Chairman's Statement

Review and Prospects

Highlights:

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

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

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

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

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

Chairman's Statement (continued)

Review and Prospects (continued)

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

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

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

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

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

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

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

James Mellon

Hong Kong, 31 August 2001

Chairman’s Statement (continued)

KoreaOnline Limited

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

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

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

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

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

Chairman's Statement (continued)

KoreaOnline Limited (continued)

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

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

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

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

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

Peter Everington

Chairman's Statement (continued)

Interman Holdings Limited

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

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

Amongst those for which we have great expectations are:–

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

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

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

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

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

Dominic Bokor-Ingram

Chairman's Statement (continued)

bigsave Holdings plc

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

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

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

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

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

Kazem Behjat

Chairman's Statement (continued)

iRegent Group Limited

Asian investment management report

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

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

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

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

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

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

Julian Mayo

Chairman's Statement (continued)

iRegent Group Limited (continued)

Group marketing and new initiatives

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

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

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

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

Julian Mayo

Corporate finance services

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

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

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

Mark Child

Summary

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

James Mellon