continued)

## Summary Financial Information (continued)

### Assets and liabilities:

|  | As at 31 March   |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|
|  | 2002<br>US\$'000 | 2001<br>US\$'000 | 2000<br>US\$'000 | 1999<br>US\$'000 | 1998<br>US\$'000 |
| Fixed assets   | 573              | 971              | 790              | 1,449            | 2,584            |
| Intangible assets  | –                | 628              | –                | –                | –                |
| Interests in associates and jointly<br>controlled entities | 78,960           | 64,332           | 92,606           | 47,515           | 24,403           |
| Other non-current financial assets                         | 7,422            | 10,276           | 16,237           | 5,054            | 1,986            |
| Current assets   | 8,398            | 21,780           | 71,359           | 71,025           | 212,753          |
| <b>Total assets</b>  | <b>95,353</b>    | <b>97,987</b>    | <b>180,992</b>   | <b>125,043</b>   | <b>241,726</b>   |
| Current liabilities  | 8,299            | 9,826            | 62,491           | 17,611           | 91,241           |
| Non-current liabilities                                    | –                | 2,500            | 143              | 407              | 133              |
| <b>Total liabilities</b>                                   | <b>8,299</b>     | <b>12,326</b>    | <b>62,634</b>    | <b>18,018</b>    | <b>91,374</b>    |
| <b>Net assets</b>  | <b>87,054</b>    | <b>85,661</b>    | <b>118,358</b>   | <b>107,025</b>   | <b>150,352</b>   |

### 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.

### Subsidiaries and Associates

Particulars of the Company's subsidiaries and associates 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 are set out in note 14 to the Financial Statements.

### Share Capital and Share Options

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

### Purchase, Sale or Redemption of Securities

No shares or registered warrants of the Company were repurchased by the Company or any of its subsidiaries during the year, whether on The Stock Exchange of Hong Kong Limited or otherwise.

# Report of the Directors (continued)

## Directors

The Directors of the Company who held office during the year and up to the date of this report were:

|  |   |
|--|---|
| James Mellon (Chairman)                          | (resumed as Chief Executive Officer on 1 March 2001 and as Chairman on 22 April 2001, and resigned as Chief Executive Officer on 16 May 2002) |
| Jamie Alexander Gibson (Chief Executive Officer) | (appointed as Director on 7 January 2002 and as Chief Executive Officer on 16 May 2002)   |
| Anthony Robert Baillieu**                        | (appointed on 22 April 2001)  |
| Mark Lucian Child                                | (appointed on 7 January 2002)   |
| Julian Peter Mayo (alternate to James Mellon)    |   |
| David McMahon*                                   |   |
| Karin Schulte                                    | (appointed on 1 September 2001)   |
| Stawell Mark Searle**                            | (appointed on 31 October 2001)  |
| Jayne Allison Sutcliffe*                         |   |
| Alexander Anderson Whamond*                      |   |
| Dominic Peter Bokor-Ingram                       | (appointed on 1 September 2001 and resigned on 11 March 2002)   |
| Chan Hung Kwan, Daniel                           | (resigned on 3 January 2002)  |
| Peter Devas Everington                           | (ceased to be Director on 7 January 2002)   |
| David Francis Joseph Paterson**                  | (resigned as Director and Chairman on 22 April 2001)  |
| Errol Stanley Williams**                         | (resigned on 31 October 2001)   |

\* *non-executive Directors*

# *independent Directors*

In accordance with Article 86(3) of the Company's Articles of Association, Directors appointed since the last annual general meeting of the Company shall retire from office at the forthcoming annual general meeting but shall then be eligible for election. Directors who so retire shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. Accordingly, Mark Searle, Jamie Gibson and Mark Child will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

# Report of the Directors (continued)

## Directors (continued)

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

**James Mellon**, aged 45, British, has been an executive Director of the Company since July 1991 and the Chairman of 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 known as Regent Pacific Group Limited and iRegent.com Limited). In 1994, he became Chairman of 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 iRegent Group and funds managed by the Group, including private equity and Dublin-listed funds. Since the completion of a restructuring scheme of iRegent Group and the Group's divestment in Charlemagne Capital Limited (formerly known as Regent Europe Limited) in June 2000 (the "**Restructuring Scheme**"), Mr Mellon has been non-executive Chairman of Charlemagne Capital Limited.

**Jamie Alexander Gibson**, aged 36, British, joined iRegent Group in April 1996 and was appointed an executive Director and Chief Operating Officer of the Company in January 2002. On 16 May 2002, he became Chief Executive Officer of iRegent Group Limited. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of a number of subsidiaries of iRegent Group and a private equity fund managed by the Group.

**Anthony Robert Baillieu**, aged 46, 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 & McLennan. 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 certain subsidiaries of iRegent Group and funds managed by the Group, including private equity and Dublin-listed funds.

**Mark Lucian Child**, aged 40, British, was appointed an executive Director of the Company in January 2002. He completed a short service commission in the British Army, serving with the Gurkhas for 3 years in Asia, before pursuing a career in finance. Mr Child joined Asian specialist stockbroker, W I Carr in Hong Kong, in 1984, before moving to Hoare Govett in London. He was the Managing Director of Sun Hung Kai Securities Limited in London for 4 years. He joined iRegent Group in April 2000 as Head of Corporate Finance and maintains this position. He has 18 years' experience of equity capital markets in Asia and the United Kingdom. Mr Child is also director of certain subsidiaries of iRegent Group.

## Report of the Directors (continued)

### Directors (continued)

**Julian Peter Mayo**, aged 41, 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 iRegent Group in May 1996 as 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 iRegent Group's Hong Kong operation, responsible for iRegent's investment management business. He is also director of a number of subsidiaries of iRegent Group.

**David McMahon**, aged 48, British, joined iRegent Group in February 1998. He was appointed the Group Finance Director and the Managing Director of 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.

**Karin Schulte**, aged 33, British, was appointed an executive Director of the Company in September 2001. She has worked since 1991 in the Asia Pacific region. After graduating from the University of Kent, Canterbury, United Kingdom in 1991, Ms Schulte lived and worked in Japan for one year. She then spent five years based in Hong Kong working in the logistics industry firstly with a German company, Birkart Globistics, and then with the Japanese company Nippon Yusen Kaisha. She returned to Hong Kong in January 2000 to join iRegent Group after three years based in Sydney, Australia where she obtained a Master's degree in Business Administration at the Australian Graduate School of Management. During her time in Sydney, Ms Schulte worked for Macquarie Bank, an Australian investment bank, in the capacity of Manager, Corporate Communications. She is also director of certain subsidiaries of iRegent Group.

**Stawell Mark Searle**, aged 59, British, was appointed an independent non-executive Director of the Company in October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Currently, Mr Searle is a consultant of Hiscox Investment Management Limited, the investment division of Hiscox Plc, and a director of Invesco Perpetual European Investment Trust and The New Korea Growth Fund, a Dublin-listed fund managed by iRegent Group.

# Report of the Directors (continued)

## Directors (continued)

**Jayne Allison Sutcliffe**, aged 39, 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 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 42, British, was appointed an executive Director in January 1999. Upon completion of the Restructuring Scheme, Mr Whamond became a non-executive Director of the Company. He commenced his career in 1982 with White Weld Securities Limited. Subsequently, he worked at both Salomon Brothers and Morgan Stanley International in London. Prior to joining 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 subsidiaries of iRegent Group and funds managed by the Group, including private equity and Dublin-listed funds.

## Directors' Interests in Securities and Options

As at 31 March 2002, 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 of Hong Kong Limited (the "**HK Stock Exchange**") pursuant to Section 28 of the SDI Ordinance and The Rules Governing the Listing of Securities on the HK Stock Exchange (the "**HK 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

| Name of Director                           | Note | Number of shares and nature of interests |                  |                     |                 | Total interests |
|--|------|--|------------------|---------------------|-----------------|-----------------|
|  |      | Personal interests                       | Family interests | Corporate interests | Other interests |                 |
| James Mellon                               | A&B  | 37,088,500                               | –                | –                   | 219,467,083     | 256,555,583     |
| Anthony Baillieu                           | C    | –  | –                | 200,000             | –               | 200,000         |
| Mark Child                                 |      | –  | –                | –                   | –               | –               |
| Jamie Gibson                               |      | 4,549,843                                | –                | –                   | –               | 4,549,843       |
| Julian Mayo<br>(alternate to James Mellon) |      | 229,686                                  | –                | –                   | –               | 229,686         |
| David McMahan                              | D    | –  | –                | –                   | 5,000,000       | 5,000,000       |
| Karin Schulte                              |      | 12,000                                   | –                | –                   | –               | 12,000          |
| Mark Searle                                | E    | –  | –                | –                   | 50,000          | 50,000          |
| Jayne Sutcliffe                            | F    | 14,727,260                               | –                | –                   | 24,000,000      | 38,727,260      |
| Anderson Whamond                           |      | 5,000,000                                | –                | –                   | –               | 5,000,000       |

# Report of the Directors (continued)

## Directors' Interests in Securities and Options (continued)

### 1. Securities of the Company (continued)

#### b. Warrants 2003 (note G)

| Name of Director                                  | Note | Number of warrants and nature of interests |                  |                     |                 | Total interests |
|---|------|--|------------------|---------------------|-----------------|-----------------|
|   |      | Personal interests                         | Family interests | Corporate interests | Other interests |                 |
| James Mellon                                      | A&B  | 6,817,700                                  | –                | –                   | 61,239,046      | 68,056,746      |
| Anthony Baillieu                                  | C    | –  | –                | 40,000              | –               | 40,000          |
| Mark Child  |      | –  | –                | –                   | –               | –               |
| Jamie Gibson                                      |      | 1,467,968                                  | –                | –                   | –               | 1,467,968       |
| Julian Mayo<br><i>(alternate to James Mellon)</i> |      | 1,047,909                                  | –                | –                   | –               | 1,047,909       |
| David McMahon                                     |      | 1,000,000                                  | –                | –                   | –               | 1,000,000       |
| Karin Schulte                                     |      | 2,400                                      | –                | –                   | –               | 2,400           |
| Mark Searle                                       | E    | –  | –                | –                   | 10,000          | 10,000          |
| Jayne Sutcliffe                                   | F    | 2,945,452                                  | –                | –                   | 4,800,000       | 7,745,452       |
| Anderson Whamond                                  |      | 1,000,000                                  | –                | –                   | –               | 1,000,000       |

### 2. Securities of associated corporations (note H)

| Name of Director                               | Note | Number of shares in the respective associated corporations |                      |                                  |
|--|------|--|----------------------|----------------------------------|
|  |      | AstroEast.com Limited                                      | bigsave Holdings plc | Techpursuit.com Holdings Limited |
| James Mellon                                   |      | –  | –                    | –                                |
| Anthony Baillieu                               | C    | 95,560   | 100,000              | 400,000                          |
| Mark Child                                     |      | –  | –                    | –                                |
| Jamie Gibson                                   |      | 225,000  | 131,579              | –                                |
| Julian Mayo <i>(alternate to James Mellon)</i> |      | 75,000   | 200,050              | –                                |
| David McMahon                                  |      | –  | 174,000              | –                                |
| Karin Schulte                                  |      | –  | –                    | –                                |
| Mark Searle                                    |      | –  | –                    | –                                |
| Jayne Sutcliffe                                | F    | 150,000  | 350,000              | –                                |
| Anderson Whamond                               |      | 150,000  | 350,000              | –                                |

# Report of the Directors (continued)

## Directors' Interests in Securities and Options (continued)

### 3. Options of the Company

Please refer to note 27 to the Financial Statements as to details of the employee share option scheme of the Company (referred to as the "iRegent Share Option Scheme" therein).

As at 31 March 2002, the following Directors of the Company had personal interests in options granted under the iRegent Share Option Scheme (including those options granted to them during the year), 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 | Date of offer     | Date of grant   | Number of shares subject to the option | Subscription price per share | Exercise period                      | Consideration for grant of option |
|------------------|-------------------|-----------------|--|------------------------------|--------------------------------------|-----------------------------------|
| Mark Child       | 26 September 2000 | 20 October 2000 | 3,000,000                              | HK\$1.060                    | 20 October 2001 –<br>19 October 2005 | HK\$10.00                         |
|                  | 2 April 2001      | 26 April 2001   | 300,000                                | HK\$0.160                    | 26 April 2002 –<br>25 April 2006     | HK\$10.00                         |
|                  | 25 April 2001     | 2 May 2001      | 700,000                                | HK\$0.160                    | 2 May 2002 –<br>1 May 2006           | HK\$10.00                         |
| Jamie Gibson     | 2 April 2001      | 7 April 2001    | 1,000,000                              | HK\$0.160                    | 7 April 2002 –<br>6 April 2006       | HK\$10.00                         |
|                  | 25 April 2001     | 27 April 2001   | 1,500,000                              | HK\$0.160                    | 27 April 2002 –<br>26 April 2006     | HK\$10.00                         |
| Julian Mayo      | 2 April 2001      | 10 April 2001   | 750,000                                | HK\$0.160                    | 10 April 2002 –<br>9 April 2006      | HK\$10.00                         |
|                  | 25 April 2001     | 27 April 2001   | 500,000                                | HK\$0.160                    | 27 April 2002 –<br>26 April 2006     | HK\$10.00                         |
| Karin Schulte    | 26 September 2000 | 18 October 2000 | 2,000,000                              | HK\$1.060                    | 18 October 2001 –<br>17 October 2005 | HK\$10.00                         |
|                  | 2 April 2001      | 23 April 2001   | 1,750,000                              | HK\$0.160                    | 23 April 2002 –<br>22 April 2006     | HK\$10.00                         |

## Report of the Directors (continued)

### Directors' Interests in Securities and Options (continued)

#### 3. Options of the Company (continued)

During the year, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the iRegent Share Option Scheme and subscribed for shares in the Company. No options were cancelled. However, options granted to the following Directors, during the year or otherwise, lapsed upon resignation or expiry of the option period:

| Name of Director     | Date of offer     | Date of grant    | Number of shares subject to the option | Subscription price per share | Exercise period                        | Consideration for grant of option |
|----------------------|-------------------|------------------|--|------------------------------|--|-----------------------------------|
| Dominic Bokor-Ingram | 26 September 2000 | 20 October 2000  | 500,000                                | HK\$1.060                    | 20 October 2001 –<br>19 October 2005   | HK\$10.00                         |
|                      | 2 April 2001      | 12 April 2001    | 1,750,000                              | HK\$0.160                    | 12 April 2002 –<br>11 April 2006       | HK\$10.00                         |
| Daniel Chan          | 26 September 2000 | 12 October 2000  | 300,000                                | HK\$1.060                    | 12 October 2001 –<br>11 October 2005   | HK\$10.00                         |
|                      | 2 April 2001      | 7 April 2001     | 2,500,000                              | HK\$0.160                    | 7 April 2002 –<br>6 April 2006         | HK\$10.00                         |
| Julian Mayo          | 23 January 1996   | 12 April 1996    | 2,636,984<br>(note I)                  | HK\$1.000                    | 12 April 1999 –<br>12 April 2001       | HK\$10.00                         |
| David Paterson       | 19 May 2000       | 23 May 2000      | 1,000,000                              | HK\$1.600                    | 23 May 2003 –<br>22 May 2005           | HK\$10.00                         |
|                      | 11 December 2000  | 13 December 2000 | 1,320,000                              | HK\$0.600                    | 13 December 2001 –<br>12 December 2005 | HK\$10.00                         |

Among the options in respect of an aggregate of 10,750,000 shares granted to the Directors of the Company during the year, options in respect of 8,050,000 shares were offered on 2 April 2001 and options in respect of 2,700,000 shares were offered on 25 April 2001. The options were granted upon acceptance by the respective Directors, which dates were various from one option to another. However, the exercise prices of the options were determined on the dates when the offer was made. The closing prices of the shares of the Company quoted on the HK Stock Exchange on 30 March 2001 and 24 April 2001, being the business dates immediately preceding the dates when the options granted to the Directors during the year were offered, were HK\$0.180 and HK\$0.185 respectively.



# Report of the Directors (continued)

## Directors' Interests in Securities and Options (continued)

### 4. Options of KoreaOnline Limited

As at 31 March 2002, the following Director of the Company had a personal interest in an option granted under the employee share option scheme of KoreaOnline Limited (the "KOL Share Option Scheme"), entitling him 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 | Date of offer | Date of grant | Number of shares subject to the option | Subscription price per share | Exercise period              | Consideration for grant of option |
|------------------|---------------|---------------|--|------------------------------|------------------------------|-----------------------------------|
| Julian Mayo      | 10 May 2000   | 18 May 2000   | 156,000                                | US\$13.000                   | 18 May 2001 –<br>17 May 2005 | HK\$10.00                         |

During the year, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the KOL Share Option Scheme and subscribed for shares in KoreaOnline Limited.

### 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, of which James Mellon is the sole beneficiary.
- 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. Details of the rights of the deferred shares in the issued share capital of the Company are set out in note 27 to the Financial Statements.
- C. The 200,000 shares in the Company and 40,000 units of Warrants 2003 under "corporate interests" are held by a nominee company owned by the family of Anthony Baillieu, through which shares and cash are held to individual family members' accounts. Such securities are held in Anthony Baillieu's individual account.

The 95,560 shares in AstroEast.com Limited, 100,000 shares in bigsave Holdings plc and 400,000 shares in Techpursuit.com Holdings Limited (representing 40% of its total issued share capital) are held through Anthony Baillieu and Associates Limited, which is in turn 80% beneficially owned by Anthony Baillieu.

- D. 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.
- E. The 50,000 shares in the Company and 10,000 units of Warrants 2003 under "other interests" are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.

# Report of the Directors (continued)

## **Directors' Interests in Securities and Options (continued)**

### **Notes (continued)**

- F. 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.

- G. Details of the Warrants 2003 are set out in note 27 to the Financial Statements.

- H. AstroEast.com Limited and bigsave Holdings plc are indirect 51% and 64.3% owned subsidiaries of the Company respectively.

Techpursuit.com Holdings Limited is a joint venture established in the Cayman Islands with limited liability, of which the Company has an indirect 20% interest.

- I. This was the outstanding balance of shares that Julian Mayo was entitled to subscribe for under the option as at the expiry date on 12 April 2001.

Save as disclosed herein, as at 31 March 2002 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 HK Stock Exchange pursuant to Section 28 of the SDI Ordinance and the HK 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.

## **Directors' Service Contracts**

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment (other than statutory compensation).

# Report of the Directors (continued)

## **Directors' Interests in Contracts**

Save for those disclosed in note 33 to the Financial Statements, no contracts of significance or connected transactions of the Company (under Chapter 14 of the HK Listing Rules), to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company has/had a material interest, subsisted at 31 March 2002 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 HK Listing Rules, have 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 2002 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 2002, 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 2002 as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance.

## **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.

## Report of the Directors (continued)

### 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 HK Listing Rules throughout the accounting period covered by this annual report, except that the non-executive Directors of the Company are not appointed for specific terms.

### Establishment of a New Share Option Scheme

In view of the new requirements introduced on 1 September 2001 to Chapter 17 of the HK Listing Rules with respect to share option schemes of Hong Kong listed companies and their subsidiaries, the Directors of the Company have proposed establishing a new share option scheme for the Company, subject to approval by the Company's shareholders at the annual general meeting of the Company for Year 2002 (the "**2002 Annual General Meeting**"). In order to differentiate this new scheme from the existing employee share option scheme of the Company (the "**iRegent Share Option Scheme**" as referred to in note 27 to the Financial Statements or as the "**Existing Scheme**" below), which shall continue in force until 14 July 2004 unless it is terminated before then, the new scheme is named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**").

An ordinary resolution has been proposed for the 2002 Annual General Meeting to approve, inter alia, the establishment of the Share Option Scheme (2002). Details of the new scheme are set out in a shareholders' circular (the "**Shareholders' Circular**") to be issued by the Company.

Application will be made to the Listing Committee of the HK Stock Exchange for the approval of the listing of and permission to deal in the shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme (2002). Implementation of the scheme is subject to such approval of listing and permission to deal being granted.

### Termination of the Existing Employee Share Option Scheme

The adoption of the Share Option Scheme (2002) shall not affect outstanding options under the iRegent Share Option Scheme. However, the Directors have proposed that the Existing Scheme be terminated, subject to the adoption of the Share Option Scheme (2002) and the grant by the HK Stock Exchange of the aforesaid approval in respect of the listing of and permission to deal in the shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme (2002). Accordingly, approval of the shareholders will also be sought at the 2002 Annual General Meeting to terminate the Existing Scheme, provided that its provisions shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under such scheme prior to the date of such termination. No further options will be granted under the Existing Scheme prior to the date of the 2002 Annual General Meeting.

# Report of the Directors (continued)

## **Change of Company Name**

Upon review of the Company's current strategy and operations, the Board has proposed to change the Company's name to its original name "Regent Pacific Group Limited", subject to approval by its shareholders at a general meeting and of the Registrar of Companies of the Cayman Islands. The proposed change of name reaffirms the Company's commitment to value focussed asset management both of our own and of client assets.

A special resolution has been proposed for the 2002 Annual General Meeting to change the name of the Company to "Regent Pacific Group Limited". Details of the change of the Company's name are set out in the Shareholders' Circular.

## **Auditors**

The Financial Statements were audited by KPMG.

Subsequent to the year end date, the Company's Auditors, KPMG, indicated that a limited liability company, KPMG Audit LLC, were to assume responsibility for certain aspects of their audit business with effect from 1 October 2002. Accordingly, KPMG resigned and the Directors have appointed KPMG Audit LLC as the Auditors of the Company in place of KPMG on 2 October 2002. KPMG Audit LLC will retire at the 2002 Annual General Meeting and, being eligible, offer themselves for re-appointment. An ordinary resolution has been proposed for the 2002 Annual General Meeting for the re-appointment of KPMG Audit LLC.

On Behalf of the Board

## **James Mellon**

*Chairman*

Hong Kong, 2 October 2002

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

## Revenue and Profits

The Group recorded a profit attributable to shareholders of US\$3.6 million (2001: loss of US\$98.3 million) in the year ended 31 March 2002. Detailed analysis of these figures can be seen in the consolidated income statement.

The change in the results is mainly due to the improvement in the results of the Korean associate, KoreaOnline Limited ("KOL"), which contributed US\$15.7 million profit during the year (2001: loss of US\$40.2 million, inclusive of goodwill impairment of US\$32.9 million). During the corresponding period last year, KOL suffered significant losses due to its insurance, asset management and banking businesses. Subsequent to 31 March 2001, these businesses were closed and full provision had already been made in the year ended 31 March 2001 for closure costs. Additionally, upon a restructuring scheme of KOL the two securities businesses, Regent Securities Co Ltd and Ileun Securities Co Ltd, were merged to form Bridge Securities Co Ltd in January 2002. This contributed a significant part of profit to the group of KOL.

The technology and internet stock investment environment remains poor. bigsave Holdings plc and AstroEast.com Limited contributed a combined loss of US\$3.3 million, net of minority interests (2001: loss of US\$39.6 million, inclusive of goodwill impairment of US\$36.5 million). The revenue of the asset management business division was reduced by 59% to US\$3.1 million (2001: US\$7.6 million) partly due to the reduction in assets under management upon the restructuring scheme. The corporate investment business incurred a loss of US\$4.8 million (2001: loss of US\$11.3 million), which, as compared with last year, has reduced by 57% due to the provision made on a portfolio basis for the technology stakes last year.

## Costs

The Group has always taken care to keep its operational costs as low as possible, conducive with efficient operations. A bonus scheme is operated for the core staff based on a percentage of profits earned. A provision for bonuses of US\$0.9 million has been made for the year. However, the Board has decided not to award cash bonuses to eligible participants until the cash flow position of the Group materially changes.

## Balance Sheet

The shareholders' equity increased slightly by 3.5% to US\$87 million (2001: US\$84.1 million) during the year and KOL now accounts for approximately 90% of the total shareholders' funds as at 31 March 2002. The remaining Group assets comprise the technology investments of US\$4 million and other corporate investments of US\$5 million. Full provision has been made for bigsave Holdings plc as at 31 March 2002.

As indicated in note 10 to the financial statements in this annual report, the Group has been in discussion with the tax authorities in the United Kingdom in relation to profits declared by UK subsidiaries since 1994. Whilst no liability has been admitted, the Group has deemed it prudent to provide US\$2.5 million against possible claims. The Company and its subsidiaries are in the final stages of reaching a negotiated settlement with the UK taxation authorities. It is anticipated that this will be finalised shortly and that the general provision will be adequate to meet it. Accordingly, the provision previously made has been transferred to current liabilities.

The borrowings of the Group amounted to US\$428,000 at the balance sheet date and were limited to those of bigsave Holdings plc. The wholly-owned subsidiaries of the Group had no borrowings at that date, which is in keeping with the Directors' stated policy.

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

## Future Funding

As at 31 March 2002, the Group had US\$5.1 million net cash or 6% of its total shareholders' funds of which US\$5 million formed part of "head office" funding. There were no material charges against Group assets.

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

## Management of Risk

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

As KOL was responsible for approximately 90% of the total shareholders' fund as at 31 March 2002, the Company is exposed to the fluctuations in the equity values of KOL. The exposure is to the Korean economy, and its credit and equity markets. The responsibility for management of these risks rests with the KOL management. Despite the current dispute between iRegent and the KOL management team, iRegent will continue to monitor its exposure through working with the KOL management. However, iRegent and The State of Wisconsin Investment Board ("**SWIB**") are in the process of seeking to change the management team at KOL. In this respect, on 11 July 2002, iRegent and SWIB jointly deposited with the board of directors of KOL a notice requisitioning an extraordinary general meeting ("**EGM**") for the purpose of the dismissal of all of the current directors of the board of KOL and the appointment of new directors to the board of KOL. iRegent, SWIB and certain other minority shareholders, which together own approximately 83% of the issued share capital of KOL, have expressed their commitment to vote, and therefore are expected to vote, in favour of the resolutions contained in the requisition notice. In response to the requisition notice, the board of directors of KOL has issued a notice of an EGM to be held on 10 January 2003 to consider and, if thought fit, pass the ordinary resolutions outlined in the requisition notice. Accordingly, iRegent and SWIB commenced legal action in the Cayman Islands on 2 August 2002 seeking an order that KOL does convene an EGM as requisitioned by iRegent and SWIB within 7 days of the court order or such other period as the court thinks fit or that, unless KOL convenes the EGM as requisitioned by iRegent and SWIB within 7 days of the court order or such other period as may be ordered by the court, iRegent and SWIB be at liberty to convene the EGM. It is expected that the application seeking the relief sought by iRegent and SWIB will be heard by the court on 16 and 17 October 2002.

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

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

## **Management of Risk (continued)**

The Group will operate both equity market and currency hedges from time to time and 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 2002, the amount of these margin deposits was US\$264,000 (2001: US\$6,000).

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

## **Contingent Liabilities**

The Group was not involved in any material litigation or disputes during the year ended 31 March 2002 apart from the action commenced against KoreaOnline Limited as described in page 21 above.

## **Employees**

The Group, including its subsidiaries but excluding associates, employed approximately 20 employees at 31 March 2002. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by a sub-committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole.



# Report of the Independent Auditors

## **To the shareholders of iRegent Group Limited**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 24 to 71, 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 2002 and of the profit 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 Audit LLC**

*Chartered Accountants*

Isle of Man, 2 October 2002

# Consolidated Income Statement

For the year ended 31 March 2002

|  | Note | 2002<br>US\$'000 | 2001<br>US\$'000 |
|--|------|------------------|------------------|
| Turnover:  | 3    |                  |                  |
| Asset management, corporate finance and property management              |      | 3,365            | 7,904            |
| Corporate investment income and realised and unrealised gains and losses |      | (4,847)          | (11,301)         |
| Internet retailing   |      | 4,290            | 2,653            |
|  |      | 2,808            | (744)            |
| Expenses:  |      |                  |                  |
| Personnel costs  |      | (5,535)          | (6,831)          |
| Marketing costs and commissions  |      | (241)            | (3,123)          |
| Cost of internet goods sold  |      | (3,705)          | (2,780)          |
| Other costs  |      | (6,871)          | (9,141)          |
|  |      | (13,544)         | (22,619)         |
| Share of profits/(losses) of associates                                  |      | 16,143           | (53,440)         |
| Operating profit/(loss) on core activities                               | 4    | 2,599            | (76,059)         |
| (Loss)/Profit on deemed disposal of subsidiary                           | 5    | (8)              | 1,926            |
| Profits on sale of interests in associates                               | 6    | –                | 18,845           |
| Exceptional gain on discontinuance of activity in associate              | 7    | –                | 29,186           |
| Impairment of goodwill on discontinuance of activity in associate        | 8    | –                | (49,026)         |
| Other impairment of goodwill   | 8    | –                | (23,124)         |
| Operating profit/(loss) from ordinary activities                         |      | 2,591            | (98,252)         |
| Finance costs – interest on bank overdraft                               |      | (145)            | (358)            |
| Profit/(Loss) before taxation  |      | 2,446            | (98,610)         |
| Taxation   | 10   | (923)            | (2,840)          |
| Profit/(Loss) after taxation   |      | 1,523            | (101,450)        |
| Minority interests   |      | 2,030            | 3,119            |
| <b>Net profit/(loss) attributable to shareholders</b>                    | 11   | <b>3,553</b>     | <b>(98,331)</b>  |
| (Accumulated loss)/Retained profit at beginning of year                  |      | (40,350)         | 63,800           |
| Transfer to capital redemption reserve                                   |      | –                | (25)             |
| Transfer from goodwill reserve on dividend distribution                  |      | –                | (5,794)          |
|  |      | (36,797)         | (40,350)         |
| Dividend   | 12   | –                | –                |
| <b>Accumulated losses at end of year</b>                                 |      | <b>(36,797)</b>  | <b>(40,350)</b>  |
| Earnings/(Loss) per share (US cents):                                    |      |                  |                  |
| – Basic  | 13   | 0.3              | (8.5)            |
| – Diluted  | 13   | 0.3              | N/A              |

The notes on pages 30 to 71 form an integral part of these financial statements.

# Consolidated Statement of Recognised Gains and Losses

For the year ended 31 March 2002

|   | 2002<br>US\$'000 | 2001<br>US\$'000        |
|---|------------------|-------------------------|
| Movements in exchange differences on the translation of the financial statements of entities not accounted for in United States dollars | (617)            | <i>(10,844)</i>         |
| Increase in revaluation reserve within associate  | –                | <i>3,735</i>            |
| Net profit/(loss) for the year  | 3,553            | <i>(98,331)</i>         |
| <b>Total recognised gains and losses</b>  | <b>2,936</b>     | <b><i>(105,440)</i></b> |
| Movement on goodwill taken directly to reserves   | –                | <i>20,099</i>           |
|   | 2,936            | <i>(85,341)</i>         |

The notes on pages 30 to 71 form an integral part of these financial statements.

# Consolidated Balance Sheet

As at 31 March 2002

|   | Note | 2002<br>US\$'000 | 2001<br>US\$'000 |
|---|------|------------------|------------------|
| Fixed assets: plant and equipment             | 14   | 573              | 971              |
| Intangible assets                             | 15   | –                | 628              |
| Interests in associates                       | 17   | 78,960           | 64,332           |
| Other non-current financial assets            | 18   | 7,422            | 10,276           |
| <b>Total non-current assets</b>               |      | <b>86,955</b>    | <b>76,207</b>    |
| General tax provision                         | 10   | –                | (2,500)          |
| <b>Net non-current assets</b>                 |      | <b>86,955</b>    | <b>73,707</b>    |
| <b>Current assets:</b>                        |      |                  |                  |
| Cash and bank balances                        | 21   | 5,539            | 3,314            |
| Current investments                           | 18   | 472              | 1,133            |
| Accounts receivable                           | 22   | 904              | 514              |
| Due from associate                            | 23   | –                | 12,827           |
| Due from related party                        | 24   | –                | 2,039            |
| Prepayments, deposits and other receivables   |      | 1,273            | 1,741            |
| Stocks  |      | 210              | 212              |
|   |      | <b>8,398</b>     | <b>21,780</b>    |
| <b>Current liabilities:</b>                   |      |                  |                  |
| Bank borrowings                               | 25   | (428)            | (7,543)          |
| Accounts payable, accruals and other payables | 26   | (5,371)          | (2,283)          |
| Taxation – current                            | 10   | (2,500)          | –                |
|   |      | <b>(8,299)</b>   | <b>(9,826)</b>   |
| <b>Net current assets</b>                     |      | <b>99</b>        | <b>11,954</b>    |
| <b>Net assets</b>                             |      | <b>87,054</b>    | <b>85,661</b>    |
| Share capital                                 | 27   | 11,869           | 11,869           |
| Reserves                                      | 28   | 75,138           | 72,202           |
| <b>Shareholders' equity</b>                   |      | <b>87,007</b>    | <b>84,071</b>    |
| Minority interests                            |      | 47               | 1,590            |
| <b>Capital and reserves</b>                   |      | <b>87,054</b>    | <b>85,661</b>    |

Approved and authorised for issue by the Board of Directors on 2 October 2002.

**James Mellon**  
Chairman

**Jamie Gibson**  
Director

The notes on pages 30 to 71 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 March 2002

|  | Note | 2002<br>US\$'000 | 2001<br>US\$'000 |
|--|------|------------------|------------------|
| Net cash outflow from operating activities                                     | 30a  | (1,579)          | (10,733)         |
| Returns on investments and servicing of finance:                               |      |                  |                  |
| Interest received  |      | 206              | 545              |
| Interest paid  |      | (145)            | (358)            |
| Dividends paid to shareholders   |      | –                | (12,295)         |
| Net cash inflow/(outflow) from returns on investments and servicing of finance |      | 61               | (12,108)         |
| Taxation:  |      |                  |                  |
| Hong Kong and overseas profits tax paid  |      | (196)            | (172)            |
| Investing activities:  |      |                  |                  |
| Purchase of other non-current financial assets                                 |      | (83)             | (5,500)          |
| Net sale of current investments  |      | 470              | 12,081           |
| Purchase of fixed assets   |      | (176)            | (519)            |
| Purchase of interests in associates  |      | –                | (33)             |
| Purchase of subsidiaries   | 30b  | –                | 3,691            |
| Purchase of intangible assets  |      | –                | (257)            |
| Distribution of subsidiary   | 30c  | –                | (7,678)          |
| Cash received on deemed disposal of subsidiary                                 |      | 42               | 2,357            |
| Proceeds from disposal of other non-current financial assets                   |      | 210              | 2,279            |
| Proceeds from disposal of fixed assets   |      | 52               | 14               |
| Proceeds from disposal of associates   |      | –                | 8,837            |
| Repayment of loan from/(loan to) related party                                 |      | 2,039            | (2,039)          |
| Repayment of loan from/(loan to) associate                                     |      | 8,500            | (8,500)          |
| Net cash inflow from investing activities                                      |      | 11,054           | 4,733            |
| Net cash inflow/(outflow) before financing                                     |      |                  |                  |
| – carried forward  |      | 9,340            | (18,280)         |

The notes on pages 30 to 71 form an integral part of these financial statements.

# Consolidated Cash Flow Statement (continued)

For the year ended 31 March 2002

|  | Note | 2002<br>US\$'000 | 2001<br>US\$'000 |
|--|------|------------------|------------------|
| Net cash inflow/(outflow) before financing – brought forward |      | 9,340            | (18,280)         |
| Financing:   | 30d  |                  |                  |
| Issue of shares  |      | –                | 6,092            |
| Repurchase of shares   |      | –                | (483)            |
| Net cash inflow from financing activities                    |      | –                | 5,609            |
| <b>Increase/(Decrease) in cash and cash equivalents</b>      |      | <b>9,340</b>     | <b>(12,671)</b>  |
| Cash and cash equivalents at beginning of year               |      | (4,229)          | 8,442            |
| Cash and cash equivalents at end of year                     |      | 5,111            | (4,229)          |
| Composition of cash and cash equivalents:                    |      |                  |                  |
| Cash and bank balances                                       |      | 5,539            | 3,314            |
| Bank borrowings  |      | (428)            | (7,543)          |
|  |      | 5,111            | (4,229)          |

The notes on pages 30 to 71 form an integral part of these financial statements.

# Company Balance Sheet

As at 31 March 2002

|   | Note | 2002<br>US\$'000 | 2001<br>US\$'000 |
|---|------|------------------|------------------|
| Interests in subsidiaries                     | 16   | 3,635            | 4,579            |
| Interests in associates                       | 17   | 64,060           | 64,060           |
| Other non-current financial assets            | 18   | 1,492            | 2,167            |
| Total non-current assets                      |      | 69,187           | 70,806           |
| Provision for guarantee to subsidiary         | 10   | –                | (2,500)          |
| Net non-current assets                        |      | 69,187           | 68,306           |
| Current assets:                               |      |                  |                  |
| Cash and bank balances                        | 21   | 3,364            | 90               |
| Accounts receivable                           | 22   | 37               | 33               |
| Due from subsidiaries                         |      | 13,643           | 13,705           |
| Due from associate                            | 23   | –                | 12,802           |
| Due from related party                        | 24   | –                | 2,039            |
| Prepayments, deposits and other receivables   |      | 194              | 96               |
|   |      | 17,238           | 28,765           |
| Current liabilities:                          |      |                  |                  |
| Bank borrowings                               | 25   | –                | (7,543)          |
| Accounts payable, accruals and other payables | 26   | (1,514)          | (494)            |
| Due to subsidiaries                           |      | (7,489)          | (11,435)         |
| Provision for guarantee to subsidiary         | 10   | (2,500)          | –                |
|   |      | (11,503)         | (19,472)         |
| Net current assets                            |      | 5,735            | 9,293            |
| <b>Net assets</b>                             |      | <b>74,922</b>    | <b>77,599</b>    |
| Share capital                                 | 27   | 11,869           | 11,869           |
| Reserves                                      | 28   | 63,053           | 65,730           |
| <b>Shareholders' equity</b>                   |      | <b>74,922</b>    | <b>77,599</b>    |

Approved and authorised for issue by the Board of Directors on 2 October 2002.

**James Mellon**  
Chairman

**Jamie Gibson**  
Director

The notes on pages 30 to 71 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 and warrants are listed on The Stock Exchange of Hong Kong Limited.

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

Asset management  
Corporate finance  
Corporate investment  
Internet 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 ("SSAP") 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 subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operational policies, so as to obtain benefits from their activities.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses.



# Notes to the Consolidated Financial Statements (continued)

## 2. Summary of Significant Accounting Policies (continued)

### e. Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The interests in associates are stated in the Company's balance sheet at cost less impairment losses.

### f. 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 associates. Such investments are held at fair value, which is the quoted net asset value.

### g. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

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

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

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

### h. 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. They are stated at cost less accumulated amortisation and impairment losses.

# Notes to the Consolidated Financial Statements (continued)

## 2. Summary of Significant Accounting Policies (continued)

### i. Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- plant and equipment;
- investments in subsidiaries and associates (except for those accounted for at fair value under note 2(f) above);
- intangible assets; and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

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

### 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 income statement.

- (ii) Other investments are stated in the balance sheet at fair value. Changes in fair value are recognised within turnover in the income statement as they arise. Fair value for quoted investments is quoted mid price at the balance sheet date. Fair value for unquoted investments is directors' valuation.

- (iii) Profits or losses on disposal of investments in securities are accounted for within turnover in the income statement 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.

# Notes to the Consolidated Financial Statements (continued)

## 2. Summary of Significant Accounting Policies (continued)

### i. 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/Negative goodwill

In prior years, goodwill or negative goodwill arising on consolidation, representing the difference between purchase consideration paid for subsidiaries, associates or businesses over the fair values ascribed to the net underlying assets acquired, has been charged or credited against reserves in the year of acquisition. On disposal of such subsidiaries and associates, the relevant portion of attributable goodwill reserve was included in calculating the profit or loss on disposal. If the investment in such subsidiaries and associates was considered by the Directors to be impaired, the relevant portion of goodwill reserve was accounted for in the income statement.

With effect from 1 April 2001, with the introduction of SSAP 30 "Business Combination", the Group adopted an accounting policy to recognise goodwill as an asset and it is amortised on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which has not yet been recognised, is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those non-monetary assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement. On disposal of a subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the income statement is included in the calculation of the profit or loss on disposal.

As at 31 March 2001, the Directors considered the values of certain investments had been impaired consequent on significant losses and restructuring and therefore all goodwill reserves in the balance sheet were charged to the income statement during the year ended on that date. No prior year adjustment was therefore needed following the adoption of the new policy.

### 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 income statement 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.

# Notes to the Consolidated Financial Statements (continued)

## 2. Summary of Significant Accounting Policies (continued)

### p. Derivatives

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

### 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 income statement.

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

On consolidation, the financial statements of consolidated subsidiaries and associates 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 foreign currency exchange 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 income statement 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;
- (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; and
- (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.

# Notes to the Consolidated Financial Statements (continued)

## 2. Summary of Significant Accounting Policies (continued)

### 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.

### t. Retirement costs

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

### u. Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the assets are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### v. Proposed dividend

In prior years, dividends proposed after the balance sheet date were accrued as liabilities at the balance sheet date. With effect from 1 April 2001, dividends proposed after the balance sheet date are shown as a separate component of shareholders' funds in accordance with the revised SSAP 9 "Events After the Balance Sheet Date". The new accounting policy has been adopted retrospectively. Since no final dividend was proposed for the year ended 31 March 2001, there is no impact on the Group's financial statements.

### w. Segmental reporting

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

Inter-segment pricing is based on similar terms as those available to other external parties.

In note 3 below, segment revenue and results under SSAP 26 "Segment Reporting" have been disclosed.





# Notes to the Consolidated Financial Statements (continued)

## 3. Segmented Information (continued)

|                         | Asset<br>management<br>US\$'000 | Corporate<br>finance<br>US\$'000 | Corporate<br>investment<br>US\$'000 | Internet<br>retailing<br>US\$'000 | Property<br>management<br>US\$'000 | Others<br>US\$'000 | Consolidated<br>US\$'000 |
|-------------------------|---------------------------------|----------------------------------|-------------------------------------|-----------------------------------|------------------------------------|--------------------|--------------------------|
| Segment assets          | 14,521                          | 121                              | 15,331                              | 1,606                             | –                                  | 2,076              | 33,655                   |
| Interests in associates | –                               | –                                | –                                   | –                                 | –                                  | 64,332             | 64,332                   |
| Total assets            | 14,521                          | 121                              | 15,331                              | 1,606                             | –                                  | 66,408             | 97,987                   |
| Segment liabilities     | 7,876                           | 26                               | 321                                 | 1,094                             | –                                  | 509                | 9,826                    |
| Unallocated liabilities | –                               | –                                | –                                   | –                                 | –                                  | 2,500              | 2,500                    |
| Total liabilities       | 7,876                           | 26                               | 321                                 | 1,094                             | –                                  | 3,009              | 12,326                   |

|  | Asset<br>management<br>US\$'000 | Corporate<br>finance<br>US\$'000 | Corporate<br>investment<br>US\$'000 | Internet<br>retailing<br>US\$'000 | Property<br>management<br>US\$'000 | Consolidated<br>US\$'000 |
|--|---------------------------------|----------------------------------|-------------------------------------|-----------------------------------|------------------------------------|--------------------------|
| Depreciation and amortisation for the year   | 187                             | –                                | 84                                  | 868                               | –                                  | 1,139                    |
| Capital expenditure incurred during the year | 294                             | 3                                | 3                                   | 219                               | –                                  | 519                      |

### Geographical segments

The Group's business is managed on a world-wide basis. Asia Pacific is a major market for its assets management business and Western Europe is a major market for its internet retailing business.

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

### For the year ended 31 March 2002

|   | North<br>America<br>US\$'000 | Asia Pacific<br>US\$'000 | Australasia<br>US\$'000 | Eastern<br>Europe<br>US\$'000 | Russia<br>US\$'000 | Western<br>Europe<br>US\$'000 | Others<br>US\$'000 | Total<br>US\$'000 |
|---|------------------------------|--------------------------|-------------------------|-------------------------------|--------------------|-------------------------------|--------------------|-------------------|
| Revenue from external customers                 | (485)                        | 147                      | 104                     | 17                            | 29                 | 3,331                         | (335)              | 2,808             |
| Segment assets                                  | –                            | 12,777                   | –                       | –                             | –                  | 3,616                         | –                  | 16,393            |
| Capital expenditure<br>incurred during the year | –                            | 73                       | –                       | –                             | –                  | 103                           | –                  | 176               |



# Notes to the Consolidated Financial Statements (continued)

### 3. Segmented Information (continued)

#### For the year ended 31 March 2001

|   | North<br>America<br>US\$'000 | Asia Pacific<br>US\$'000 | Australasia<br>US\$'000 | Eastern<br>Europe<br>US\$'000 | Russia<br>US\$'000 | Western<br>Europe<br>US\$'000 | Others<br>US\$'000 | Total<br>US\$'000 |
|---|------------------------------|--------------------------|-------------------------|-------------------------------|--------------------|-------------------------------|--------------------|-------------------|
| Revenue from external customers                 | 146                          | (455)                    | 497                     | 285                           | (1,118)            | (202)                         | 103                | (744)             |
| Segment assets                                  | –                            | 14,027                   | –                       | –                             | –                  | 19,628                        | –                  | 33,655            |
| Capital expenditure<br>incurred during the year | –                            | 323                      | –                       | –                             | –                  | 196                           | –                  | 519               |

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

|   | 2002<br>US\$'000 | 2001<br>US\$'000 |
|---|------------------|------------------|
| After charging:   |                  |                  |
| Amortisation of intangible assets                             | 628              | 640              |
| Auditors' remuneration  | 205              | 230              |
| Bad debts written off   | 1                | 377              |
| Depreciation  | 398              | 499              |
| Loss on disposal of fixed assets                              | 125              | 68               |
| Net loss on disposal of current investments                   | 430              | 12,493           |
| Operating lease rental on property                            | 964              | 706              |
| Provision for diminution in value of other investments        | 2,772            | 10,045           |
| Provision for diminution in value of other non-current assets | –                | 657              |
| After crediting:  |                  |                  |
| Foreign exchange gain   | 6                | 448              |
| Net profit on disposal of other non-current financial assets  | 45               | 1,886            |
| Interest income   | 206              | 545              |
| Investment income from listed investments                     | 6                | 46               |
| Unrealised profit on current investments                      | 239              | 7,615            |

The total cost of services rendered for the year was US\$4,232,000 (2001: US\$5,154,000).

# Notes to the Consolidated Financial Statements

## (continued)

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

There is no breakdown of the results for the current year, as there were no material acquisitions or disposals of subsidiaries. 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              | Total<br>US\$'000 |
|--|---------------------------------|--------------------------|--------------------------------------|-------------------|
|  | Previously existing<br>US\$'000 | Acquisitions<br>US\$'000 | Disposal or distribution<br>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 deemed disposal of subsidiary (note 5)                           | –                               | –                        | 1,926                                | 1,926             |
| Profits on sale of interests in associates (note 6)                        | –                               | –                        | 18,845                               | 18,845            |
| Exceptional gain on discontinuance of activity in associate (note 7)       | –                               | –                        | 29,186                               | 29,186            |
| Impairment of goodwill on discontinuance of activity in associate (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 losses of associates  | (18,846)                        | (602)                    | (33,992)                             | (53,440)          |
|  | (10,998)                        | (51,564)                 | (35,690)                             | (98,252)          |

# Notes to the Consolidated Financial Statements (continued)

## 5. (Loss)/Profit on Deemed Disposal of Subsidiary

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

## 6. Profits on Sale of Interests in Associates

The net consolidated profits on sale of interests in associates for the year ended 31 March 2001 related 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 The 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 last year.
- b. 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.

## 7. Exceptional Gain on Discontinuance of Activity in Associate

The exceptional gain for the year ended 31 March 2001 related to the reduction of the deficit in shareholders' funds on the discontinuance of the business of Regent Insurance Co Ltd, a subsidiary of KoreaOnline Limited.

## 8. Impairment of Goodwill

Impairment of goodwill during the year ended 31 March 2001 was as follows:

- a. Goodwill of US\$38,632,000 previously eliminated against reserves relating to the investment in KoreaOnline Limited, an associate, had been accounted for within the income statement on the basis that the Directors considered its value had been impaired consequent on significant losses and the restructuring of that company. Of this amount, US\$49,026,000 had 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 6a above). The credit balance of US\$15,567,000 had been written off separately.

# Notes to the Consolidated Financial Statements

## (continued)

### 8. Impairment of Goodwill (continued)

- 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 had now been accounted for within the income statement on the basis that the Directors considered its value had 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 had been charged to the income statement directly. Of this amount US\$479,000 had previously been shown in published figures as being eliminated against reserves.

|   | 2002<br>US\$'000 | 2001<br>US\$'000 |
|---|------------------|------------------|
| Goodwill taken to reserves:                             |                  |                  |
| Balance at 1 April 2000                                 | –                | 25,893           |
| Net goodwill arising on acquisitions                    | –                | 57,224           |
| Transfer from goodwill reserve on dividend distribution | –                | (5,794)          |
| Balance at 31 March 2001                                | –                | 77,323           |
| Charged to income statement:                            |                  |                  |
| 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                          | –                | –                |

### 9. Directors' and Highest Paid Individuals' Remuneration

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

|                                     | 2002<br>US\$'000 | 2001<br>US\$'000 |
|-------------------------------------|------------------|------------------|
| Executive Directors:                |                  |                  |
| Fees                                | –                | –                |
| Basic salaries and other emoluments | 885              | 1,542            |
| Discretionary bonuses               | 2                | –                |
| Retirement scheme contributions     | 7                | 2                |
|                                     | 894              | 1,544            |
| Non-Executive Directors:            |                  |                  |
| Fees                                | 54               | 49               |
|                                     | 54               | 49               |

# 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 and after their resignation, fell within the following bands:

|                               |                             | Number of Directors |      |
|-------------------------------|-----------------------------|---------------------|------|
|                               |                             | 2002                | 2001 |
| HK\$Nil – HK\$1,000,000       | (US\$Nil – US\$128,484)     | 9                   | 10   |
| HK\$1,000,001 – HK\$1,500,000 | (US\$128,485 – US\$192,727) | 4                   | –    |
| HK\$1,500,001 – HK\$2,000,000 | (US\$192,728 – US\$256,970) | 1                   | –    |
| HK\$2,000,001 – HK\$2,500,000 | (US\$256,971 – US\$321,213) | 1                   | 2    |
| HK\$3,000,001 – HK\$3,500,000 | (US\$385,456 – US\$449,698) | –                   | 1    |
| HK\$5,500,001 – HK\$6,000,000 | (US\$706,668 – US\$770,911) | –                   | 1    |
|                               |                             | 15                  | 14   |

The remuneration of the Directors appointed during the year, in the period prior to their appointment and after their resignation (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

All five (2001: four) 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 in 2001 are as follows:

|                                     | 2002<br>US\$'000 | 2001<br>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\$192,728 – US\$256,970) | – | 1 |
|-------------------------------|-----------------------------|---|---|

# Notes to the Consolidated Financial Statements

## (continued)

### 10. Taxation

#### Income Statement:

|                                    | 2002<br>US\$'000 | 2001<br>US\$'000 |
|------------------------------------|------------------|------------------|
| <b>Group:</b>                      |                  |                  |
| Hong Kong profits tax for the year | –                | –                |
| Overseas taxation                  |                  |                  |
| – Group subsidiaries               | 196              | 1,291            |
| – Share of tax of associates       | 727              | 1,549            |
|                                    | 923              | 2,840            |

No provision for Hong Kong profits tax has been made in these financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the year. 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 Group has set aside a general provision of US\$2,500,000 against potential taxation liabilities. The Company and its subsidiaries are in the final stages of reaching a negotiated settlement with the United Kingdom taxation authorities. It is anticipated that this will be finalised shortly and that the general provision will be adequate to meet it. Accordingly, the provision previously made has been transferred to current liabilities.

#### Balance Sheet:

|                                 | 2002<br>US\$'000 | 2001<br>US\$'000 |
|---------------------------------|------------------|------------------|
| <b>Group:</b>                   |                  |                  |
| Overseas taxation – non-current | –                | 2,500            |
| Overseas taxation – current     | 2,500            | –                |

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 associates is not shown in the consolidated balance sheet.

# Notes to the Consolidated Financial Statements

## (continued)

### 11. Net Profit/(Loss) Attributable to Shareholders

The net loss attributable to shareholders dealt with in the financial statements of the Company amounted to US\$2,677,000 (2001: US\$80,024,000).

### 12. Dividend

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. Earnings/(Loss) Per Share

- a. The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of US\$3,553,000 (2001: loss of US\$98,331,000) and on the weighted average of 1,186,902,435 (2001: 1,156,543,357) shares of the Company in issue during the year.
- b. The diluted earnings per share is based on the net profit attributable to shareholders for the year of US\$3,553,000 and on the weighted average of 1,189,551,057 shares issued and issuable, calculated on the assumption that the Company's outstanding share options had been exercised.

### 14. Fixed Assets: Plant and Equipment

#### Group:

|                           | Furniture<br>and<br>fixtures<br>US\$'000 | Computer<br>and other<br>equipment<br>US\$'000 | Total<br>US\$'000 |
|---------------------------|--|--|-------------------|
| Cost:                     |  |  |                   |
| At 1 April 2001           | 402                                      | 1,543  | 1,945             |
| Additions                 | 122                                      | 54   | 176               |
| Disposals                 | (284)                                    | (180)  | (464)             |
| Reclassification          | 100                                      | (100)  | –                 |
| Exchange adjustment       | (4)                                      | (30)   | (34)              |
| At 31 March 2002          | 336                                      | 1,287  | 1,623             |
| Accumulated depreciation: |  |  |                   |
| At 1 April 2001           | 191                                      | 783  | 974               |
| Provided during the year  | 62                                       | 336  | 398               |
| Disposals                 | (133)                                    | (154)  | (287)             |
| Reclassification          | 29                                       | (29)   | –                 |
| Exchange adjustment       | –  | (35)   | (35)              |
| At 31 March 2002          | 149                                      | 901  | 1,050             |
| Net book value:           |  |  |                   |
| At 31 March 2002          | 187                                      | 386  | 573               |
| At 31 March 2001          | 211                                      | 760  | 971               |

There were no fixed assets in the Company.

# Notes to the Consolidated Financial Statements (continued)

## 15. Intangible Assets

### Group:

|                                      | Titles<br>US\$'000 | Database<br>US\$'000 | Total<br>US\$'000 |
|--------------------------------------|--------------------|----------------------|-------------------|
| Cost:                                |                    |                      |                   |
| At 1 April 2001 and at 31 March 2002 | 189                | 1,080                | 1,269             |
| Accumulated amortisation:            |                    |                      |                   |
| At 1 April 2001                      | 101                | 540                  | 641               |
| Provided during the year             | 88                 | 540                  | 628               |
| At 31 March 2002                     | 189                | 1,080                | 1,269             |
| Net book value:                      |                    |                      |                   |
| At 31 March 2002                     | –                  | –                    | –                 |
| <i>At 31 March 2001</i>              | <i>88</i>          | <i>540</i>           | <i>628</i>        |

There were no intangible assets in the Company.

## 16. Interests in Subsidiaries

|   | Company          |                  |
|---|------------------|------------------|
|   | 2002<br>US\$'000 | 2001<br>US\$'000 |
| Unlisted shares, at cost less impairment loss | 3,635            | 4,579            |

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 2002 are as follows:

| Name of subsidiary                                 | Place of incorporation/<br>operation | Issued and<br>fully paid<br>share capital | Percentage of equity<br>interest attributable<br>to the Company |          | Principal activities              |
|--|--------------------------------------|---|---|----------|-----------------------------------|
|  |                                      |   | Direct  | Indirect |                                   |
| Alphorn Management Limited                         | Barbados                             | Ordinary<br>US\$1                         | –   | 100%     | Investment holding                |
| AstroEast.com (Hong Kong) Limited (note (a) below) | Hong Kong                            | Ordinary<br>HK\$2                         | –   | 51%      | Internet services                 |
| AstroEast.com Limited                              | Cayman Islands                       | Ordinary<br>US\$280,222.47                | –   | 51%      | Investment holding                |
| bigsave.com Limited (note (b) below)               | Isle of Man                          | Ordinary<br>GBP2                          | –   | 64.3%    | Internet retailing                |
| bigsave Holdings plc (note (b) below)              | Isle of Man                          | Ordinary<br>US\$397,375                   | –   | 64.3%    | Investment holding                |
| Capital Nominees Limited                           | British Virgin Islands               | Ordinary<br>US\$1                         | –   | 100%     | Corporate finance and structuring |
| Cycletek Investments Limited                       | British Virgin Islands               | Ordinary<br>US\$300,000                   | –   | 86.5%    | Investment holding                |
| IM Life Sciences Limited                           | United Kingdom                       | Ordinary<br>GBP950                        | 89.5%   | –        | Investment management             |
| Interman Europe plc                                | Isle of Man                          | Ordinary<br>GBP436,152                    | 100%  | –        | Investment holding                |
| Interman Holdings Limited                          | British Virgin Islands               | Ordinary<br>US\$41,500                    | 100%  | –        | Investment holding                |
| Interman Limited                                   | Isle of Man                          | Ordinary<br>GBP436,152                    | –   | 100%     | Investment holding                |

# Notes to the Consolidated Financial Statements (continued)

## 16. Interests in Subsidiaries (continued)

| Name of subsidiary   | Place of incorporation/<br>operation | Issued and<br>fully paid<br>share capital | Percentage of equity<br>interest attributable<br>to the Company |          | Principal activities   |
|--|--------------------------------------|---|---|----------|--|
|  |                                      |   | Direct  | Indirect |  |
| iRegent Corporate<br>Finance Limited   | Cayman Islands                       | Ordinary<br>US\$2                         | 100%  | –        | Corporate<br>finance   |
| iRegent Fund<br>Management (Asia) Limited<br>(formerly known as RLF<br>Management Limited) | Barbados                             | Ordinary<br>US\$100                       | 100%  | –        | Investment<br>management   |
| Regent Financial<br>Services Limited<br>(note (a) below)                                   | Hong Kong                            | Ordinary<br>HK\$5,000,000                 | –   | 100%     | Marketing of<br>unit trusts,<br>investment holding<br>and advisory<br>services |
| Regent Fund<br>Management Limited  | Barbados                             | Ordinary<br>US\$150,000                   | –   | 100%     | Investment<br>management   |
| Regent Pacific Corporate<br>Finance Limited  | United Kingdom                       | Ordinary<br>GBP730,000                    | 100%  | –        | Corporate<br>finance   |
| Regent Pacific Group<br>(Hong Kong) Limited<br>(note (a) below)                            | Hong Kong                            | Ordinary<br>HK\$5,000,000                 | 100%  | –        | Provision of<br>management<br>services   |
| Regent Pacific Private<br>Equity Limited   | Barbados                             | Ordinary<br>US\$1                         | 100%  | –        | Private equity   |
| RPG (Bahamas)<br>Limited   | Bahamas                              | Ordinary<br>US\$134,220                   | 100%  | –        | Investment<br>holding  |

### Notes:

- The financial statements of these companies for the year ended 31 March 2002 were audited by a firm of auditors other than KPMG (which audit business has been taken over by a limited liability company, KPMG Audit LLC, since 1 October 2002).
- 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 2002, financial statements to that date have been prepared and audited.

# Notes to the Consolidated Financial Statements (continued)

## 17. Interests in Associates

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2002<br>US\$'000 | 2001<br>US\$'000 | 2002<br>US\$'000 | 2001<br>US\$'000 |
| Unlisted shares, at cost less impairment loss | –                | –                | 64,060           | 64,060           |
| Share of net assets other than goodwill:      |                  |                  |                  |                  |
| – Unlisted                                    | 78,960           | 64,332           | –                | –                |
|   | 78,960           | 64,332           | 64,060           | 64,060           |

Particulars of the principal associates at 31 March 2002 are as follows:

| Name of associate                   | Place of incorporation | Percentage of equity interest attributable to the Group |          | Principal activities |
|-------------------------------------|------------------------|---|----------|----------------------|
|                                     |                        | Direct  | Indirect |                      |
| 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 6 above)  | Cayman Islands         | 40.2%   | –        | Investment holding   |

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

The financial statements of all the above associates for the year ended 31 March 2002 were audited by a firm of auditors other than KPMG (which audit business has been taken over by a limited liability company, KPMG Audit LLC, since 1 October 2002).

# Notes to the Consolidated Financial Statements (continued)

## 17. Interests in Associates (continued)

As the value of the Group's holding in KoreaOnline Limited is significant to the Group, further details regarding the results of KOL for the year ended 31 March 2002 and balance sheet as at 31 March 2002 are disclosed as follows:

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

|   | 2002<br>US\$'000 | 2001<br>US\$'000 |
|---|------------------|------------------|
| Revenues                                    | 120,781          | 197,820          |
| Operating profit/(loss)                     | 69,298           | (77,987)         |
| Exceptional items:                          |                  |                  |
| Deemed gain on discontinuance of operations | –                | 62,928           |
| Impairment of value of goodwill             | –                | (119,086)        |
| Loss on deemed disposal of associates       | –                | (5,360)          |
| Loss on disposal of subsidiaries            | (1,762)          | (663)            |
|   | 67,536           | (140,168)        |
| Share of losses of associates               | (322)            | (36,086)         |
|   | 67,214           | (176,254)        |
| Finance costs                               | (6,198)          | (9,412)          |
| Profit/(Loss) before taxation               | 61,016           | (185,666)        |
| Taxation                                    | (1,809)          | (3,339)          |
| Profit/(Loss) after taxation                | 59,207           | (189,005)        |
| Minority interests                          | (20,206)         | 25,207           |
| Net profit/(loss) for the year              | 39,001           | (163,798)        |

### Balance Sheet information:

|                          |           |           |
|--------------------------|-----------|-----------|
| Fixed assets             | 72,543    | 71,132    |
| Interests in associates  | 742       | 604       |
| Long term investments    | 62,186    | 39,687    |
| Negative goodwill        | (28,154)  | (2,210)   |
| Total non-current assets | 107,317   | 109,213   |
| Current assets           | 386,031   | 340,961   |
| Current liabilities      | (181,130) | (149,509) |
| Net assets               | 312,218   | 300,665   |
| Share capital            | 4,481     | 4,481     |
| Reserves                 | 190,238   | 153,198   |
| Shareholders' equity     | 194,719   | 157,679   |
| Minority interests       | 117,499   | 142,986   |
| Capital and reserves     | 312,218   | 300,665   |

# Notes to the Consolidated Financial Statements (continued)

## 17. Interests in Associates (continued)

- a. The financial statements of KoreaOnline Limited for the year ended 31 March 2002 disclose that there are various legal proceedings against KOL and its subsidiaries. In two particular cases, Regent Insurance Co Ltd ("**RIC**") is claiming against KoreaOnline Co Ltd ("**KOCL**") and KoreaOnline (Labuan) Limited ("**KOLL**"), two wholly-owned subsidiaries of KOL, for around KRW5.6 billion (approximately US\$4.2 million) on marketing and other expenses incurred by RIC for its own business. At the same time, KOCL and KOLL are counter-claiming other expenses incurred on behalf of RIC of up to KRW5.2 billion (approximately US\$3.9 million). RIC has provisionally attached the call centre run by KOCL, the value of which was fully provided for in 2001, and shares held by KOLL including 11,601,195 shares in Bridge Securities Co Ltd. The management of KOL states that while it is not currently possible for them to predict or determine the outcomes of these proceedings, they are of the opinion that the outcomes will not have a materially adverse effect on KOL's results of operation, financial position or liquidity.
- b. On 15 May 2002, the Company entered into a shareholders' agreement with The State of Wisconsin Investment Board (together with the Company, the "**Majority Shareholders**") regarding the shareholdings of the Company and SWIB in KOL (note 33(6) below). On 11 July 2002, the Majority Shareholders jointly deposited with the board of directors of KOL a notice requisitioning an extraordinary general meeting ("**EGM**") for the purpose of the dismissal of all of the current directors of the board of KOL and the appointment of new directors to the board of KOL. iRegent, SWIB and certain other minority shareholders, which together own approximately 83% of the issued share capital of KOL, have expressed their commitment to vote, and therefore are expected to vote, in favour of the resolutions contained in the requisition notice.

In response to the requisition notice, the board of directors of KOL has issued a notice of an EGM to be held on 10 January 2003 to consider and, if thought fit, pass the ordinary resolutions outlined in the requisition notice. The Company and SWIB were of the view that there could not be any proper justification for KOL's current board of directors to delay the general meeting until 10 January 2003 given that it was a foregone conclusion that the resolutions for removing KOL's existing directors and appointing new directors should be passed by the Majority Shareholders. Accordingly, iRegent and SWIB commenced legal action in the Cayman Islands on 2 August 2002 seeking an order that KOL does convene an EGM as requisitioned by the Majority Shareholders within 7 days of the court order or such other period as the court thinks fit or that, unless KOL convenes the EGM as requisitioned by the Majority Shareholders within 7 days of the court order or such other period as may be ordered by the court, the Majority Shareholders be at liberty to convene the EGM. It is expected that the application seeking the relief sought by iRegent and SWIB will be heard by the court on 16 and 17 October 2002.

KOL estimates, in its financial statements for the year ended 31 March 2002, that aggregate severance payments payable to the two existing executive directors of KOL upon their removal would amount to approximately US\$9 million pursuant to their employment contracts. Such amount was not accrued in its accounts at 31 March 2002.

# 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          |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2002<br>US\$'000 | 2001<br>US\$'000 | 2002<br>US\$'000 | 2001<br>US\$'000 |
| Investment securities:             |                  |                  |                  |                  |
| Unlisted equity securities         | 19               | 19               | 19               | 19               |
| Other investments:                 |                  |                  |                  |                  |
| Listed equity securities           |                  |                  |                  |                  |
| – in Hong Kong                     | 1,152            | 3,800            | 1,152            | 3,800            |
| – outside Hong Kong                | 410              | 688              | 266              | 242              |
| Unlisted equity securities at cost | 15,669           | 15,814           | 51               | 66               |
| Less: Provision for diminution     | (9,828)          | (10,045)         | 4                | (1,960)          |
|                                    | 7,422            | 10,276           | 1,492            | 2,167            |

All the above investments are in corporate entities.

### Current investments:

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2002<br>US\$'000 | 2001<br>US\$'000 | 2002<br>US\$'000 | 2001<br>US\$'000 |
| Other investments:                         |                  |                  |                  |                  |
| Listed equity securities outside Hong Kong | 471              | 585              | –                | –                |
| Unlisted equity securities                 | 1                | 548              | –                | –                |
|  | 472              | 1,133            | –                | –                |
| Other investments:                         |                  |                  |                  |                  |
| Bank and other financial institutions      | –                | 212              | –                | –                |
| Corporate entities                         | 472              | 921              | –                | –                |
|  | 472              | 1,133            | –                | –                |

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 above.

## 20. Deferred Taxation

There is no material 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<br>US\$'000 | Company<br>US\$'000 |
|--|-------------------|---------------------|
| Cash and balances with banks                             | 2,053             | 288                 |
| Money at call and short notice                           | 469               | 59                  |
| Cash and bank balances in relation to financial business | 2,522             | 347                 |
| Other bank deposits                                      | 3,017             | 3,017               |
|  | 5,539             | 3,364               |

Within bank deposits, an amount of GBP465,000 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          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2002<br>US\$'000 | 2001<br>US\$'000 | 2002<br>US\$'000 | 2001<br>US\$'000 |
| Current  | 560              | 463              | 37               | –                |
| 1 to 3 months old                                  | 68               | 9                | –                | –                |
| More than 3 months old but less than 12 months old | 276              | 42               | –                | 33               |
| Total accounts receivable                          | 904              | 514              | 37               | 33               |

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

# Notes to the Consolidated Financial Statements

## (continued)

### 23. Due from Associate

|                               | Group            |                  | Company          |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | 2002<br>US\$'000 | 2001<br>US\$'000 | 2002<br>US\$'000 | 2001<br>US\$'000 |
| KoreaOnline (Labuan) Limited  |                  |                  |                  |                  |
| – Loan                        | –                | 8,500            | –                | 8,500            |
| – Advance and management fees | –                | 4,327            | –                | 4,302            |
|                               | –                | 12,827           | –                | 12,802           |

The loan was unsecured, bearing interest at 1.625% over the US dollars best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time and was fully repaid during the year to 31 March 2002 (referred to in note 25 below).

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

### 24. Due from Related Party

As at 31 March 2001, the balance of the Group and the Company of US\$2,039,000 represented the amount due from Charlemagne Capital Limited (formerly known as Regent Europe Limited). The amount due was unsecured, interest-free and repaid on 24 April 2001.

### 25. Bank Borrowings

Bank borrowings of the Group as at 31 March 2002 of US\$428,000 represented bank overdraft which was repayable on demand. There were no bank borrowings in the Company.

Bank borrowings of the Group and the Company as at 31 March 2001 of US\$7,543,000 comprised a bank loan which was repayable on demand and was fully repaid during that year. The loan was 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 note 23 above) 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.



# Notes to the Consolidated Financial Statements (continued)

## 26. Accounts Payable, Accruals and Other Payables

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2002<br>US\$'000 | 2001<br>US\$'000 | 2002<br>US\$'000 | 2001<br>US\$'000 |
| Due within 1 month or on demand                     | 447              | 324              | –                | –                |
| Due after 1 month but within 3 months               | 19               | –                | –                | –                |
| Due after 3 months but within 6 months              | 36               | 37               | –                | –                |
| Total accounts payable                              | 502              | 361              | –                | –                |
| Accruals and other payables                         | 4,869            | 1,922            | 1,514            | 494              |
| Total accounts payable, accruals and other payables | 5,371            | 2,283            | 1,514            | 494              |

As at 31 March 2002, an amount of US\$937,000 (2001: Nil) included in accruals and other payables was provision for bonuses.

## 27. Share Capital

### Shares

|  | Company          |                  |
|--|------------------|------------------|
|  | 2002<br>US\$'000 | 2001<br>US\$'000 |
| <b>Authorised:</b>   |                  |                  |
| 2,000,000,000 ordinary shares of US\$0.01 each   | 20,000           | 20,000           |
| 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 | 867              | 867              |
|  | 20,867           | 20,867           |
| <b>Issued and fully paid:</b>  |                  |                  |
| 1,100,174,288 ordinary shares of US\$0.01 each   | 11,002           | 11,002           |
| 86,728,147 non-voting convertible deferred shares of US\$0.01 each   | 867              | 867              |
|  | 11,869           | 11,869           |

There were no changes in the share capital of the Company during the year ended 31 March 2002.

# Notes to the Consolidated Financial Statements (continued)

## 27. Share Capital (continued)

### Rights of the Deferred Shares

Holders of the non-voting convertible deferred shares of US\$0.01 each in the capital of the Company (the "**Deferred Share(s)**") 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 of Hong Kong Limited (the "**HK 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 HK Stock Exchange. However, application has been made to the HK Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

During the year ended 31 March 2002, 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.

During the year ended 31 March 2002, no Warrants 2003 were exercised (2001: 5,000 units) or repurchased (2001: Nil). As at 31 March 2002, there were 237,877,087 units of outstanding Warrants 2003 (2001: 237,877,087 units).

### Share options

The Company's employee share option scheme (the "**iRegent Share Option Scheme**") approved by the shareholders on 24 July 1996 (and was 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)), as amended on 27 May 1998, provides the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible participants (including directors, executives and employees of the Company and its subsidiaries). The scheme may, at the discretion of the Directors, be used in conjunction with any cash based compensation, incentive compensation or bonus plan. The scheme shall continue in force until 14 July 2004 unless it is terminated before then.

# Notes to the Consolidated Financial Statements

## (continued)

### 27. Share Capital (continued)

#### Share options (continued)

The maximum number of shares in respect of which options may be granted under the scheme, when aggregated with any securities subject to any other schemes of the Company, shall not exceed 10% of the issued share capital of the Company from time to time, which amounted to 110,017,428 ordinary shares on the basis of the total issued voting share capital of the Company as at the date of this annual report. The number of shares issued or issuable upon exercise of options granted to any individual eligible participant shall not exceed 25% of the maximum number of shares which may be issued or are issuable under the scheme, that is 27,504,357 ordinary shares on the basis of the total number of shares available for grant of options under the scheme as at the date of this annual report.

An offer of the grant of an option shall remain open for acceptance by the eligible participant concerned for a period of 28 days inclusive of and from the date on which such offer is made to that eligible participant or such shorter period as the Directors may in their absolute discretion determine. An offer which remains capable of acceptance shall be deemed to have been accepted upon the date when the duly completed and signed form of acceptance and a remittance for HK\$10, being the consideration for the grant thereof, are received by the Company. The option shall, following such acceptance, be deemed to have been granted and to have taken effect on the date of acceptance.

The exercise price is to be determined by the Directors in their absolute discretion when the option is offered, provided that in no event shall such price be less than the higher of the nominal value of the shares of the Company and 80% of the average of the closing prices of the Company's shares on the HK Stock Exchange on the five trading days immediately preceding the date of the offer.

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

As at 1 April 2001, under the iRegent Share Option Scheme there were outstanding 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 ordinary shares of US\$0.01 each in the Company at exercise prices ranging from HK\$0.60 to HK\$1.91 per share. During the year ended 31 March 2002, options in respect of an aggregate of 18,400,000 (2001: 25,270,000) shares at exercise price of HK\$0.16 per share were granted. No options (2001: options in respect of 41,223,965 shares) were exercised and no options (2001: Nil) were cancelled. Options in respect of an aggregate of 19,631,984 (2001: 17,194,730) shares lapsed. Accordingly, as at the balance sheet date, there were outstanding options entitling the holders to subscribe in stages from the respective dates of grant for a period of 60 months for an aggregate of 14,100,000 (2001: 15,331,984) ordinary shares in the Company at exercise prices ranging from HK\$0.16 to HK\$1.40 per share. Exercise in full of such options would result in the issue of 14,100,000 additional ordinary shares in the Company for aggregate proceeds, before expenses, of approximately HK\$7,714,000 (or approximately US\$991,000).

# Notes to the Consolidated Financial Statements (continued)

## 27. Share Capital (continued)

### Share options (continued)

Subsequent to the year end date, an option in respect of 500,000 shares lapsed. Accordingly, as at the date of this annual report, there were outstanding options entitling the holders to subscribe in stages for an aggregate of 13,600,000 ordinary shares at exercise prices ranging from HK\$0.16 to HK\$1.40 per share. Exercise in full of such options would result in the issue of 13,600,000 additional ordinary shares for aggregate proceeds, before expenses, of approximately HK\$7,184,000 (or approximately US\$923,000).

Particulars of the options granted under the iRegent Share Option Scheme during the year to various participants are as follow:

a. Directors, Chief Executive and substantial shareholders

As at 1 April 2001, there were outstanding options in respect of an aggregate of 10,756,984 shares held by the Directors and the Chief Executive Officer of the Company. During the year, options in respect of an aggregate of 10,750,000 shares were granted to the Directors and the Chief Executive Officer of the Company. None of the Directors or the Chief Executive Officer of the Company exercised any of their rights under the respective options granted to them and subscribed for shares in the Company. No options were cancelled, and options in respect of an aggregate of 10,006,984 shares lapsed upon resignation of certain Directors or expiry of the option period of the relevant option. Accordingly, as at the balance sheet date, there were outstanding options in respect of an aggregate of 11,500,000 shares held by the Directors and the Chief Executive Officer of the Company. Particulars of the options granted to the Directors and the Chief Executive Officer are set out under the section headed "Directors' Interests in Securities and Options" in the report of the Directors of this annual report. No options were granted to or held by any associates of the Directors of the Company at any time during the year.

For the avoidance of doubt, the Chief Executive Officer of the Company referred to above is Jamie Gibson who was appointed to this position on 16 May 2002. No options were granted to the former Chief Executive Officer of the Company, James Mellon. In addition, for consistency of classification, employees appointed as the Directors of the Company during the year were treated as if they were Directors of the Company as at 1 April 2001 for the purpose of the above calculation of the options held by the Directors of the Company as at 1 April 2001 and the options granted to the Directors during the year. Accordingly, their options are not included in the figures shown under sub-paragraph (c) below in respect of options granted to full-time employees of the Group.

No options were granted to or held by the substantial shareholder of the Company, as referred to in the section headed "Substantial Shareholders" in the report of the Directors of this annual report, or his associates at any time during the year.

b. Participants in excess of individual limit

No participants were granted with options (including exercised and outstanding options) in respect of an aggregate number of shares in the Company which was in excess of the individual limit referred to in Rule 17.03(4) of The Rules Governing the Listing of Securities on the HK Stock Exchange (the "HK Listing Rules").

# Notes to the Consolidated Financial Statements

## (continued)

### 27. Share Capital (continued)

#### Share options (continued)

##### c. Full-time employees

As at 1 April 2001, there were outstanding options entitling full-time employees of the Group to subscribe in stages from the respective dates of grant for a period of 60 months for an aggregate of 4,575,000 ordinary shares in the Company at exercise prices ranging from HK\$1.06 to HK\$1.91 per share. During the year, options in respect of an aggregate of 7,650,000 shares at exercise price of HK\$0.16 were granted. No options were exercised or cancelled. Options in respect of an aggregate of 9,625,000 shares lapsed upon resignation or termination of employment contracts of the employees. The service contract of a full-time employee holding an option in respect of 500,000 shares at exercise price of HK\$1.06 was terminated during the year and instead he was engaged as a consultant of the Group with his option retained (which is set out in sub-paragraph (d) below). Accordingly, as at the balance sheet date, there were outstanding options entitling full-time employees of the Group to subscribe in stages from the respective dates of grant for a period of 60 months for an aggregate of 2,100,000 ordinary shares in the Company at exercise prices ranging from HK\$0.16 to HK\$1.40 per share.

Among the options in respect of 7,650,000 shares granted to the employees of the Group during the year, options in respect of 3,950,000 shares were offered on 2 April 2001 and options in respect of 3,700,000 shares were offered on 25 April 2001. The options were granted upon acceptance by the respective employees, which dates were various from one option to another. However, the exercise prices of the options were determined on the dates when the offer was made. The closing prices of the shares of the Company quoted on the HK Stock Exchange on 30 March 2001 and 24 April 2002, being the business dates immediately preceding the dates when the options granted to the employees during the year were offered, were HK\$0.180 and HK\$0.185 respectively.

Employees appointed as Directors of the Company during the year were treated as if they were Directors of the Company as at 1 April 2001 for the purpose of the calculation of the options held by the Directors of the Company as at 1 April 2001 and the options granted to the Directors during the year (see sub-paragraph (a) above).

Accordingly, their options are not included in the figures shown under this paragraph in respect of options granted to full-time employees of the Group.

##### d. Suppliers of goods and services

As at 1 April 2001, no outstanding options were held by suppliers of goods and services. During the year, a full-time employee holding an option in respect of 500,000 shares at exercise price of HK\$1.06, as referred to in sub-paragraph (c) above, was re-designated as consultant of the Group with his option retained. Accordingly, as at the balance sheet date, there was an outstanding option entitling a consultant of the Group to subscribe in stages from the date of grant for a period of 60 months for 500,000 ordinary shares in the Company at exercise price of HK\$1.06 per share.

This consultant's option lapsed subsequent to the year end date upon termination of his consultancy agreement.

# Notes to the Consolidated Financial Statements (continued)

## 27. Share Capital (continued)

### Share options (continued)

#### e. Other participants

Save for the options referred to in sub-paragraphs (a) to (d) above, no options were granted to or held under the iRegent Share Option Scheme by other participants at any time during the year.

The Directors have made a valuation of the options granted under the iRegent Share Option Scheme during the year using a modified Black Scholes option pricing model. This calculates a theoretical valuation assuming that the options involved are freely tradable.

The volatility of the Group's share price was measured over the 260 trading days prior to the grant of the options. It was further assumed that the risk-free interest rate ruling was 4% per annum, that no dividends will be paid and that the options would not lapse prior to the latest exercise date.

The Directors have valued all options in force at 31 March 2002, totalling options in respect of an aggregate of 14,100,000 shares as indicated above, using the similar assumptions but based upon the Group's then share price of HK\$0.23. In their opinion, the aggregate value of all outstanding options at that time amounted to approximately US\$177,000.

On 1 September 2001, the HK Stock Exchange introduced certain amendments to Chapter 17 of the HK Listing Rules with respect to requirements for share option schemes of Hong Kong listed companies and their subsidiaries. In view of this, the Directors have proposed that a new share option scheme in compliance of the new requirements be established for the Company, subject to approval by the Company's shareholders at the annual general meeting of the Company for Year 2002 (the "**2002 Annual General Meeting**"). In order to differentiate this new scheme from the iRegent Share Option Scheme, the new scheme is named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"). Details of the new scheme are set out in a shareholders' circular to be issued by the Company.

Application will be made to the Listing Committee of the HK Stock Exchange for the approval of the listing of and permission to deal in the shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme (2002). Implementation of the scheme is subject to such approval of listing and permission to deal being granted.

The adoption of the Share Option Scheme (2002) shall not affect outstanding options under the iRegent Share Option Scheme (referred to as the "**Existing Scheme**" below). However, the Directors have proposed that the Existing Scheme be terminated, subject to the adoption of the Share Option Scheme (2002) and the grant by the HK Stock Exchange of the aforesaid approval in respect of the listing of and permission to deal in the shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme (2002). Accordingly, approval of the shareholders will also be sought at the 2002 Annual General Meeting to terminate the Existing Scheme, provided that its provisions shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under such scheme prior to the date of such termination. No further options will be granted under the Existing Scheme prior to the date of the 2002 Annual General Meeting.

# Notes to the Consolidated Financial Statements (continued)

## 28. Reserves

| Group   | Retained profits/<br>(accumulated losses)<br>US\$'000 | Share premium<br>US\$'000 | Asset revaluation reserve<br>US\$'000 | Capital redemption reserve<br>US\$'000 | Goodwill reserve<br>US\$'000 | Foreign currency exchange reserve<br>US\$'000 | Total<br>US\$'000 |
|---|---|---------------------------|---------------------------------------|--|------------------------------|---|-------------------|
| At 1 April 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 associates                   | –   | –                         | 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            |
| Foreign currency translation adjustment                           | –   | –                         | –                                     | –                                      | –                            | (617)   | (617)             |
| Profit for the year   | 3,553   | –                         | –                                     | –                                      | –                            | –   | 3,553             |
| At 31 March 2002  | (36,797)  | 114,263                   | 3,735                                 | 1,204                                  | –                            | (7,267)                                       | 75,138            |

# Notes to the Consolidated Financial Statements (continued)

## 28. Reserves (continued)

|                                       | Company          |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2002<br>US\$'000 | 2001<br>US\$'000 |
| <b>Profit/(Loss) for the year in:</b> |                  |                  |
| Group                                 | (11,863)         | (25,051)         |
| Associates                            | 15,416           | (73,280)         |
|                                       | 3,553            | (98,331)         |
| <b>(Losses)/Profits retained by:</b>  |                  |                  |
| Company                               | (54,758)         | (52,081)         |
| Subsidiaries                          | 43,385           | 52,571           |
| Associates                            | (25,424)         | (40,840)         |
| <b>Group total</b>                    | <b>(36,797)</b>  | <b>(40,350)</b>  |

The increase in share premium for the year ended 31 March 2001 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 in the goodwill reserve are detailed in note 8 above.

|  | Retained<br>profits/<br>(accumulated<br>losses)<br>US\$'000 | Share<br>premium<br>US\$'000 | Capital<br>redemption<br>reserve<br>US\$'000 | Foreign<br>currency<br>exchange<br>reserve<br>US\$'000 | Total<br>US\$'000 |
|--|---|------------------------------|--|--|-------------------|
| <b>Company</b>   |   |                              |  |  |                   |
| At 1 April 2000  | 27,968  | 68,021                       | 1,179  | 79   | 97,247            |
| Excess of amount received over the par<br>value of shares issued     | –   | 48,965                       | –  | –  | 48,965            |
| Excess of amount paid over the par<br>value of shares repurchased    | –   | (458)                        | –  | –  | (458)             |
| Transfer from retained profits in respect<br>of repurchase of shares | (25)  | –                            | 25   | –  | –                 |
| Loss for the year  | (80,024)  | –                            | –  | –  | (80,024)          |
| At 31 March 2001   | (52,081)  | 116,528                      | 1,204  | 79   | 65,730            |
| Loss for the year (note 11 above)                                    | (2,677)   | –                            | –  | –  | (2,677)           |
| At 31 March 2002   | (54,758)  | 116,528                      | 1,204  | 79   | 63,053            |

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\$33,696 (2001: US\$20,519).

## 30. Notes to the Consolidated Cash Flow Statement

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

|  | 2002<br>US\$'000 | 2001<br>US\$'000 |
|--|------------------|------------------|
| Net cash outflow from operating activities:                          |                  |                  |
| Operating profit/(loss) on core activities                           | 2,599            | (76,059)         |
| Interest income  | (206)            | (545)            |
| Depreciation and amortisation  | 1,026            | 1,139            |
| Unrealised profit on current investments                             | (239)            | (7,615)          |
| Loss on disposal of fixed assets                                     | 125              | 68               |
| Share of (profits)/losses of associates                              | (16,143)         | 53,440           |
| Net loss on disposal of current investments                          | 430              | 12,493           |
| Net profit on disposal of other non-current financial assets         | (45)             | (1,886)          |
| Provision for diminution in value of other investments               | 2,772            | 10,045           |
| Provision for diminution in value of other non-current assets        | –                | 657              |
| Foreign exchange loss/(gain)   | 607              | (1,343)          |
| (Increase)/Decrease in accounts receivable                           | (390)            | 23,383           |
| Decrease/(Increase) in amount due from associate                     | 4,327            | (4,327)          |
| Decrease in prepayments, deposits and other receivables              | 468              | 4,289            |
| Decrease/(Increase) in stocks  | 2                | (212)            |
| Increase/(Decrease) in accounts payable, accruals and other payables | 3,088            | (24,260)         |
| Net cash outflow from operating activities                           | (1,579)          | (10,733)         |

# Notes to the Consolidated Financial Statements (continued)

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

b. Purchase of subsidiaries during the year ended 31 March 2001

|  | Interman<br>Holdings<br>Limited<br>US\$'000 | Cycletek<br>Investments<br>Limited<br>US\$'000 | AstroEast.com<br>Limited<br>US\$'000 | IM Life<br>Sciences<br>Limited<br>US\$'000 | Total<br>US\$'000 |
|--|---|--|--------------------------------------|--|-------------------|
| Fixed assets                                   | 625   | –  | 32                                   | –  | 657               |
| Intangible assets                              | 25  | –  | –                                    | –  | 25                |
| Interests in associates                        | –   | 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<br>other receivables | 2,305                                       | 21   | 4                                    | –  | 2,330             |
| Accounts payable and accruals                  | (795)                                       | –  | (61)                                 | –  | (856)             |
| Share of loss of associates                    | –   | –  | 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<br>equivalents in respect of<br>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 associate during the year ended 31 March 2001

|   | Charlemagne Capital Limited<br>(formerly known as<br>Regent Europe Limited)<br>US\$'000 |
|---|---|
| Fixed assets  | 392   |
| Interests in associates   | (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

|  | Share<br>capital<br>US\$'000 | Share<br>premium<br>US\$'000 | Minority<br>interests<br>US\$'000 | Total<br>US\$'000 |
|--|------------------------------|------------------------------|-----------------------------------|-------------------|
| At 1 April 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           |
| Share of loss for the year             | –                            | –                            | (2,030)                           | (2,030)           |
| Deemed disposal of subsidiary          | –                            | –                            | 50                                | 50                |
| Effect of foreign exchange rates       | –                            | –                            | 437                               | 437               |
| At 31 March 2002                       | 11,869                       | 114,263                      | 47                                | 126,179           |

# Notes to the Consolidated Financial Statements (continued)

## 31. Off Balance Sheet Exposures

### Derivatives

At 31 March 2002, there were forward and futures contracts amounting to approximately US\$2,219,000 (2001: Nil) and US\$638,000 (2001: Nil) respectively 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.

A profit of US\$27,000 (2001: Nil) and a loss of US\$34,000 (2001: Nil) were made from forward and futures trading respectively during the year.

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 2002, the amount of these margin deposits was US\$264,000 (2001: US\$6,000).

### Lease commitments

#### Group

|  | 2002<br>US\$'000 | 2001<br>US\$'000 |
|--|------------------|------------------|
| At 31 March 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows: |                  |                  |
| Property:  |                  |                  |
| – within 1 year  | 287              | 447              |
| – in the 2nd to 5th year, inclusive  | 427              | 133              |
| – over 5 years   | –                | –                |
|  | 714              | 580              |
| Plant and equipment:   |                  |                  |
| – within 1 year  | 3                | 3                |
| – in the 2nd to 5th year, inclusive  | 5                | 8                |
| – over 5 years   | –                | –                |
|  | 8                | 11               |

# Notes to the Consolidated Financial Statements (continued)

## 31. Off Balance Sheet Exposures (continued)

### Lease commitments (continued)

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

### Company

The Company has no lease commitments.

### Capital commitments

As at 31 March 2001, the Company had an outstanding balance of GBP718,385 in relation to the consideration for the acquisition of 89.5% stake in IM Life Sciences Limited. The Company has no capital commitments at 31 March 2002.

## 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 95%. The largest single contribution by one fund company amounted to 36% of the turnover of the Group.

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 or connected transactions of the Company (under Chapter 14 of the HK Listing Rules) which subsisted at 31 March 2002 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 of the Company 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 Group.

- (1) 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% owned associate of the Company, as purchaser; and (c) KOL in respect of the proposed disposal by the Company of its entire holding of 18,000,000 shares in KOL to Abraxas Capital Limited for a consideration of US\$180 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 million 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.

# Notes to the Consolidated Financial Statements

## (continued)

### 33. Material Related Party Transactions (continued)

The disposal of the Company's interests in KOL would have constituted a major transaction of the Company under Chapter 14 of the HK 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, who ceased to be a Director of the Company on 7 January 2002, and Robin Willi, who resigned as a Director of the Company on 1 March 2001, were directors of KOL, and Peter Everington held an interest of approximately 0.2% in its total issued share capital.

- (2) A loan agreement dated 26 September 2001 was entered into between (a) the Company as lender and (b) AstroEast.com Limited ("**AstroEast**"), an indirect 51% owned subsidiary of the Company, as borrower, pursuant to which the Company agreed to grant an interest bearing secured loan facility of up to an amount of US\$50,000 to AstroEast.

The facility is secured by AstroEast granting, at the request of the Company, a first priority perfected security interest in all interests of AstroEast of at least 1,614,625 shares of iFuture.com Inc, which are listed on the Canadian Venture Exchange. AstroEast must maintain such collateral with a minimum coverage of at least 300% of the amount outstanding in respect of the facility.

The above loan agreement constituted a connected transaction of the Company under Chapter 14 of the HK Listing Rules. However, the Directors of the Company were of the opinion that the facility, being interest bearing and secured by the collateral in the form of marketable securities valued at 300% of the amount outstanding, was granted on normal commercial terms. Additionally, they considered that it was in the ordinary and usual course of business of the Company to offer financial assistance to its subsidiaries from time to time. As a result, the loan agreement was not subject to any disclosure or shareholders' approval requirements as a connected transaction in accordance with the de minimis provision under Rule 14.24(5) of the HK Listing Rules.

As at the date of the loan agreement, James Mellon, Anthony Baillieu and Karin Schulte were directors of AstroEast. In addition, Peter Everington, who ceased to be a Director of the Company on 7 January 2002, held an interest of less than 2% of its total issued share capital, and each of Anthony Baillieu, Julian Mayo, Jayne Sutcliffe, Anderson Whamond and Jamie Gibson, who was appointed a Director of the Company on 7 January 2002, held an interest of less than 1% of its total issued share capital.

During the year ended 31 March 2002, an aggregate amount of US\$40,000 was drawn down by AstroEast. No additional amount was drawn down by AstroEast subsequent to the year end date and prior to the date of this annual report.

- (3) An agreement dated 9 October 2001 was entered into between (a) iRegent Corporate Finance Limited ("**iRCF**"), a direct wholly-owned subsidiary of the Company, and (b) Betinternet.com plc ("**Betinternet**"), an AIM listed online gaming company, pursuant to which iRCF was engaged by Betinternet as its financial adviser and exclusive placing agent in respect of a placement of shares of Betinternet with a view to raising between GBP2.5 million to GBP3 million.

# Notes to the Consolidated Financial Statements

## (continued)

### 33. Material Related Party Transactions (continued)

Among the aggregate funding of GBP3 million raised on the placement, an amount of GBP2.5 million was committed by Burnbrae Limited, and Mark Child, who was appointed as a Director of the Company on 7 January 2002, and two trusts of which Mark Child is one of the trustees for the benefit of his sons committed an aggregate amount of GBP115,000. A placement fee of GBP112,500 was received by iRegent Group.

Burnbrae Limited was a private company wholly-owned by a trust, of which James Mellon was the sole beneficiary. David McMahon and Anderson Whamond were directors of Burnbrae Limited.

- (4) Five facilities agreements dated 24 January 2002, 6 February 2002, 24 April 2002, 23 July 2002 and 29 July 2002 respectively were entered into between (a) bigsave Holdings plc ("**bigsave**"), an indirect 64.3% owned subsidiary of the Company, as borrower and (b) Burnbrae Limited as lender, pursuant to which Burnbrae Limited agreed to advance unsecured interest-bearing loan facilities of maximum amounts of GBP80,000 (approximately US\$114,000), GBP300,000 (approximately US\$427,500), and GBP75,000 (approximately US\$106,875), GBP25,000 (approximately US\$35,625) and GBP75,000 (approximately US\$106,875) respectively to bigsave.

The above facilities agreements constituted connected transactions of the Company under Chapter 14 of the HK Listing Rules. However, they were not subject to any disclosure or shareholders' approval requirements as connected transactions in accordance with Rule 14.24(8) of the HK Listing Rules. The Directors of the Company were of the opinion that as bigsave was not operationally profitable and in the current economic environment it was unlikely for bigsave to either obtain loan financing from a bank or raise equity capital, the facilities from Burnbrae Limited were the most feasible way for bigsave to obtain funding. They were of the opinion that the facilities were granted on normal commercial terms.

Burnbrae Limited was a private company wholly-owned by a trust, of which James Mellon was the sole beneficiary. David McMahon and Anderson Whamond were directors of Burnbrae Limited. James Mellon was a director of bigsave. Each of Anthony Baillieu, Dominic Bokor-Ingram, who resigned as a Director of the Company on 11 March 2002, Jamie Gibson, Julian Mayo, David McMahon, Jayne Sutcliffe and Anderson Whamond was interested in less than 1% of the existing issued share capital of bigsave.

An aggregate amount of GBP380,000 (approximately US\$541,500) was drawn down by bigsave during the year ended 31 March 2002 pursuant to the first two facilities agreements. The remaining amount of GBP175,000 was drawn down by bigsave subsequent to the year end date pursuant to the other three facilities agreements.

Subsequent to 31 March 2002, the following significant contracts, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company 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 Group.

# Notes to the Consolidated Financial Statements (continued)

### 33. Material Related Party Transactions (continued)

- (5) On 24 April 2002, the Company further acquired 50 shares of GBP1 each in the capital of IM Life Sciences Limited, then a direct 89.5% owned subsidiary of the Company, from a director of IM Life Sciences Limited at a total consideration of GBP50 (approximately US\$71.25).

A share purchase agreement dated 29 April 2002 was entered into between (a) a director of IM Life Sciences Limited as buyer and (b) the Company as seller, pursuant to which the Company agreed to sell its entire holding of 900 shares in IM Life Sciences Limited to the buyer at a total consideration of GBP0.90 (approximately US\$1.2825), to be satisfied in cash.

The agreement was completed on 29 April 2002.

The aforesaid acquisition of further shares in and the subsequent disposal of IM Life Sciences Limited constituted connected transactions of the Company under Chapter 14 of the HK Listing Rules. However, the Directors of the Company were of the opinion that both the acquisition and the disposal were transacted on normal commercial terms. In view of the value of the considerations payable and receivable by the Company under the transactions, both the acquisition and the disposal were not subject to any disclosure or shareholders' approval requirements as connected transactions in accordance with the de minimis provision under Rule 14.24(5) of the HK Listing Rules.

- (6) A shareholders' agreement dated 15 May 2002 was entered into between (a) the Company and (b) The State of Wisconsin Investment Board relating to KOL (the "**KOL Shareholders' Agreement**"). Pursuant to the KOL Shareholders' Agreement, the Company and SWIB agreed that the shareholders' agreement dated 3 August 1999 between the Company, SWIB, Midas Consolidated Investment Limited ("**Midas**") and Madison Korea Limited (currently known as "KoreaOnline (Labuan) Limited") regarding Madison Korea Limited, which was superseded by the share transfer agreement dated 15 October 1999 in respect of the transfer of all shares in Regent Korea (Labuan) Limited (formerly known as "Madison Korea Limited" and currently known as "KoreaOnline (Labuan) Limited") then held by the Company, SWIB and Midas to KOL in exchange for new shares in KOL, should be deemed terminated and that the rights and obligations of the Company and SWIB as shareholders of KOL should be governed by the KOL Shareholders' Agreement.

Among other things, the Company and SWIB agreed in the KOL Shareholders' Agreement to explore ways in which to realise their investments in KOL in the most effective and profitable manner. If a sale on terms satisfactory to the Directors of the Company is agreed, the disposal of the Company's shares in KOL would be a major transaction and would be conditional on approval by the Company's shareholders at a general meeting.

The Company and SWIB currently hold interests of 40.2% and 26.8% respectively in the total issued share capital of KOL.



# Notes to the Consolidated Financial Statements (continued)

## **34. Post Balance Sheet Events**

On 29 April 2002, IM Life Sciences Limited, a subsidiary of the Company, was disposed of at a total consideration of GBP0.90 (approximately US\$1.2825) (note 33(5) above). The loss on disposal was approximately US\$112,000, which was fully provided for at 31 March 2002.

## **35. Contingent Liabilities**

The Group was not involved in any material litigation or disputes during the year ended 31 March 2002 apart from the action commenced against KoreaOnline Limited as described in the Chairman's Statement and the Management's Discussion and Analysis section.

## **36. Reclassification of Comparative Figures**

Certain comparative figures have been reclassified to conform with current year's presentation requirements.

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