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**REGENT PACIFIC GROUP LIMITED**

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

*Executive Directors:*

Jamie Gibson (*Chief Executive Officer*)

Karin Schulte

*Registered office:*

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

*Non-Executive Directors:*

Anthony Baillieu (*Chairman*)<sup>#</sup>

James Mellon

Mark Searle<sup>#</sup>

Jayne Sutcliffe

Anderson Whamond

*Principal place of business in Hong Kong:*

Suite 1501

Henley Building

5 Queen's Road Central

Hong Kong

*# Independent Non-Executive Directors*

13 November 2003

*To the shareholders of Regent Pacific Group Limited*

Dear Sir or Madam

**DECLARATION OF SPECIAL INTERIM DIVIDEND  
FOR THE YEAR ENDING 31 MARCH 2004 AND  
RESPONSES TO THE QUESTIONS RAISED AT  
THE COMPANY'S ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

In this document, the directors (the “**Director(s)**” or the “**Board**”) of Regent Pacific Group Limited (the “**Company**”) are to provide shareholders with information relating to a special interim

dividend for the year ending 31 March 2004 and responses from the Company to address certain questions raised at its annual general meeting of shareholders held on Wednesday, 3 September 2003 (the “**2003 AGM**”).

## **2. DECLARATION OF THE SPECIAL INTERIM DIVIDEND**

### **(a) The Special Interim Dividend**

The Directors announced on 27 October 2003 that the Company received a dividend of US\$3.69 million from Bridge Investment Holdings Limited (“**BIH**”) in early September of 2003, and that the Directors had resolved to declare a special interim dividend of **0.295 US cent per share** for the year ending 31 March 2004 (the “**Special Interim Dividend**”). Shareholders will note that the declaration of the Special Interim Dividend complies with the Board’s stated policy mentioned in the Company’s annual reports and financial statements for the financial years ended 31 March 2002 and 31 March 2003 respectively to distribute at least 90% of any realisation received from BIH. On the basis of the Company’s existing issued share capital, payment of the Special Interim Dividend will amount to approximately US\$3.5 million, representing approximately 95% of the proceeds received from BIH.

The Special Interim Dividend will be payable on **Friday, 19 December 2003** in cash, either in Hong Kong dollars or in United States dollars at the exchange rate quoted at **4:00 pm (Hong Kong time) on Friday, 12 December 2003**, to those shareholders whose names are recorded on the Principal or Branch Register of Members of the Company on **Friday, 21 November 2003**.

### **(b) Closure of Registers of Members**

The Registers of Members of the Company will be closed from **Monday, 17 November 2003 to Friday, 21 November 2003, both days inclusive**, during which period no transfers of shares will be effected. In order for shareholders to qualify for the Special Interim Dividend, all completed and stamped transfer forms, accompanied by the relevant share certificates, must be lodged with the Company’s Branch Share Registrars in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration **not later than 4:30 pm (Hong Kong time) on Friday, 14 November 2003**.

### **(c) Election of payment**

An election form will be despatched to shareholders by Monday, 24 November 2003 for them to elect the currency in which they wish to receive the Special Interim Dividend. In order for their election to be applicable to the Special Interim Dividend, shareholders are required to return their election forms to Tengis Limited at the above address **not later than 4:00 pm (Hong Kong time) on Friday, 12 December 2003**.

Those shareholders who do not have their election forms properly completed and returned to Tengis Limited will entitle them to receive the Special Interim Dividend in the currency indicated in the last election form they returned to Tengis Limited or, if no form was ever returned, in the currency in which their last dividend was paid. New shareholders who do not return the election form will be paid in the United States Dollars.

### **3. RESPONSES TO THE QUESTIONS RAISED AT THE 2003 AGM**

All the resolutions tabled at the 2003 AGM were duly passed with the exception of two resolutions proposed by Mr Colin Cohen, a registered shareholder of the Company, nominating two candidates for election as additional directors, namely, Ms Vanessa Gibson and Mr Robert Linington. The resolutions to approve the appointment of Ms Vanessa Gibson and Mr Robert Linington as directors were not carried.

A number of matters were raised at the meeting, which the Company agreed to respond to shareholders. The Company's responses on these issues are set out below:

#### **(a) Independency of Mr Anthony Baillieu**

At the 2003 AGM, Mr Peter Everington, a shareholder and former director of the Company, queried the independence of Mr Anthony Baillieu on the basis of Mr James Mellon having a 20% interest in one of Mr Baillieu's companies, Anthony Baillieu and Associates Limited ("ABA"), and Henderson Baillieu Holdings Limited in which Mr Baillieu has a 16% stake.

The Company is surprised that Mr Everington has sought to question the credibility and independence of Mr Baillieu at this time since the existence of the relationship between Mr Baillieu and Mr Mellon was not previously considered to be an issue when the Board comprising Mr Everington voted unanimously in favour of Mr Baillieu's appointment as an independent non-executive director ("INED") on 22 April 2001. Nevertheless, since the issue has been raised, the Company will take this opportunity to clarify Mr Baillieu's position. At the time of Mr Baillieu's appointment, ABA was a dormant company and was subsequently struck off in November 2001. Since his appointment, Mr Baillieu has discharged his responsibilities as an INED to the most exacting standards and the Company sees no basis to question the independence of Mr Baillieu simply because of that relationship between Mr Baillieu and Mr Mellon.

Shareholders will be aware that Mr Baillieu assumed the appointment of independent non-executive Chairman in May 2003. Although this appointment does not currently involve Mr Baillieu in the day to day management of the Company, it has increased the amount of time which he is required to spend with the Company's executive management. For this reason, Mr Baillieu has informed the Company that it would be preferable that an additional independent director be appointed to replace him on the Board thus allowing him to take on the role of non-executive Chairman of the Company. The Board has accepted Mr Baillieu's suggestion and intend to take steps to appoint an additional independent non-executive director as set out in sub-paragraph (b) below.

#### **(b) Additional independent non-executive director**

Shareholders will have seen from our letter to shareholders dated 1 September 2003 that Mr Colin Cohen, a registered shareholder of the Company and a legal adviser to Mr Peter Everington, had proposed two candidates for election as additional directors, namely, Ms Vanessa Gibson and Mr Robert Linington. The resolutions to approve the appointment of Ms Vanessa Gibson and Mr Robert Linington were not carried.

As stated in our letter to shareholders dated 1 September 2003, your Directors are committed in ensuring that the Company subscribes to a high standard of corporate governance and the Company will be taking steps to appoint one further INED in order that Mr Baillieu can take up the much greater management involvement that is required of a non-executive Chairman.

Your Board will have overall responsibility for nominating and appointing the additional INED, which is in line with the practices of Hong Kong listed companies and with that of the international best market practices in the appointment of INEDs. Your Directors consider that the qualifications and independent state of mind of INEDs are essential for ensuring effectiveness of their check and balance role and these will be important criteria when the Board considers a nominee for appointment as an INED.

It should be noted that The Stock Exchange of Hong Kong Limited proposed to amend the rules to require issuers to appoint at least one INED who has appropriate professional qualifications or experience in financial matters to ensure that the INEDs properly discharge their responsibility to provide an objective view on the assessment of the issuer's financial statements and participate in the audit committee. Your Directors will of course seriously consider nominations of candidates who satisfy the new rules once implemented.

As part of the appointment process, the Board will be canvassing shareholders who have an equity interest of over 5% of the Company's issued share capital (excluding Directors of the Company who have an interest in the Company) for nominations of candidates suitable for appointment as an INED. In addition, shareholders are also invited to nominate candidates for the appointment of an INED by writing to the Company with the biographical and professional details of the proposed candidate. Any shareholder wishing to nominate a candidate for the role of an INED should do so by **15 December 2003**.

The Board will inform shareholders in the normal way on the completion of the appointment of the INED. The Board hopes to complete the process by 31 January 2004. In accordance with the Articles of Association of the Company, the appointed INED will retire at the next annual general meeting of the Company but shall be eligible for re-election by shareholders at that time.

Mr Everington, being an active shareholder in the Company will, the Board assumes, wish to participate in the nomination process. In this regard, your Board welcomes his nominations. Correspondingly, your Board believes that it is therefore also relevant for shareholders to note that Mr Everington, a former executive director of BIH, Bridge Securities Co Ltd ("**Bridge**") and the Company, and Ms Romi Williamson, a former executive director of BIH and Bridge and formerly group compliance officer of the Company, commenced legal action against:

- (i) BIH, a 40.2% associate of the Company, seeking US\$6.3 million and US\$2.0 million respectively for termination of their employment contracts; and
- (ii) Bridge, a 78.4% subsidiary of BIH, seeking US\$673,000 and US\$525,513 respectively for termination of their employment contracts at Bridge.

A separate announcement in respect of these legal actions will be issued by the Company, and further announcements will be made by the Company as and when the litigation matters are resolved between the parties.

Shareholders will appreciate that with total claims amounting to US\$8.3 million in aggregate against BIH and US\$1.2 million against Bridge, an adverse judgment against BIH and/or Bridge could have an adverse impact on the Company's net asset value. Your Directors therefore believe that any nominee put forward by Mr Everington and/or Ms Williamson must be able to demonstrate that he or she can properly discharge their responsibilities to the most exacting standards to ensure that the Company's interests are not prejudiced in any way.

(c) **Arrest warrant**

Ms Williamson, a shareholder of the Company, raised the issue of whether there was an arrest warrant in Korea for Mr James Mellon still outstanding. As Ms Williamson is well aware, an arrest warrant was issued against Mr Mellon pertaining to his alleged involvement in a conspiracy to manipulate the share price of Regent Securities Co Ltd ("RSC") in Korea in November/December 2000. Ms Williamson, being the Group Compliance Officer and Company Secretary at the time, will also have been aware that these were events which received significant press coverage at the time and concerning which the Company had, in November 2000, also made an announcement to its shareholders. As far as the Company is aware, no proceedings have been issued or served against Mr Mellon since that time and neither have there been any further developments involving the Company and Mr Mellon.

The Board wishes to stress that it firmly believes in and is committed to open and direct communication with its shareholders. However, the Board does not generally regard it as being a productive use of management time and Company resources in having to respond to vexatious questions, the aim of which appears to be to embarrass and impugn the reputation of the Company and its Directors. Such questions only serve to distract the Board from its stated function of pursuing steps to realise and deliver greater shareholder value. Nevertheless, since the Company undertook to respond to this query, the relevant details pertaining to the arrest warrant are set out below. A separate announcement will also be issued by the Company.

The Company was informed by Mr Mellon's Korean legal counsel on 25 September 2003 that the arrest warrant remained valid and effective as at 25 September 2003. This arrest warrant was issued by the Korean prosecutor's office on 19 December 2000 and subsequently renewed in January 2002 and January 2003. As noted above, it pertains to an alleged conspiracy between Mr Seung-Hyun Jin (a Korean national who formerly a director and a shareholder of BIH), Mr Chang-Kon Koh (former President of RSC and Mr Mellon to manipulate the share price of RSC. Mr Mellon informed the Directors in December 2000 that he categorically denies these allegations and has retained leading Korean counsel to act on his behalf in disproving the Korean prosecutor's claims. Mr Mellon has also informed the Directors that on 28 March 2001, he also submitted, via his Korean counsel, a comprehensive sworn affidavit disproving the alleged share manipulation. However, the arrest warrant remains valid and effective as at the date of this document. The Company has been informed by Mr Mellon's Korean counsel that the arrest warrant will remain valid and effective until such time as Mr Mellon returns to South Korea to assist with the investigation. As noted above, as far as the Company is aware, no proceedings have been issued or served on Mr Mellon to date. In the circumstances, the Board considers it entirely appropriate for Mr Mellon to remain on the Board of the Company as a non-executive Director.

The Company believes that it is also important that shareholders recognise that both Mr Everington and Ms Williamson were former directors and employees of the Group who were dismissed from the Company, BIH and Bridge in unhappy circumstances and are now in litigation against BIH and Bridge. Shareholders may also recall that the Company incurred substantial costs and effort in having to commence legal proceedings in the Cayman Islands in order to remove Mr Everington and Ms Williamson as directors of BIH. This notwithstanding that a clear majority of the shareholders in BIH (comprising the Company and The State of Wisconsin Investment Board) had requisitioned an extraordinary general meeting of BIH to remove them and the resolutions approving their dismissal as directors having been supported by 83% of the shareholders of BIH.

Yours faithfully,  
On behalf of the Board of  
**Regent Pacific Group Limited**

**Jamie Gibson**  
*Director*