

Notes to the Consolidated Financial Statements

1. The Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. Its registered office is at PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company's shares are listed on The Stock Exchange of Hong Kong Limited and the Frankfurt Stock Exchange.

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

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

Asset management
Corporate finance
Corporate investment
Property management
Internet related retailing

2. Summary of Significant Accounting Policies

(a) Basis of accounting

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

(b) Reporting currency

The reporting currency of the Group is United States dollars.

(c) Basis of consolidation

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

(d) Subsidiaries

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

(e) Associated companies

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

Notes to the Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(e) Associated companies (continued)

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

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

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

(f) Jointly controlled entities

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

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

(g) Investment in funds managed by subsidiaries

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

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

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

Furniture and fixtures	5 years
Computer equipment	3 years
Other equipment	4 years
Motor vehicles	3 years

Notes to the Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(h) Fixed assets and depreciation (continued)

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

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

(i) Intangible assets

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

(j) Investments

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

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

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

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

(k) Stocks

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

(l) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

(m) Goodwill

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

Notes to the Consolidated Financial Statements

(continued)

2. Summary of Significant Accounting Policies (continued)

(m) Goodwill (continued)

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

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

(n) Operating leases

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

(o) Deferred taxation

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

(p) Derivatives

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

(q) Foreign currencies

The Company maintains its accounting records in United States dollars. Foreign currency transactions are recorded at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the appropriate rates of exchange ruling at that date. Exchange differences are recognised in the profit and loss account.

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

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

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:–

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

Notes to the Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(r) Revenue recognition (continued)

- (ii) consultancy revenue is accounted for on an accrual basis;
- (iii) investment management, advisory and administration fees; and placement, arrangement and other corporate finance and advisory fees and commissions contractually receivable by the Group are recognised in the period in which the respective fees are earned. Performance fees arising upon the achievement of specified targets are recognised at the respective funds' year-ends only when such performance fees are confirmed as receivable;
- (iv) profit or loss on sale of current investments is recognised when the title is passed;
- (v) interest is recognised on a time apportioned basis;
- (vi) dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend;
- (vii) stockbroking income is recognised as revenue on the transaction dates when the relevant contract notes are executed; and
- (viii) property management revenue is recognised on an accrual basis.

(s) Research and development costs

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

Notes to the Consolidated Financial Statements

(continued)

3. Turnover

Turnover for the year ended 31 March 2001

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

Contribution for the year ended 31 March 2001

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

Notes to the Consolidated Financial Statements

(continued)

3. Turnover (continued)

Turnover for the year ended 31 March 2000

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

Contribution for the year ended 31 March 2000

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

Notes to the Consolidated Financial Statements

(continued)

4. Operating (Loss)/Profit on Core Activities

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

Notes to the Consolidated Financial Statements

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5. Profits on Sale of Interests in Associated Companies

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

- (a) On 20 March 2001, KoreaOnline Limited ("KOL") exercised a call option pursuant to an option agreement dated 7 November 2000 to acquire 8,000,000 "A" shares in SWKOL (Labuan) Limited from State of Wisconsin Investment Board ("SWIB"). In consideration of SWIB transferring such 8,000,000 "A" shares in SWKOL (Labuan) Limited, 6,000,000 new shares in KOL were issued to SWIB on 28 April 2001, which diluted the Company's holding in KOL to 40.2%. The exercise of this option increased the Group's share of the net assets of KOL, resulting in a deemed gain on disposal of US\$19,566,000 after deducting goodwill of US\$5,173,000. This matter was accounted for within the year ended 31 March 2001 as the terms of the call option were such that the exercise was irrevocable notwithstanding that the administration was incomplete at the end of the financial year.
- (b) As indicated in note 33(4) certain directors of Charlemagne Capital Limited (then called Regent Europe Limited) entered into a share put option in relation to that company which was exercised in May 2000. As a result of the exercise, the Group incurred a loss of US\$1,071,000.
- (c) On 30 March 2001, the Group sold its remaining 20.56% stake in Charlemagne Capital Limited for US\$6,271,000, realising a profit of US\$350,000 above the then carrying value of the shareholding.

6. Profit on Deemed Disposal of Subsidiary

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

7. Exceptional Gain on Discontinuance of Activity in Associated Company

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

8. Impairment of Goodwill

- (a) Goodwill of US\$38,632,000 previously eliminated against reserves relating to the investment in KoreaOnline Limited ("KOL"), an associated company, has been accounted for within the profit and loss account on the basis that the Directors consider its value has been impaired consequent on significant losses and the restructuring of that company. Of this amount, US\$49,026,000 has been offset against the exceptional gain arising on discontinued activities within KOL and US\$5,173,000 charged against deemed partial disposal of shareholding in KOL (note 5a). The credit balance of US\$15,567,000 has been written off separately.
- (b) Goodwill of US\$36,488,000 arising as a result of the acquisition of Interman Holdings Limited and previously shown in the Group's interim figures as being eliminated against reserves has now been accounted for within the profit and loss account on the basis that the Directors consider its value has been impaired consequent on restructuring within bigsave Holdings plc, the major asset of Interman Holdings Limited.
- (c) Net goodwill of US\$2,203,000 arising as a result of a number of other acquisitions has been charged to the profit and loss account directly. Of this amount US\$479,000 had previously been shown in published figures as being eliminated against reserves.

Notes to the Consolidated Financial Statements

(continued)

8. Impairment of Goodwill (continued)

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

9. Directors' and Highest Paid Individuals' Remuneration

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

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

Notes to the Consolidated Financial Statements

(continued)

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

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

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

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

There was no arrangement under which a Director had waived or had agreed to waive any remuneration.

Highest paid individuals

Of the five highest paid individuals, four (2000: five) were Directors of the Company and their remuneration has been included in the Directors' remuneration. Details of the remuneration of the remaining highest paid individual is as follows:-

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

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

HK\$1,500,001-HK\$2,000,000 (US\$192,629-US\$256,838)	1
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Notes to the Consolidated Financial Statements

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10. Taxation

Profit and Loss Account:

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

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

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

Balance Sheet:

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

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

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

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

11. Net (Loss)/Profit Attributable to Shareholders

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

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12. Dividends and Dividends per Share

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

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

13. (Loss)/Earnings per Share

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

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

14. Tangible Fixed Assets

Group:

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

There were no fixed assets in the Company.

Notes to the Consolidated Financial Statements

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15. Intangible Assets

Group:

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

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

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

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

There were no intangible assets in the Company.

16 Interests in Subsidiaries

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

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

Notes to the Consolidated Financial Statements

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16. Interests in Subsidiaries (continued)

Particulars of the principal subsidiaries at 31 March 2001 are as follows:-

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Alphorn Management Limited	Barbados	Ordinary US\$1	-	100%	Investment holding
AstroEast.com (Hong Kong) Limited*	Hong Kong	Ordinary HK\$2	-	51%	Internet services
AstroEast.com Limited*	Cayman Islands	Ordinary US\$280,222.47	-	51%	Investment holding
bigsave.com Limited (note below)	Isle of Man	Ordinary £2	-	65.3%	Internet retailing
bigsave (Deutschland) GmbH (note below)	Germany	Ordinary Euro200,000	-	65.3%	Internet retailing
bigsave Holdings plc (note below)	Isle of Man	Ordinary US\$397,375	-	65.3%	Investment holding
bigsave IOM Limited (note below)	Isle of Man	Ordinary £2,000	-	65.3%	Investment holding
bigsave Travel (UK) Limited (note below)	United Kingdom	Ordinary £40,000	-	65.3%	Travel agent
bigsave UK Limited (note below)	United Kingdom	Ordinary £1,000	-	65.3%	Investment holdings
Capital Nominees Limited	British Virgin Islands	Ordinary US\$1	-	100%	Corporate finance and structuring
Cycletek Investments Limited	British Virgin Islands	Ordinary US\$300,000	-	86.5%	Investment holding
Dynamic Value (Delaware) Limited	Delaware	Ordinary US\$2	-	51%	Internet services
Dynamic Value Group Limited	Bahamas	Ordinary US\$2,500	-	51%	Investment holding
IM Life Sciences Limited	United Kingdom	Ordinary £950	89.5%	-	Investment management
Interman Europe plc	Isle of Man	Ordinary £436,152	100%	-	Investment holding
Interman Holdings Limited	British Virgin Islands	Ordinary US\$41,500	100%	-	Investment holding
Interman (Hong Kong) Limited*	Hong Kong	Ordinary HK\$2	100%	-	Provision of management services

Notes to the Consolidated Financial Statements (continued)

16. Interests in Subsidiaries (continued)

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

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

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

Notes to the Consolidated Financial Statements

(continued)

17. Interests in Associated Companies and Jointly Controlled Entity

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

The principal associated companies are as follows:-

Name of associated company	Place of incorporation	Percentage of equity attributable to the Group		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 5)	Cayman Islands	40.2%	–	Investment holding

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

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

Notes to the Consolidated Financial Statements

(continued)

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

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

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

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

Balance Sheet information:–

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

Notes to the Consolidated Financial Statements

(continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements

(continued)

18. Investments

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

Other non-current financial assets:

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

All the above investments are in corporate entities.

Current investments:

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

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

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

Notes to the Consolidated Financial Statements

(continued)

19. Debt Securities Relating to Financial Business

There are no debt securities within investments in note 18.

20. Deferred Taxation

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

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

There is no unprovided deferred taxation.

21. Cash and Bank Balances

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

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

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

22. Accounts Receivable

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

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

Notes to the Consolidated Financial Statements

(continued)

23. Due from Associated Company

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

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

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

24. Due From Related Party

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

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

25. Bank Borrowings

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

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

26. Accounts Payable, Accruals and Other Payables

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

Notes to the Consolidated Financial Statements

(continued)

27. Share Capital Shares

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

At the extraordinary general meeting of the Company held on 16 May 2000, the authorised share capital of the Company was increased to US\$20,867,281.47 comprising 2,000,000,000 ordinary shares of US\$0.01 each and 86,728,147 unclassified shares of US\$0.01 each which may be issued as ordinary shares or as non-voting convertible deferred shares of US\$0.01 each.

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

- a. an aggregate of 41,223,965 ordinary shares were issued and allotted for a total consideration of HK\$51,881,159.30 (or approximately US\$6,663,000) upon exercise of options in respect of 41,223,965 shares under the employee share option scheme of the Company;
- b. 134,620,213 ordinary shares and 86,728,147 non-voting convertible deferred shares (“Deferred Shares”) were issued and allotted on 17 May 2000 to Indigo Securities Limited as consideration for the acquisition by the Company of 41,500 shares in, being the entire issued share capital of, Interman Holdings Limited upon completion of a sale and purchase agreement dated 15 March 2000 (as novated by a novation deed dated 5 April 2000 and further amended by a supplemental agreement dated 15 May 2000);
- c. An aggregate of 2,513,000 ordinary shares were repurchased by the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in May 2000 at the aggregate consideration amounting to HK\$3,738,475.60 (or approximately US\$480,000); and
- d. 5,000 ordinary shares were issued for a consideration of HK\$14,000 (or approximately US\$1,800) upon exercise of the subscription rights in respect of 5,000 shares attached to the registered warrants of the Company, which are exercisable during the period from 9 June 2000 up to and including 30 June 2003, both days inclusive, at an initial subscription price of HK\$2.80, subject to adjustment, for each share of US\$0.01 in the Company.

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

Notes to the Consolidated Financial Statements (continued)

27. Share Capital (continued)

Rights of Deferred Shares

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

Each Deferred Share carries a conversion right to convert into one ordinary share of US\$0.01 in the capital of the Company commencing six months from the date of issue (9 June 2000). The shares issued and allotted upon conversion of the Deferred Shares (the "Conversion Shares") shall, when issued, rank *pari passu* in all respects with all other ordinary shares of the Company in issue on the date of conversion including the right to any dividends or distribution.

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

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

Warrants

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

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

Share options

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

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

Notes to the Consolidated Financial Statements (continued)

27. Share Capital (continued)

Share options (continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements

(continued)

28. Reserves

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

Notes to the Consolidated Financial Statements

(continued)

28. Reserves (continued)

	2001 US\$'000	2000 US\$'000
(Loss)/Profit for the year in:		
Group	(25,051)	64,619
Associated companies	(73,280)	20,945
	(98,331)	85,564
(Losses)/Profits retained by:		
Company	(52,081)	27,968
Subsidiaries	52,571	31,091
Associated companies	(40,840)	4,741
Group total	(40,350)	63,800

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

Movements on the Goodwill Reserve are detailed in note 8.

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

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

Notes to the Consolidated Financial Statements

(continued)

29. Retirement Scheme

The Group has operated a defined contributory staff retirement scheme in Hong Kong which has complied with all the respective requirements of the Occupational Retirement Schemes Ordinance ("ORSO") since April 1991. On 1 December 2000, the above scheme was terminated and transferred to a new mandatory provident fund scheme (the "MPF Scheme") which complies with all the respective requirements under the Mandatory Provident Fund Ordinance (the "MPF Ordinance"). All assets under the schemes are held separately from the Group under independently administered funds. The MPF Scheme has two plans. Plan A is available to those employees who were transferred from the old ORSO scheme and contributions are based on a specific percentage of the basic salary of the eligible employees. Plan B is available to all other employees in Hong Kong and contributions follow the minimum requirements of the MPF Ordinance.

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the schemes prior to vesting fully in the contributions. During the year, there were no forfeited contributions and the Group's contribution was US\$20,519 (2000: US\$9,733).

30. Notes to the Consolidated Cash Flow Statement

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

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

Notes to the Consolidated Financial Statements

(continued)

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

b. Purchase of subsidiaries

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

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

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

Notes to the Consolidated Financial Statements (continued)

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

c. Distribution of subsidiary and sale of associated company

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

d. Analysis of changes in financing during the year

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

31. Off Balance Sheet Exposures

Derivatives

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

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

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

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

Notes to the Consolidated Financial Statements

(continued)

31. Off Balance Sheet Exposures (continued)

Derivatives (continued)

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

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

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

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

Lease commitments

Group

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

Company

The Company has no lease commitments.

Capital commitments

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

32. Major Customers and Suppliers

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

Notes to the Consolidated Financial Statements (continued)

32. Major Customers and Suppliers (continued)

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

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

33. Material Related Party Transactions

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(continued)

33. Material Related Party Transactions (continued)

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

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

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

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

- (i) James Mellon was interested in Indigo Securities Limited as that company was indirectly wholly-owned by a discretionary trust, of which he was the sole beneficiary;
 - (ii) Jayne Sutcliffe, David McMahon, Anderson Whamond and Chang-Kon Koh, then a Director of the Company, were interested in BigSave.com Limited (currently bigsave Holdings plc) which in turn was the principal asset of Interman Holdings Limited and represented over 90% of the value of its total investments; and
 - (iii) Robert Owen, then a Director of the Company, was interested in the Interman Acquisition to the extent that he was the Chairman of techpacific.com Limited, which acted as the adviser of Indigo Securities Limited.
- (4) A share put option dated 5 April 2000 was entered into between (a) the Company as optionholder and (b) Jayne Sutcliffe, David McMahon and David Curl (collectively the "Regent Europe Shareholders") in respect of the purchase by the Regent Europe Shareholders of shares in Regent Europe Limited (currently Charlemagne Capital Limited), then a wholly owned subsidiary of the Company, at a price of HK\$0.12 per share up to a maximum of HK\$20,000,000 (or approximately 166,666,667 shares in Regent Europe Limited) in the event that some shareholders of the Company elected to receive cash in respect of the second interim dividend of HK\$0.12 per share (with an alternative by way of a distribution in specie of one share in Regent Europe Limited for every share then held in the Company) declared by the Company for the year ended 31 March 2000 (the "2000 Second Interim Dividend").

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

Notes to the Consolidated Financial Statements

(continued)

33. Material Related Party Transactions (continued)

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

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

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

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

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

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

- (6) The following operational support agreements, both dated 9 June 2000, were entered into between the Company with (a) Regent Europe Limited (currently Charlemagne Capital Limited) and (b) Regent Europe Asset Management (UK) Limited (currently Charlemagne Capital (UK) Limited), a direct wholly-owned subsidiary of Regent Europe Limited, respectively, pursuant to which:-
- (i) Regent Europe Limited agreed to share with the Company, and its subsidiaries, certain facilities to be provided in New York, the United States of America by Regent Europe Limited through its subsidiary namely Regent (US) Inc; and

Notes to the Consolidated Financial Statements

(continued)

33. Material Related Party Transactions (continued)

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(continued)

33. Material Related Party Transactions (continued)

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

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

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

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

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

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

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

- (i) Asian Opportunity Fund 1998 - II, which then owned 80,000 shares in Digital View Group Limited, agreed to subscribe for 217,391 new shares in Digital View Group Limited at a price of US\$6.90 per share;
- (ii) Burnbrae Limited agreed to subscribe for 14,492 new shares in Digital View Group Limited at a price of US\$6.90 per share;
- (iii) in consideration for iRegent Corporate Finance Limited having facilitated the subscription of new shares in Digital View Group Limited by Asian Opportunity Fund 1998 - II and Burnbrae Limited, Digital View Group Limited agreed to compensate iRegent Corporate Finance Limited the sum of US\$80,000 and 25,000 units of Series 2 Warrants of Digital View Group Limited.

Notes to the Consolidated Financial Statements (continued)

33. Material Related Party Transactions (continued)

As at the date of such subscription agreement:-

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

34. Changes in Group Structure

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

The proforma set out the anticipated effects of:

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

Notes to the Consolidated Financial Statements

(continued)

34. Changes in Group Structure (continued)

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

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

35. Post Balance Sheet Events

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

36. Contingent Liabilities

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

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

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

37. Reclassification of Comparative Figures

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