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If you have sold or transferred all your shares in Regent Pacific Group Limited, you should, without delay, hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0575)

**PROPOSED FORMATION OF A JOINT VENTURE COMPANY,
ALLOTMENT OF THE CONSIDERATION SHARES,
POSSIBLE VERY SUBSTANTIAL DISPOSAL RESULTING
FROM PROPOSED DISPOSAL OF AN INTEREST IN
THE TARGET COMPANY AND PROPOSED ADOPTION OF
THE TARGET COMPANY SCHEME**



A notice convening an Extraordinary General Meeting of Regent Pacific Group Limited to be held at The Lagoon Ballroom, The Landmark Macau, 555 Avenida da Amizade, Macau on Wednesday, 8 February 2006 at 11:00 a.m. is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy accompanying this circular in accordance with the instructions printed on it and return it to the Company Secretary at the Company's principal place of business in Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

20 January 2006

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Board”	The board of directors of the Company.
“Commitment Agreement”	An agreement dated 7 November 2005 between YRC, RML and SSM.
“Consideration Shares”	The 70,653,197 Ordinary Shares to be issued by the Company to the RMHL Shareholder on Further Completion as partial consideration under the Cooperation Agreement.
“Cooperation Agreement”	The cooperation agreement dated 23 June 2005 entered into amongst the Company, RMHL, the RMHL Shareholder and the beneficial owner of the share interests held by the RMHL Shareholder in RMHL with respect to the conditional acquisition by the Company of the entire issued share capital of RMHL.
“Company”	Regent Pacific Group Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the HK Stock Exchange and the Frankfurt Stock Exchange.
“Dapingzhang Copper Mine”	The Permitted Area.
“Director(s)”	The Director(s) of the Company.
“Disposal”	The proposed disposal of an interest in the Target Company by way of a private placement, based on a valuation of the Target Company of not less than US\$40 million and for the purpose of raising US\$20 million, as more particularly set out in the section headed “Possible very substantial disposal resulting from the Disposal” of this circular.
“EGM”	The extraordinary general meeting of the Company.
“Eligible Participant(s)”	Any person(s) who satisfy the eligibility criteria for participating in the Target Company Scheme as set out in the Target Company Scheme.
“Enlarged Group”	The Group after completion of the Transaction and the Disposal.

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“Further Completion”	The completion of the transfer of the remaining 2,000 shares in RMHL, pursuant to the Cooperation Agreement, by the RMHL Shareholder to the Company in consideration for the issue of the Consideration Shares by the Company to the RMHL Shareholder, whereupon the Company will have acquired 100% of the total issued share capital of RMHL from the RMHL Shareholder.
“GBP”	Sterling pound(s), the lawful currency of the United Kingdom.
“Group”	The Company and its subsidiaries.
“HK\$”	Hong Kong dollar(s).
“HK Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Joint Venture Company”	The Sino-foreign equity joint venture enterprise to be established by YRC, RML and SSM pursuant to the Joint Venture Contract.
“Joint Venture Contract”	A joint venture agreement between YRC, RML and SSM, the terms of which have been principally agreed between the parties but which is subject to amendments if required by the relevant PRC governmental authorities.
“KRW”	Korean Won, the lawful currency of South Korea.
“Latest Practicable Date”	Tuesday, 17 January 2006, being the latest practicable date prior to the issue of this circular for ascertaining certain information contained herein.
“Listing Rules”	The Rules Governing the Listing of Securities on the HK Stock Exchange, as amended from time to time.
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, as amended from time to time.
“Option(s)”	Share option(s) to subscribe for new Target Company Shares granted pursuant to the Target Company Scheme.
“Option Holder(s)”	Holder(s) of the Options.
“Ordinary Restricted Shares”	A new class of ordinary restricted shares of US\$0.01 each to be created in the capital of the Company pursuant to the Cooperation Agreement, out of which the Consideration Shares will be issued.

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“Ordinary Share(s)”	Ordinary voting share(s) of US\$0.01 each in the capital of the Company.
“Permitted Area”	The area covered by the exploration or mining licences allowing the Joint Venture Company to conduct exploration or mining and processing in such area, which includes the area covered by the exploration and mining licences to be acquired by the Joint Venture Company from SSM covering a total area of approximately 11.36 km ² .
“PRC”	The People’s Republic of China.
“Pre-Feasibility Study”	A technical and commercial pre-feasibility study on the exploration, mining and processing of copper, its symbiotic and associated and other precious metals (including gold, silver, lead, zinc and other relevant mineral resources) to be conducted by the Joint Venture Company at the Dapingzhang Copper Mine in conjunction with a reputable independent mining consultancy company.
“Prospective Area”	The extended area in the vicinity of the Permitted Area that possesses similar geological composition with the Permitted Area and indicates certain prospective mineralization potentials. The Joint Venture Company may conduct exploration activities in such area after obtaining exploration rights.
“RMHL”	Regent Metals Holdings Limited (formerly known as and referred to as Red Dragon Resources Corporation in the Company’s announcement dated 22 November 2005), a company incorporated in the British Virgin Islands, currently a 80% owned subsidiary of the Company. Upon completion of Further Completion, RMHL will become a wholly-owned subsidiary of the Company.
“RMHL Shareholder”	Finistere Limited, which is a company incorporated in the British Virgin Islands with limited liability.
“RMB”	Renminbi, the lawful currency of the People’s Republic of China.
“RML”	Regent Metals Limited, a company incorporated in Barbados with limited liability, a wholly-owned subsidiary of RMHL.
“SFO”	The Securities and Futures Ordinance of Hong Kong, as amended from time to time.
“Shareholders”	Shareholders of the Company.

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“SSM”	Simao Shanshui Minerals Ltd, a company with independent legal person status established under the laws of the PRC.
“Target Company”	Any wholly-owned subsidiary of RMHL. As at the Latest Practicable Date, RML is the only such wholly-owned subsidiary. In the event that other wholly-owned subsidiaries of RMHL are established, the Directors will determine one such subsidiary whose shares will be disposed of under the Disposal. The same subsidiary will also adopt the Target Company Scheme. The Target Company will hold (either directly or indirectly) 40% of the equity interest in the Joint Venture Company upon completion of the Transaction.
“Target Company Directors”	The directors of the Target Company.
“Target Company EGM”	The extraordinary general meeting of the Target Company to be held on Wednesday, 8 February 2006 to approve the adoption of the Target Company Scheme.
“Target Company Group”	The Target Company and its subsidiaries.
“Target Company Scheme”	The Share Option Scheme (2006), being the new share option scheme of the Target Company proposed to be approved and adopted by the Target Company Shareholders at the Target Company EGM, a summary of the principal terms of which is set out in the Appendix VI to this circular.
“Target Company Share(s)”	Ordinary share(s) in the share capital of the Target Company.
“Target Company Shareholders”	Holders of Target Company Shares.
“Transaction”	The matters contemplated in the Commitment Agreement and the Joint Venture Contract, including the establishment of the Joint Venture Company to co-explore and co-develop certain copper base metal deposits in the PRC.
“US\$” or “USD” or “US Dollar(s)”	United States dollar(s), the lawful currency of the United States of America.
“YRC”	Yuxi Resources Corporation, a company with independent legal person status established under the laws of the PRC.

Note: Unless otherwise specified herein, amounts denominated in RMB, HK\$ and GBP have been translated, for the purpose of illustration only, into US\$ using the rate of US\$1 = RMB8, US\$1 = HK\$7.8 and GBP1 = US\$1.7678. No representation is made that any amount in US\$, HK\$, RMB or GBP could have been or could be converted at the above rates or at any other rates at all.

LETTER FROM THE BOARD



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0575)

Executive Directors:

Jamie Gibson (*Chief Executive Officer*)
Clara Cheung

Non Executive Directors:

James Mellon (*Chairman*)
David Comba[#]
Julie Oates[#]
Patrick Reid[#]
Mark Searle[#]
Jayne Sutcliffe
Anderson Whamond

Independent Non-Executive Directors

Registered Office:

Ugland House
South Church Street
George Town
Grand Cayman
British West Indies

*Principal place of business
in Hong Kong:*

Suite 1401
Henley Building
5 Queen's Road Central
Hong Kong

20 January 2006

To the shareholders of Regent Pacific Group Limited

Dear Sir or Madam,

**PROPOSED FORMATION OF A JOINT VENTURE COMPANY,
ALLOTMENT OF THE CONSIDERATION SHARES,
POSSIBLE VERY SUBSTANTIAL DISPOSAL RESULTING
FROM PROPOSED DISPOSAL OF AN INTEREST IN
THE TARGET COMPANY AND PROPOSED ADOPTION OF
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A. NOTIFIABLE TRANSACTIONS

I. MAJOR TRANSACTION — PROPOSED FORMATION OF A JOINT VENTURE COMPANY

1. INTRODUCTION

On 22 November 2005, the Directors announced that RML had entered into an agreement with YRC and SSM relating to the establishment of a Sino-foreign equity joint venture enterprise to co-explore and co-develop certain mineral resources in the PRC subject to satisfaction of certain conditions.

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The Transaction constitutes a major transaction of the Company under the Listing Rules. Accordingly, the Transaction is conditional upon approval by Shareholders of the Company.

Details of the Transaction and the principal terms of the Commitment Agreement and the Joint Venture Contract are set out below.

The purpose of this circular is to provide Shareholders with further information relating to the Transaction and other information prescribed by the Listing Rules.

2. THE COMMITMENT AGREEMENT

Date

7 November 2005

Parties

Regent Metals Limited, Yuxi Resources Corporation and Simao Shanshui Minerals Ltd.

Material terms

- 1 The parties agree to execute the Joint Venture Contract upon satisfaction of the following conditions:
 - review of the Joint Venture Contract by the relevant PRC governmental authorities and necessary amendment to the Joint Venture Contract (if required by the relevant PRC governmental authorities) to the satisfaction of the relevant PRC governmental authorities (and any other relevant PRC regulators); and
 - approval of the Transaction by the Shareholders of the Company in general meeting, in compliance with the Listing Rules.
- 2 If the conditions set out in paragraph 1 above are not satisfied on or before 30 June 2006 either party may, in its sole discretion, terminate the Commitment Agreement and neither party shall have any claim against the other under it.
- 3 The parties shall enter into the Joint Venture Contract (as amended if required) within seven business days (which means a day which is not a Saturday, Sunday or public holiday in Hong Kong or the PRC) from the date on which each party becomes aware that the conditions set out in paragraph 1 above have been satisfied, upon which the executed copy shall be submitted to the relevant PRC governmental authorities.

Shareholders should note that the Joint Venture Contract is subject to review and approval by the relevant PRC governmental authorities.

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3. THE JOINT VENTURE CONTRACT

Date

The Joint Venture Contract will become effective upon satisfaction of all conditions set out in the Commitment Agreement. Shareholders should note that the principal terms of the Joint Venture Contract as set out below are subject to amendment if required by the relevant PRC governmental authorities.

Parties

Regent Metals Limited, Yuxi Resources Corporation and Simao Shanshui Minerals Ltd.

The Joint Venture Company

Establishment

A Sino-foreign equity joint venture enterprise will be established to co-explore and co-develop certain mineral resources in the PRC pursuant to the Joint Venture Contract. The Joint Venture Company shall have a term of 20 years and may be extended if all parties elect to do so.

Purpose

It is currently intended by the parties that the Joint Venture Company shall apply advanced technology, equipment and skills to conduct exploration, mining and processing of copper ore, its symbiotic and associated precious metals including gold, silver, lead and zinc and other associated mineral resources within the Dapingzhang Copper Mine in order to achieve economic returns for the parties.

Total investment amount and registered capital

The total investment amount of the Joint Venture Company shall be RMB 400 million and its registered capital shall also be RMB 400 million, which shall be contributed by the parties in cash in the following proportions:

- RMB 200 million by YRC which is payable in two installments, (a) the first installment of RMB 50 million shall be payable within 15 days after the Joint Venture Company has opened its Renminbi account and (b) the remaining balance shall be payable by YRC no later than 45 days from the date on which the Joint Venture Company has opened its Renminbi account.
- RMB 160 million (to be paid in US Dollars) by RML. RML has already deposited a sum of US\$3 million into a temporary acquisition foreign exchange account to be used as start-up capital of the Joint Venture Company and for any acquisition of mining facilities,

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which sum shall constitute part of RML's capital contribution. The US Dollar equivalent to the remaining balance of RML's capital contribution calculated in Renminbi shall be payable by RML in one lump sum within 15 days after the Joint Venture Company has opened its USD capital account.

- RMB 40 million by SSM which is payable in one lump sum no later than 30 days from the date on which the Joint Venture Company has opened its Renminbi account.

Equity interests in the Joint Venture Company shall be held in the following proportions:

- 50% by YRC
- 40% by RML
- 10% by SSM

The registered capital shall be contributed, and the profit of the Joint Venture Company shall be distributed, proportionally to the parties' respective equity interests in the Joint Venture Company.

Conditions precedent to the payment of registered capital

Payment of the registered capital is subject to the following conditions:

- 1 the Joint Venture Contract and the articles of association of the Joint Venture Company having been approved by the relevant governmental authority in the PRC;
- 2 the business licence of the Joint Venture Company having been issued by the administration authority for industry and commerce;
- 3 a Renminbi account having been opened by the Joint Venture Company; and
- 4 the Joint Venture Company having received the foreign exchange permit issued by the foreign exchange administration bureau and a foreign exchange account having been opened.

RML's responsibilities

In addition to the payment of registered capital as set out above, pursuant to the Joint Venture Contract, RML shall also:

- 1 provide all necessary assistance for the establishment and registration of the Joint Venture Company;
- 2 provide advanced technology (including management and services) on exploration, mining and processing;

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- 3 assist the Joint Venture Company to conduct the Pre-Feasibility Study;
- 4 assist the Joint Venture Company to design the open pit mine;
- 5 assist the Joint Venture Company in supplying management and professional staff;
- 6 assist the Joint Venture Company in formulating the procedures and standards on employment of senior management personnel and conducting technology and management training; and
- 7 assist with other matters reasonably required by the Joint Venture Company, YRC and/or SSM.

It is RML's understanding that based on the findings of the Pre-Feasibility Study (which has yet to be carried out), the Joint Venture Company will then decide whether to maintain the existing operations of the Dapingzhang Copper Mine or whether it is appropriate to expand, improve or modify its operations. If expansion or further improvement is to be undertaken, this may involve further significant expenditure. Depending on the nature and extent of such improvement or modification plan, funding will be provided by the Joint Venture Company's internal working capital, debt and/or equity financing. In the event that the Group decides to inject further funding into the Joint Venture Company, the Company will comply with the then requirements set out in the Listing Rules, including obtaining Shareholders' approval, if required.

Under the Joint Venture Contract, the liability of each shareholder of the Joint Venture Company shall be limited to each shareholder's capital contribution. Currently, the Group is not under any obligation to contribute further funding to the Joint Venture Company although it may decide to do so in the future if it considers appropriate.

RML will not be directly involved in the daily operations of the Joint Venture Company other than participating through the board of the Joint Venture Company, through other personnel which are nominated by RML and/or seconded to the Joint Venture Company by RML, and by exercising its rights as a shareholder.

Other relevant terms

1. The non-binding heads of agreement dated 17 September 2005 entered into amongst YRC, RMHL and SSM will be terminated once the Joint Venture Contract becomes effective.
2. The board of directors of the Joint Venture Company shall consist of 9 directors, of which YRC shall appoint 4 directors, RML shall appoint 3 directors and SSM shall appoint 2 directors. SSM shall appoint the Chairman and 2 vice-chairmen shall be appointed by each of YRC and RML. Furthermore, YRC will be entitled to nominate the General Manager of the Joint Venture Company and each of RML and SSM will be entitled to nominate one Deputy General Manager. The Chief Financial Officer will also be nominated by RML.

LETTER FROM THE BOARD

3. The Joint Venture Company, after its establishment, will purchase from SSM the relevant exploration licences and mining licences, as referred to in the Joint Venture Contract, and all relevant mining facilities. The negotiations in respect of the purchase price of these assets were conducted by the parties on an arm's length basis. It is intended that the Joint Venture Company will also enter into an agreement with an associate of YRC in relation to the sale of all the copper concentrate and other products from the Dapingzhang Copper Mine site. Such agreement is subject to negotiations between the Joint Venture Company and the associate of YRC.
4. Upon payment of RMB 190 million, being the first payment in respect of the acquisition of the mining assets, SSM will grant the Joint Venture Company the exclusive right to use the exploration and mining licences and will apply for the transfer of such licences to it.
5. The parties agree to distribute at least 40% of the distributable profits of the Joint Venture Company annually (or semi annually if agreed between the parties) to the parties proportionately to their equity interest in the Joint Venture Company.
6. The Joint Venture Company shall initially maintain the scale of mining production and processing of the Dapingzhang Copper Mine and at the same time conduct supplementary exploration. If, upon completion of the supplementary exploration and the Pre-Feasibility Study, the Dapingzhang Copper Mine is determined to have potential mining value, the Joint Venture Company will enlarge the scale of mining subject to approval of the board of the Joint Venture Company.
7. The Joint Venture Contract contains pre-emption rights in relation to the transfer of an equity interest.
8. The Joint Venture Contract sets out the agreement among the parties on the manner in which the Joint Venture Company is to be operated and the way in which the affairs of the Joint Venture Company are to be regulated.
9. The Joint Venture Contract is written in both Chinese and English and both versions are equally binding.
10. The Joint Venture Company and the Joint Venture Contract may be dissolved or terminated upon the occurrence of certain events (subject to the approval of the relevant governmental authorities in the PRC), including the following:
 - (a) upon expiration of the term of operation of the Joint Venture Company, unless otherwise extended by the parties;
 - (b) the parties agreeing in writing to terminate the Joint Venture Contract;
 - (c) the board of directors of the Joint Venture Company deciding to terminate the Joint Venture Company;

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- (d) if a party breaches the Joint Venture Contract and is unable to rectify the breach within 60 days, the non-defaulting party may apply to the relevant governmental authorities in the PRC to discharge the Joint Venture Contract and dissolve the Joint Venture Company;
- (e) if the transfer of the exploration and mining licences or the mining facilities and other assets as contemplated under the Joint Venture Contract is not approved by the relevant PRC governmental authorities or is revoked or terminated early for any reason; and
- (f) the occurrence of a force majeure event which makes the Joint Venture Company unable to continue its operations.

4. SOURCES OF FUNDS

Although the Group announced on 22 November 2005 that it would use a combination of its own internal resources, cash proceeds retained from the scrip dividend issue and/or funding (whether equity and/or debt) for meeting its capital commitment of RMB 160 million as set out in the Joint Venture Contract, the Group currently intends to use the proceeds from the Disposal to fund RML's capital commitment of RMB 160 million under the Joint Venture Contract.

The financing for the Transaction is anticipated to be achieved by means of the Disposal because the Group does not otherwise have the means to complete the Transaction.

5. INFORMATION ON THE GROUP AND RML

The Company is a limited liability company incorporated under the laws of the Cayman Islands whose shares are listed on HK Stock Exchange and Frankfurt Stock Exchange. It is engaged principally in investment holding and the Group's principal activities consist of asset management, provision of investment advisory services, corporate finance and advisory services, corporate investment and internet retailing.

RML is a limited liability company, which was incorporated under the laws of Barbados on 31 October 2005. It is engaged principally in seeking investment opportunities in businesses that are engaged in the exploration, processing and mining of natural resources.

The management team of RML consists of:

Kaiqiang FAN, M.Sc (Mineral Exploration), AusIMM
Chief Geologist and Head of Exploration

Mr. Fan obtained a Bachelor of Science degree in Geology from Chengdu University of Technology, China in 1986 and a Master of Science degree in Mineral Exploration from Queen's University, Canada in 1995. He has 20 years of experience in the mineral exploration and mining industry. Previously, Mr. Fan was employed by Royal Oak Mines, Asia Minerals Corp. and Copper Mountain Mines for 5 years, working in Canada, United States and China, and was then for five years chief mine geologist of Sino Gold Ltd. (ASX listed), which was the first foreign

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company in China that concluded a Sino-foreign joint venture. He was instrumental in bringing Sino Gold's first gold exploration project into production in the PRC. Mr. Fan is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a qualified person for the purposes of Canadian National Instrument 43-101.

Mingsheng ZHAO, B.Sc (Geology)

Senior Project Geologist

Mr. Zhao holds a Bachelor of Science degree in Geology from Guilin Institute of Technology, China in 1995. He has over 10 years experience in the mineral exploration and mining industry. He has previously held positions with JiangXi Copper (SEHK listed), Sino Gold (ASX listed) and Griffin mining (AIM listed) companies where he was responsible for core logging, mapping, managing grade control and diamond drilling program, in roles ranging from geologist to senior geologist and relief chief mine geologist. He has particular strengths in Surpac mining software.

Xiaohuan WANG, B.Sc (Geology)

Senior Geologist

Mr. Wang received his Bachelor of Science degree in Geology from Changchun University of Earth Sciences, China in 1982. He has extensive experience in base metal and gold exploration and previously held positions with Heilongjiang Geological survey as geologist, project geologist and chief geologist.

6. INFORMATION ON YRC AND SSM

YRC is a company with independent legal person status established under the laws of the PRC. Approximately 27% of YRC is held by 雲南銅業(集團)有限公司 (Yunnan Copper Industry (Group) Co., Ltd*) and approximately 73% of YRC is held by 中國信達資產管理公司 (China Cinda Asset Management Corporation*), a state-owned enterprise. YRC is engaged principally in the exploration, processing and mining of metals in Yunnan Province of the PRC.

SSM is a company with independent legal person status established under the laws of the PRC. It is a privately owned enterprise engaged principally in the exploration, processing and mining of natural resources in Yunnan Province of the PRC.

** for identification purpose only*

7. INFORMATION ON DAPINGZHANG COPPER MINE

Excerpts from a preliminary evaluation of the Dapingzhang Copper Mine conducted by an expert independent mining engineer (the “**Consultant**”) dated 14 September 2005 (the “**Preliminary Evaluation Report**”), which was commissioned by the Company during its initial due diligence

LETTER FROM THE BOARD

process, is set out in Appendix IV of this circular. Shareholders should note that the Consultant's preliminary evaluation conclusions are based on certain risks, assumptions and the availability and accuracy of historical data. It is noted by the Consultant that further exploration and drilling is required in order to provide a more accurate evaluation and estimation of the reserves.

Shareholders should note that the Preliminary Evaluation Report only sets out the view and opinion of the Consultant and does not represent the opinion of the Company or its Directors.

Shareholders should also note that further detailed analysis (including the Pre-Feasibility Study) will be carried out by the Joint Venture Company before deciding on the nature, type and extent of improvement or modification (if any) which will be made. Therefore, the proposals put forward by the Consultant in the Preliminary Evaluation Report may or may not be undertaken. In addition, the financing of any expansion, improvement or modification work at the Dapingzhang Copper Mine will only be arranged after a decision has been made by the board of directors of the Joint Venture Company to undertake such work. It is expected that it will take approximately 2 years to complete both the Pre-Feasibility Study and the bankable feasibility study and, therefore, the Company currently does not expect that the Joint Venture Company will ask the Company to contribute further funding in the next 2 years.

Furthermore, Shareholders should note that the preliminary evaluation conclusions set out in the Preliminary Evaluation Report are based on the assumption that the Joint Venture Company will undertake the expansion, improvements or modifications as suggested and that it will have or have access to the financial resources to implement such plan which may or may not be the case. The preliminary evaluation only presents the Consultant's opinion of the potential of the Dapingzhang Copper Mine based on certain assumptions and should in no way be construed or interpreted as the Company's or the Directors' forecast. Accordingly, Shareholders are advised to exercise caution when dealing in the shares of the Company. However, the Directors are not aware of any matters or have any reason to question the matters set out in the Preliminary Evaluation Report.

The Consultant has assumed that the Joint Venture Company's total investment will be funded by 100% equity, without any debt component. It is contemplated by the Company that if further funding is required by the Joint Venture Company and the Joint Venture Company decides that the project will not be funded by debt financing, the Joint Venture Company may approach its shareholders for additional funding. In this event, the shareholders of the Joint Venture Company will then consider at the time whether to inject further funding into the Joint Venture Company. If the Company in due course decides it is appropriate to inject further funding, the Company will then decide whether to use its own internal resources and/or to raise further funding (whether equity and/or debt) to meet such funding requirement and, if so, in what proportions. Such assumption, while considered reasonable by the Board in view of the current circumstances, is with respect to future business decisions which are subject to change and are beyond the control of the Company. In the event that the Joint Venture Company decides to raise any debt finance (which has not yet been determined), then the cost of the debt would have to be factored into the economics of the project.

As far as the Company is aware, no claim has been made by or against SSM, being the current operator, in relation to the exploration or mining rights relating to the Dapingzhang Copper Mine.

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Set out below is a brief summary of the background information in relation to the Dapingzhang Copper Mine as set out in the Preliminary Evaluation Report. The Preliminary Evaluation Report is set out in Appendix IV of this circular.

Background information on the Dapingzhang Copper Mine

The Dapingzhang Copper Mine is located near Simao City in south west Yunnan Province in the PRC, 310 km south west of Kunming, the capital city of Yunnan. The mine is connected to the main highway to Simao City by 38 km of ungraded road.

The exploration licences cover an area of 11.36 km² within which is located the 2.75 km² area covered by the mining licence, which contains the main zone of the mineralization.

It is understood that since May 2004, SSM has mined and processed approximately 700,000 tonnes of mineralized rock. The Consultant is of the view that the operation can be optimized by carrying out certain changes and improvements to the current mining operation.

Based on historical geological exploration and assay data in respect of the Permitted Area of the Dapingzhang Copper Mine contained in a report issued in 2001 (the “**Geological Report**”), the Consultant has estimated that the maximum potential resource amounts to approximately 63.3 million tonnes, has an overall grading of 0.76% copper (meaning 7.6 kg of copper per tonne) with a possible strip ratio of 5.3:1. However, this estimate does not meet international standards for resource or reserve calculations as there was insufficient drilling to be able to categorize the above estimates as anything but potential mineral resources, i.e. there was insufficient exploration of the property to define a mineral resource or reserve. Therefore, it is currently uncertain if further exploration will result in the establishment of a mineral resource or reserve on the property. Some 7 million tonnes of the resource is contained in high-grade, massive sulphide ore, known as V1, with a grading on average of 2% copper and contains credits of zinc, gold and silver. It is understood that the remaining 56 million tonnes is considered to be disseminated ore, known as V2, with a grading on average of 0.6% copper with a significant gold credit.

The Dapingzhang deposit occurs within a 6 km belt of favorable volcanic rocks that strike North-west.

The geological work indicates that the deposit is a typical example of a volcanic massive sulphide deposit. The massive sulphide or V1 ore occurs as a cap that is draped on top of the V2 ore and represents an intense phase of volcanic activity.

After reviewing the data contained in the Geological Report, the Consultant is of the opinion that it is unlikely that significant mining dilution will be experienced when the deposit is mined. The reason for this categorization of the resources is that the majority of the drill holes are spaced at distances that vary from 200 to 300 metres, though it should be pointed out that on one section the spacing has been reduced to 100 metres, with no significant change in continuity, or grade from hole to hole.

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Since May 2004, SSM has mined approximately 700,000 tonnes with a grade of 0.8% copper from an existing open pit, which includes both the V1 and V2 lenses. The current milling process used by SSM is very simple and consists of bulk floating all of the sulfides contained in the mill feed. As a consequence, the copper recovery is excellent at 92 to 95%, but on the other hand the grade of copper in the concentrates is very low at 10 to 15%, in addition when the concentrates arrive at the smelter the concentrates have more than 18% water in them. Both of these parameters are penalized by the smelter, which results in SSM probably losing more than 50% of the value of the copper concentrate.

The Consultant believes that it is possible to produce better quality separate concentrates of copper and zinc and reduce the water content in them, so that the smelter will not impose penalties, but that these improvements will take at least a year to achieve. In the first year of operation it is assumed that the smelter penalties can be halved. It is further assumed that: (1) the four existing mills are operated at their rated throughput and (2) that the improvements recommended by the Joint Venture Company's metallurgical consultants have been carried out. After taking these measures, it has been estimated that the annual production which will be for sale by the mine will be approximately 9,050 tonnes of copper, 11,315 tonnes of Zinc, 282,000 grams of gold and 11,390,000 grams of silver. The sale price for copper at the time the Consultant prepared his report was US\$1.50 per pound and the net smelter revenue of all the products, for this first year of production is estimated to be US\$26.76 million. The total annual operating costs for the production of the metals noted above are estimated by the Consultant to be a little over US\$10 million.

Factors which may affect the business of the Joint Venture Company

The Company sets out below the principal factors which may affect the business of the Joint Venture Company.

Commodities Price Fluctuation

Commodity prices may be influenced by numerous factors. These factors include world demand, forward selling activities and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates as well as general global economic conditions. These factors leading to volatility in commodity prices may have an adverse effect on the business of the Joint Venture Company. In addition, commodity prices in the PRC are highly influenced by fluctuations in international commodity prices, which is beyond the control of the Joint Venture Company.

Copper Inventories

Although the copper market fundamentals in the PRC appear very strong and inventory levels are at historic low levels, there is a potential for undeclared stocks to arrive on the exchanges where copper is traded. In the event of such inventory increase, there is a risk that the price of copper may fall which may result in lower earnings for the Joint Venture Company.

Reserve Estimates and Exploration

The potential resources stated in the Preliminary Evaluation Report are estimates, and no assurance can be given that the indicated amounts of copper and certain other metals will be

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recovered. By nature, reserves and resources estimates depend to some extent on interpretations and deductions which may prove to be inaccurate. It is noted by the Consultant that further exploration and drilling is required in order to provide a more accurate evaluation and estimation of the reserves. As further information becomes available, the estimates are likely to change. This may result in alterations to the operation and development plan which may, in turn, adversely affect the operation and performance of the Joint Venture Company.

Uncertainties Related to Exploration

Exploration of mineral resources is speculative in nature, so substantial expenses may be incurred from initial drilling to production. There is also no assurance that exploration can lead to the discovery of economically feasible reserves. If reserves are developed, it may take a number of years and substantial expenditure from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change.

Licence Period of Exploration and Mining Rights

The Joint Venture Company may obtain mining rights for conducting mining activities in a specific mining area during the licence period. There can be no assurance that the Joint Venture Company will be able to exploit the entire mineral resources of any of its mines during the initial licence period. If the Joint Venture Company fails to renew its exploration and mining licences upon expiry or it cannot effectively utilize the resources within a licence period specified in such licence, the operation and performance of the Joint Venture Company may be adversely affected.

Capital Requirements and Funding Sources

The exploration and mining of mineral resources require substantial capital investments. The ability of the Joint Venture Company to obtain future financing involve a number of uncertainties including its future operational results, financial condition and cash flow. If the Joint Venture Company fails to obtain adequate funds to satisfy its operations or development plans, this may affect the business of the Joint Venture Company, the efficiency of its operations and the operating results of the Joint Venture Company.

Potential Cost Overruns on Expansion

In recent years, there have been cost over runs in mining and oil projects as the cost of raw materials such as steel have spiked unexpectedly. The Joint Venture Company may expand its current mining operations by building a new mill if the bankable feasibility study demonstrates that it is economic to do so. If such expansion does take place in the future, there is a risk that the costs could exceed the forecasts.

Operational Risks

The business of mining, milling and smelting copper ore is generally subject to a number of risks and hazards, including industrial accidents, unusual or unexpected geological conditions, technical failure, inclement weather and other natural phenomena such as excessive rain. Such occurrences could result in damage to, or destruction of, mining properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liabilities.

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Dependence on the Co-operation of the Joint Venture Parties

The Joint Venture Company is a joint venture between RML, YRC and SSM. Although the parties will be entering into the Joint Venture Contract to regulate their respective rights and obligations in respect of the Joint Venture Company, the smooth operation of the Joint Venture Company is still dependent upon the co-operation of all the joint venture parties.

Operational Costs

The mining and exploration business requires timely supply of various raw materials and electricity. There is no assurance that interruptions or shortage of such supplies will not occur in the future. In addition, an increase in the price of such raw materials and/or electricity may have an adverse impact on the operation of the Joint Venture Company.

Government Regulations

Mining operations in the PRC are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labour standards, occupational health and safety, waste disposal, monitoring, protection, and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Changes in such laws and regulations could increase the costs of the Joint Venture Company.

Political and Economic Considerations

The PRC government has been making efforts to promote reforms of the economic system. These reforms have brought about marked economic growth and social progress. However, revisions or amendments may be made to these policies and measures from time to time, and the Joint Venture Company is not in a position to predict whether any change in the political, economic or social conditions may adversely affect the operating results of the Joint Venture Company.

Legal Considerations

The PRC legal system is a statutory law system. Unlike the common law system, decided legal cases have little significance for guidance, and rulings by the court can only be used as reference with little value as precedents. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs. However, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number. Furthermore, as they are not binding, both the implementation and interpretation of these regulations are uncertain in many areas.

Environmental Risk

Environmental risks relate to every mining company. The tailings dam where the tailings are dumped is usually the most important potential area of risk to consider. Spilling a tailings dam can be enormously damaging to the environment and expensive to clean up.

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Competition for Resources and Copper Concentrates

The mining business depends on one's ability to discover new resources. The Joint Venture Company will face competition from other mining enterprises in discovering and acquiring resources.

II. POSSIBLE VERY SUBSTANTIAL DISPOSAL RESULTING FROM THE DISPOSAL

The Directors intend to raise US\$20 million (HK\$156 million) by disposing of an interest in the Target Company to independent third parties by way of a private placement, based on a valuation of the Target Company of not less than US\$40 million (HK\$312 million). Assuming that the Company will raise approximately US\$20 million (HK\$156 million) and that the Target Company is valued at US\$40 million (HK\$312 million), the Company will dispose of just less than a 50% interest in the Target Company. After the Disposal, the Target Company will remain as a subsidiary of the Company.

As it is the Company's objective to fund RML's commitment under the Joint Venture Contract (i.e. US\$20 million) by means of placing out a maximum of just under 50% of the interests in the Target Company (so that the Target Company remains a subsidiary of the Company), it follows that the Target Company must be valued at a minimum of US\$40 million (HK\$312 million). The business potential of the Target Company is not the determining factor in establishing the minimum value for the Disposal.

As at the Latest Practicable Date, RML is the only wholly-owned subsidiary of RMHL and does not have any net assets or net profits.

As set out in the Company's announcement dated 30 December 2005, Regent Mercantile Bancorp Inc., a connected person of the Company, was appointed as the placing agent. The Company's financial adviser, Access Capital Limited, is also entitled to a fee equal to 0.65% of the funds raised for providing assistance in relation to the fund raising. Other than such appointment and arrangement, no contractual arrangements have been entered into by the Company in relation to the possible Disposal. Assuming the Company will raise US\$20 million (HK\$156 million) as a result of the Disposal, it will constitute a very substantial disposal for the Company under the Listing Rules, for which Shareholders' approval is required.

The Company has yet to identify the investor(s) and the Disposal may occur through a single or a series of transactions. However, no Disposal will be made to any of the directors, chief executives or substantial shareholders of any member of the Group or any of their respective associates (as defined in the Listing Rules), or any connected person (as defined in the Listing Rules) of the Company. Accordingly, the Disposal will not be a connected transaction and there are no Shareholders of the Company who will be required to abstain from voting on the approval of the Disposal.

The Disposal for which advance Shareholders' approval is being sought will only be effected if:

- the Target Company is valued at not less than US\$40 million (HK\$312 million) and remains a subsidiary of the Company after the Disposal;
- all the Target Company Shares are to be disposed of, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, to parties who are independent of the Company and any director, chief executive or substantial shareholder of any member of the Group or any of their respective associates (as defined in the Listing Rules), or any connected person (as defined in the Listing Rules) of the Company; and

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- the Disposal is completed within twelve months of the approval of Shareholders being given, which the Directors consider to be a reasonable period in which to conduct such disposal.

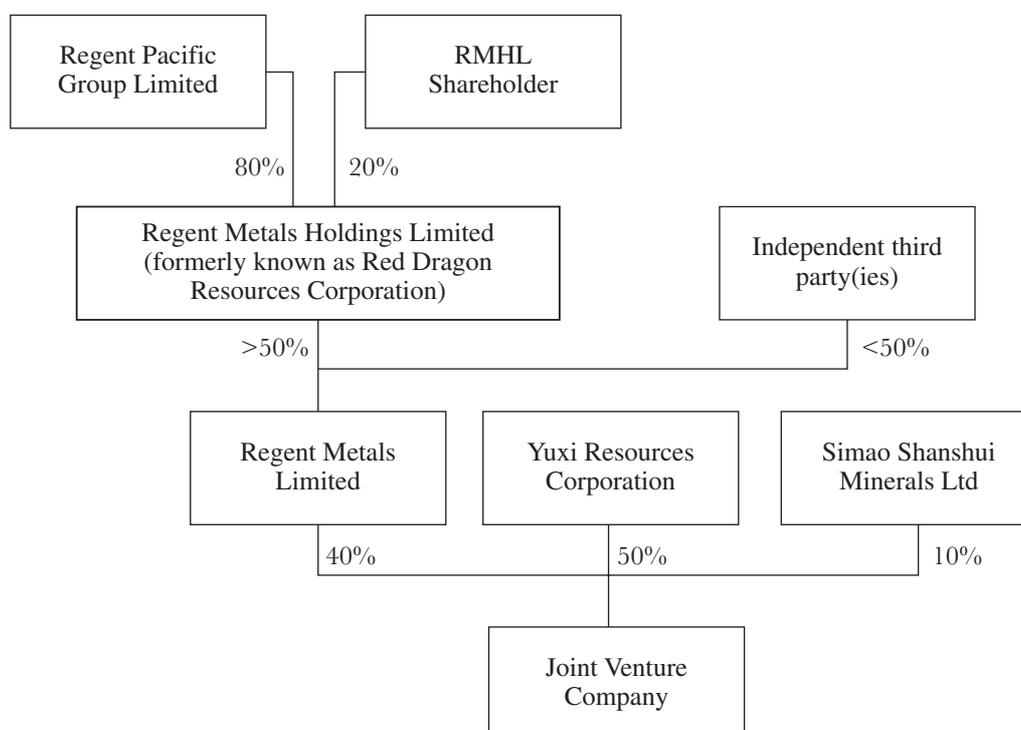
III. SHAREHOLDING STRUCTURE OF THE GROUP AFTER THE ESTABLISHMENT OF THE JOINT VENTURE COMPANY, COMPLETION OF FURTHER COMPLETION AND COMPLETION OF THE DISPOSAL

Shareholders should note that the Further Completion is subject to satisfaction of several conditions, including, among others, the approval by the relevant PRC government authorities of the Joint Venture Contract, the execution of the Joint Venture Contract and the approval by Shareholders of the issue of the Consideration Shares.

The financing for the Transaction is anticipated to be achieved by means of the Disposal because the Group does not otherwise have the means to complete the Transaction.

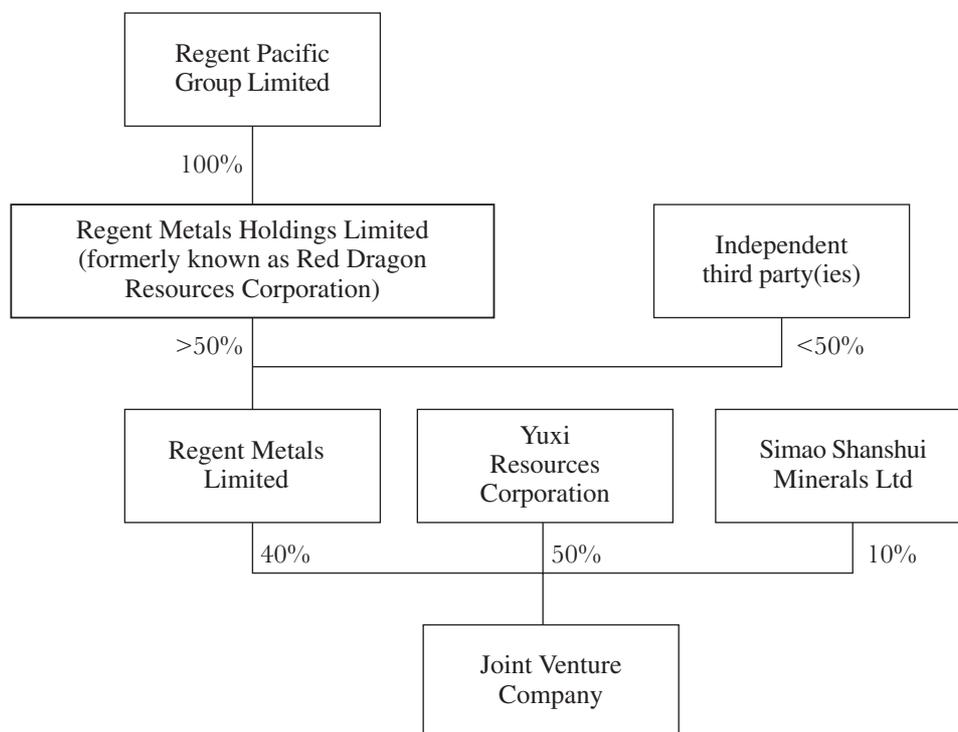
The placing agent is in the process of identifying and discussing with potential investors in relation to the Disposal. It is currently anticipated that once Shareholders' approval is obtained in relation to both the Transaction and the Disposal and the Disposal has become unconditional, RMHL will then enter into the Joint Venture Contract and will inject its outstanding capital commitment (approximately US\$17 million) into the Joint Venture Company in accordance with the terms of the Joint Venture Contract.

- (1) Shareholding structure of the Group immediately after completion of the Disposal (assuming RML is the Target Company) and the establishment of the Joint Venture Company but before completion of Further Completion:



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- (2) Shareholding structure of the Group immediately after completion of the Disposal, the establishment of the Joint Venture Company and completion of Further Completion:



IV. FINANCIAL EFFECTS OF THE TRANSACTION, THE DISPOSAL AND THE FURTHER COMPLETION ON THE GROUP

The financial effects of the Transaction, the Disposal and the Further Completion on the Group are set out in the unaudited pro forma financial information of the Enlarged Group (see Appendix II), which is based on the unaudited financial statements of the Group as at 30 September 2005 (see Appendix I). The financial information contained in the unaudited pro forma financial information of the Enlarged Group has taken into account certain adjustments to reflect the Transaction, the Disposal and the Further Completion which were assumed to be completed on the relevant dates.

No adjustment has been made to the unaudited pro forma financial information (see Appendix II) to reflect trading results or any other transactions entered into subsequent to 30 September 2005, including the dividend of approximately US\$37.7 million (HK\$294.06 million) that was received from Bridge Investment Holding Limited (including the corresponding reduction in investment in associates) and the payment of a special interim dividend of HK\$0.22 per share in the form of a cash dividend of approximately US\$31.7 million (HK\$247.26 million) and scrip dividend of 107,992,423 shares.

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No accountants' report has been prepared for the Joint Venture Company or the Group in relation to the Transaction and the Disposal because, as at the Latest Practicable Date, the Joint Venture Company has yet to be established. Furthermore, even if an accountants' report is prepared and an update audit is performed on the Group up to 30 September 2005 for this purpose, such accountants' report would not give the shareholders any information in relation to RML as RML was only incorporated in October 2005.

- (i) Pro forma unaudited assets and liabilities of the Enlarged Group prepared on the assumption that the Transaction, the Disposal and the Further Completion had taken place on 30 September 2005

As disclosed in the unaudited pro forma financial information of the Enlarged Group, the respective pro forma assets and liabilities of the Enlarged Group following completion of the Transaction, the Disposal and the Further Completion would have been approximately US\$67.99 million (approximately HK\$530.32 million) and approximately US\$3.19 million (approximately HK\$24.88 million) respectively as compared to approximately US\$49.59 million (approximately HK\$386.80 million) and approximately US\$3.19 million (approximately HK\$24.88 million) respectively prior to the Transaction, the Disposal and the Further Completion taking place.

The actual number of securities in the Target Company to be disposed of and the price of such securities have not, as yet, been determined. However, it assumed in the unaudited pro forma financial information that the Company will dispose of 49.9% of the issued share capital of RML (being the Target Company as at the Latest Practicable Date) for a consideration of US\$20 million. The estimated expenses associated with the transaction are approximately US\$1.6 million (HK\$12.48 million).

The Group will complete the acquisition of a 40% interest in the Joint Venture Company using the US\$20 million from the Disposal. The above events give rise to an estimated gain of approximately US\$4.8 million (HK\$37.44 million), representing negative goodwill recognised in the Group's income statement. The negative goodwill of approximately US\$4.8 million is based on the amount by which the Group's share of the fair value of the Target Company's identifiable net assets (including its 40% interest in the Joint Venture Company) exceeds the Group's cost of the investments in the Target Company of approximately US\$6.71 million (being the aggregate of the fair value of the Consideration Shares issued of approximately US\$2.11 million, the US\$3 million cash previously deposited into a temporary acquisition foreign exchange account, and approximately US\$1.6 million placing expenses). As (i) the fair value of the Joint Venture Company's identifiable net assets, (ii) the fair value of the Consideration Shares at the date of the acquisition and (iii) the actual cash proceeds received from the Disposal, may each be substantially different from the amounts currently used in the preparation of the pro forma financial information, the actual negative goodwill and estimated gain arising from the Transaction, the Disposal and the Further Completion may be different from the estimated amount in the pro forma financial information.

Upon completion of the Transaction, the Disposal and the Further Completion, the Group will effectively hold 20.04% of the equity interest in the Joint Venture Company at a cost of approximately US\$6.71 million.

- (ii) Pro forma unaudited cash flow statement of the Enlarged Group prepared on the assumption that the Transaction, the Disposal and the Further Completion had taken place on 1 April 2005

Approximately US\$17 million (HK\$132.6 million) will be used to fund RML's capital commitment under the Joint Venture Contract and the remaining amount will be used as general working capital of the Target Company.

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V. REASONS FOR AND BENEFITS OF THE TRANSACTION AND THE DISPOSAL

The Company is of the view that by entering into the Joint Venture Contract, the Company will be able to capture a good opportunity for investment in the minerals exploration, mining and processing industry in the PRC.

In particular, the Joint Venture Company will be acquiring from SSM for RMB 340 million operating mining assets comprising, among others, classifiers, ball mills, floatators, crushers, ore feeders, agitation tanks, conveyors, wheel loaders, pit scales, generators, power substations/power lines and water pipeline, that are currently used for the mining and processing of the mineralization. The Joint Venture Company will produce and sell copper concentrate containing credits of zinc, lead, gold and silver.

In addition, the Joint Venture Company will also be acquiring from SSM for RMB 10 million the mining and exploration licences which cover the area within which is located the mineralization and mining assets situated at the Dapingzhang Copper Mine. The Dapingzhang Copper Mine is located in South-west Yunnan, PRC approximately 45 km west of Simao City, which is in turn 310 km South-west of Kunming, the capital city of Yunnan. There are currently two exploration licences which entitle the licensee to the exclusive right to explore a total area of 11.36 km² for mineral occurrences before the expiration of such licences, namely 13 April 2006 and 12 April 2007 respectively. It is the Company's understanding that the Joint Venture Company, once it has acquired the licences, will apply for renewal of such licences before their expiry. If the exploration licences are not renewed, then the Joint Venture Company will no longer be entitled to explore the area covered by the licences after the relevant expiry dates as set out above. However, the expiry of the exploration licences will not affect the validity of the mining licence as the licences are issued in respect of different areas.

The mining licence, which allows the holder to extract any minerals contained or found in the permitted area of 2.751 km², subject to the terms of the permit, will be valid until August 2015. Subject to the requirements under the relevant regulations, as far as the Company is aware, the licences are not subject to other major terms and conditions. Please refer to illustrations 1 to 3 of Appendix IV for more information regarding the location of the Permitted Area.

The Joint Venture Company is not currently expected to take over the existing contracts of employment, sales and purchase contracts or other assets and liabilities of the current operator of the Dapingzhang Copper Mine.

The consideration payable by the Joint Venture Company for the acquisition of the licences and assets was determined after arm's length negotiations between RML and YRC on one side and SSM on the other. Factors taken into account by the parties (including RML) included, among others, an assessment of the future business potential of the Joint Venture Company after acquiring the assets and the licences and the prospect of forming a partnership with the PRC parties who have extensive expertise and experience in the copper mining business in the PRC. The book value of the assets was not a determining factor in assessing the consideration payable.

Assuming the Joint Venture Company maintains the scale of production, it is anticipated that the capital contribution made by the joint venture parties will be sufficient to fund the acquisition of licences and facilities as mentioned above as well as the daily operation of the Joint Venture Company and such further studies to be conducted on the Dapingzhang Copper Mine over the next 2 years.

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Further information in relation to the current operation of the Dapingzhang Copper Mine, including the estimate current scale of production and the method of production currently employed by SSM, is set out in Appendix IV.

The Board believes that the Transaction presents the Group with an opportunity to acquire a significant interest in a copper mining business that is in production in Yunnan province with established operations. In addition, the Board believes that YRC's expertise in the copper processing business has the potential to offer significant investment returns for the Company and its Shareholders.

After considering, among other factors, an assessment of the future business potential of the Joint Venture Company after acquiring the assets and the licences and the prospect of forming a partnership with the PRC parties who have extensive expertise and experience in the copper mining business in the PRC, the Directors currently estimate that the fair value of the Joint Venture Company's identifiable net assets, being the operating mining assets, the mining and exploration licenses and the remaining cash after acquisition of these assets, to be US\$50 million.

The Directors, including the independent non-executive Directors, believe that the terms of the Joint Venture Contract are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Joint Venture Company will be accounted for as an associated company of the Company pursuant to the terms of the Joint Venture Contract. As at the date of this announcement, the Company has no current intention for the Joint Venture Company to become a subsidiary.

The Company will continue to be an investment holding company and as such is regularly evaluating and considering new investment areas although, in the foreseeable future, its investments will be focused on the minerals exploration, mining and processing industry in the PRC.

In addition, the Directors, including the independent non-executive Directors, believe that the Disposal is the most appropriate and efficient method of raising funds to meet RML's commitment under the Joint Venture Contract, taking into account the working capital requirements of the Group and the time period required for raising such funds. The Directors consider that the Disposal is fair and reasonable and is in the best interests of the Company and its Shareholders as a whole. It is anticipated that the funds raised from the Disposal will be held by the placing agent and will only be drawn by the Group when the conditions precedent have been satisfied as set out in the Commitment Agreement.

The entering into of the Joint Venture Contract is conditional upon the satisfaction of certain conditions as set out in the Commitment Agreement. If these conditions are not satisfied, the deposit of US\$3 million will be refundable to RML. However, the Group will need to write off an exclusivity payment of US\$500,000, which was paid as part of the consideration under the Cooperation Agreement. In the event that the Joint Venture Contract is signed and the Joint Venture Company is established but RML fails to pay its capital contribution in full in accordance with the time limits stated in the Joint Venture Contract as set out in this circular under the paragraph headed "The Joint Venture Contract", and any non-defaulting party does not select to terminate the Joint Venture

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Contract pursuant to the provisions of the said contract, such non-defaulting party shall have the right to purchase all the capital interests of RML. In this case, the purchase price shall be 90% of the capital contribution paid by RML (i.e. 90% of US\$3 million) and the Group will consequently need to write off US\$300,000 and the exclusivity payment of US\$500,000. The non-defaulting party may also be entitled to other remedies or compensation as permitted under PRC law. However, the Company will not incur any liabilities under such circumstances because the party to the Joint Venture Contract will be RML. However, the Company may be liable for professional and consulting fees incurred in relation to the negotiation and implementation of the Transaction which have not yet been quantified, although the Company does not expect them to be material.

B. FURTHER COMPLETION OF THE COOPERATION AGREEMENT

The Directors refer to the announcements dated 4 July 2005 and 30 September 2005 and the circular dated 25 July 2005 with respect to a cooperation agreement dated 23 June 2005, as amended by a side letter dated 28 September 2005, entered into by the Company with (i) RMHL; (ii) the RMHL Shareholder; and (iii) the beneficial owner of the share interests held by the RMHL Shareholder in RMHL for the conditional acquisition of 10,000 issued shares in RMHL, being all the issued share capital in RMHL then held by the RMHL Shareholder, for a total consideration of US\$4.385 million (HK\$34.203 million), to be paid, subject to the satisfaction of certain conditions, in instalments. Such consideration comprises US\$3.5 million (HK\$27.3 million) by way of cash and the remaining US\$0.885 million (HK\$6.903 million) by way of the issue by the Company, subject to Shareholders' approval, of 70,653,197 Ordinary Restricted Shares to the RMHL Shareholder at effectively US\$0.0125 (HK\$0.0975) per share on an enlarged basis which was determined by reference to the Company's net asset value per share of US\$0.046 (HK\$0.359) as at 31 March 2005 and, excluding the Company's 90% attributable interest in Bridge Investment Holding Limited as at such date. For the purpose of preparing the unaudited pro forma financial information in Appendix II, the fair value of the Consideration Shares is based on the quoted market price of the Company's shares at the Latest Practicable Date. The fair value of the Consideration Shares was approximately US\$2.11 million (HK\$16.458 million) which was determined by reference to the closing market price of the Company's shares as at 17 January 2006, being the Latest Practicable Date.

Originally, the Consideration Shares were to be issued in the form of Ordinary Restricted Shares in order that the RMHL Shareholder would not participate in the realization proceeds received by the Company in relation to the disposal of its interests in Bridge Securities Co., Ltd. Therefore, each Ordinary Restricted Share carried a mandatory conversion right to convert into one Ordinary Share on the earlier of 30 September 2006 or 10 business days after the Company had made arrangements for the distribution of 90% of the proceeds received from the realization by Bridge Investment Holding Limited of its interest in Bridge Securities Co., Ltd. to all shareholders. As the Company has already distributed the proceeds received in relation to the disposal of its indirect interests in Bridge Securities Co., Ltd. on 16 December 2005, the reason to issue the Ordinary Restricted Shares no longer exists. The Company therefore proposes to issue 70,653,197 Ordinary Shares instead of 70,653,197 Ordinary Restricted Shares to the RMHL Shareholder on Further Completion.

The Consideration Shares represented approximately 6.4% of the Company's issued ordinary share capital as at the date of the Cooperation Agreement. Following the issue and allotment of scrip

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dividend shares on 16 December 2005, the Consideration Shares represent approximately 5.8% of the Company's existing issued ordinary share capital and approximately 5.5% of the Company's enlarged ordinary share capital. Therefore, existing shareholders' interests in the Company will be diluted to 94.5% of their current shareholding.

The transaction contemplated by the Cooperation Agreement constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. A circular containing, *inter alia*, details of the Cooperation Agreement was despatched to all shareholders of the Company on 25 July 2005 (before the amendments made by way of the aforesaid side letter dated 28 September 2005 as announced on 30 September 2005).

Pursuant to the Cooperation Agreement, an aggregate of US\$3.5 million (HK\$27.3 million) in cash was paid by the Company in tranches to RMHL to acquire 80% of the total issued share capital of RMHL on 8 July 2005. As agreed between the parties under the Cooperation Agreement, of the US\$3.5 million (HK\$27.3 million), US\$3 million (HK\$23.4 million) was paid into a temporary foreign exchange account as the initial deposit for RML's capital contribution to the Joint Venture Company. It is intended that the transfer of the remaining 2,000 shares in RMHL held by the RMHL Shareholder to the Company in consideration for the issue by the Company of 70,653,197 Ordinary Shares to the RMHL Shareholder will take place on or before 31 March 2006.

The Directors will seek Shareholders' approval at the EGM of a specific mandate to be granted to the Directors to issue, allot and otherwise deal with the Consideration Shares upon Further Completion.

After the Further Completion, the Company would have acquired 100% of the total issued share capital of RMHL from the RMHL Shareholder.

Shareholders should refer to the Company's announcements dated 4 July 2005 and 30 September 2005 and the circular dated 25 July 2005 for further information in relation to the Further Completion.

C. PROPOSED ADOPTION OF TARGET COMPANY SCHEME

1. THE TARGET COMPANY SCHEME

At the EGM, an ordinary resolution will be proposed for the Company to approve the adoption of the Target Company Scheme as the new share option scheme of the Target Company in accordance with Chapter 17 of the Listing Rules. The Eligible Participants of the Target Company Scheme include directors (including executive, non-executive and independent directors), executives, employees, consultants and service providers (as the Target Company Directors may think fit with reference to their respective contribution to the Target Company Group) of the Target Company or of any of its holding companies or of any of its subsidiaries.

The Target Company Scheme is conditional upon (a) the passing of an ordinary resolution at the EGM of the Company approving, *inter alia*, the Target Company Scheme; and (b) the passing of an ordinary resolution at the Target Company EGM approving the adoption of the Target Company Scheme. The adoption of the Target Company Scheme shall not affect outstanding options under the Company's Share Option Scheme (2002).

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2. BENEFIT TO ELIGIBLE PARTICIPANTS

The Target Company Scheme is to provide the Target Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Participants or for such other purposes as the Target Company Directors may approve from time to time, subject to any necessary consent or approval being obtained (i) from the Target Company Shareholders; or (ii) for so long as the Target Company remains a subsidiary of the Company, from the Shareholders and/or the independent non-executive Directors; and (iii) from the HK Stock Exchange or any other securities commission or stock exchange or any other relevant regulatory body where such consent or approval is required by the Articles of Association or other constitutional documents of the Target Company or any applicable law or regulatory requirement (including, for the avoidance of doubt, Chapter 17 of the Listing Rules). The Target Company Scheme may, at the discretion of the Target Company Directors, be used in conjunction with any cash based compensation, incentive compensation or bonus plan.

A summary of the rules of the Target Company Scheme is set out in Appendix VI to this circular. All Eligible Participants will be provided with a summary of the terms of the Target Company Scheme on joining the Target Company Scheme and will be provided with all details relating to changes in the terms of the Target Company Scheme during the life of the Target Company Scheme immediately upon such changes taking effect.

The Target Company Scheme provides that Options shall be exercisable no earlier than the first anniversary date of the date of grant (or after such period as specified by the Target Company Directors) up to a maximum of 10 years from the date of grant. Within such exercise period, the Option Holder is entitled to exercise one-third of the Option granted at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of grant. All entitlements of the Option that remain unexercised at the tenth anniversary date of the date of grant will lapse. The Target Company Directors may specify that any exercise date of any Options may be subject to certain performance targets being achieved by the Target Company. Such performance targets, if specified, will be set out in the option certificate issued upon grant of the relevant Options. The exercise price of Options shall be fixed at the absolute discretion of the Target Company Directors.

As the Option Holder needs to hold the Option for one year before he is entitled to exercise the Option and subscribe for the underlying Target Company Shares in three equal tranches in the following three years, the Option Holder is encouraged to stay with the Target Company or (its employing company which is a holding company or subsidiary of the Target Company) for at least three years so as to exercise his Option in full. Further, the Option Holder will anticipate a price appreciation in the Target Company Shares in order for them to benefit from the results of the Target Company. Accordingly, the Target Company Scheme will serve as an incentive scheme for rewarding long service staff.

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3. VALUE OF THE OPTIONS

As the Target Company Shares are not listed securities, the Directors consider that it is not appropriate to state the value of all Options that can be granted under the Target Company Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the Option which have not been determined. Such variables include the exercise price, exercise period, any lock-up period, any performance targets set and other relevant variables such as the fact that the Options may lapse or be cancelled prior to the normal expiry of their respective exercise periods on the happening of certain events as specified in the rules of the Target Company Scheme which are neither predictable nor controllable by the Directors.

4. LISTING APPLICATION

There is no present intention of the Directors to make any application to the Listing Committee of the HK Stock Exchange for the approval of the listing of and permission to deal in the Target Company Shares. Accordingly, no application will be made for the approval of the listing of and permission to deal in the Target Company Shares to be issued pursuant to the exercise of the Options granted under the Target Company Scheme.

5. ADMINISTRATION

The Target Company Directors or a duly constituted committee of the Target Company Directors will have responsibility for administering the Target Company Scheme. There are no trustees appointed for the purposes of the Target Company Scheme.

D. EXTRAORDINARY GENERAL MEETING

1. EXTRAORDINARY GENERAL MEETING

Set out on pages 27 to 28 is a notice convening the EGM to be held at The Lagoon Ballroom, The Landmark Macau, 555 Avenida da Amizade, Macau on Wednesday, 8 February 2006 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the resolutions to approve the Transaction, the Disposal, the issue of the Consideration Shares and the adoption of the Target Company Scheme.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy to the Company Secretary at the Company's principal place of business in Hong Kong as soon as possible and in any event not later than forty-eight hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

Under Article 66 of the Company's Articles of Association, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles of Association, at any general meeting on a show of hands every member present in person (or being a corporation, present by a representative duly authorised), or by proxy shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Where a member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

A resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one tenth of the total voting rights of all shareholders having the right to vote at the meeting; or
- (d) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member (or, in the case of a member being a corporation, by its duly authorized representative) shall be deemed to be the same as a demand by a member.

2. RECOMMENDATION

The Directors, including the independent non-executive Directors, consider that the Transaction and the Disposal are fair and reasonable. Furthermore, the Directors, including the independent non-executive Directors, consider that the Transaction, the Disposal, the issue of the Consideration Shares and the adoption of the Target Company Scheme are in the best interests of the Company and its Shareholders as a whole, and accordingly recommend Shareholders to vote in favour of the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

E. GENERAL

The Transaction constitutes a major transaction and the Disposal constitutes a very substantial disposal of the Company under the Listing Rules. Accordingly, the Transaction and the Disposal must be made conditional upon approval by Shareholders of the Company.

Any Shareholder with a material interest in the Transaction and/or the Cooperation Agreement and/or the Disposal, and its associates, shall abstain from voting on the proposed resolution(s) purporting to approve the same. So far as the Company is aware, no Shareholder is required to abstain from voting on the resolutions to approve the Transaction, the issue of the Consideration Shares contemplated under the Cooperation Agreement or the Disposal.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, YRC and SSM and their respective ultimate beneficial owners are independent third parties not connected with and not acting in concert with the Company, the directors, chief executive officer or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Rule 13.24 of the Listing Rules requires a listed issuer to carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the HK Stock Exchange to warrant the continued listing of the issuer's securities. Following the realization of Bridge Securities Co., Ltd which accounted for a substantial portion of the Group's net assets and profit contribution, the Company is in discussion with the HK Stock Exchange regarding compliance with Rule 13.24 of the Listing Rules.

On behalf of the Board of
REGENT PACIFIC GROUP LIMITED
James Mellon
Chairman

The information set out below was extracted from the annual reports of the Group for the years ended 31 March 2005, 2004 and 2003 and the interim report of the Group for the six months ended 30 September 2005.

A. THREE YEARS FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statements of the Group for the years ended 31 March 2005, 2004 and 2003 extracted from the audited financial statements of the Group for the relevant years. No qualified opinion has been issued by the auditors in relation to the audited accounts for the years ended 31 March 2005, 2004 and 2003.

<i>For the year ended 31 March</i>	2005	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Turnover	<u>3,425</u>	<u>1,512</u>	<u>564</u>
Operating profit/(loss) from Ordinary Activities	158	(2,001)	(1,905)
Share of (losses)/profits of associates	<u>(35,218)</u>	<u>7,445</u>	<u>(4,976)</u>
(Loss)/Profit before taxation	(35,060)	5,444	(6,881)
Taxation	<u>(6,832)</u>	<u>(356)</u>	<u>(395)</u>
(Loss)/Profit after taxation	(41,892)	5,088	(7,276)
Minority interests	<u>(438)</u>	<u>(15)</u>	<u>16</u>
Net (loss)/profit attributable to shareholders	<u>(42,330)</u>	<u>5,073</u>	<u>(7,260)</u>
Dividends	<u>—</u>	<u>35,901</u>	<u>—</u>
(Loss)/Earnings per share (US cent):			
— Basic	<u>(3.5)</u>	<u>0.4</u>	<u>(0.6)</u>
— Diluted	<u>N/A</u>	<u>0.4</u>	<u>N/A</u>

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<i>As at 31 March</i>	2005	2004	2003
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Fixed assets	49	25	59
Interests in associates and jointly controlled entities	43,023	92,392	78,912
Non-current investments in securities	6,491	3,922	4,562
Due from an associate	435	495	662
Current assets	<u>2,232</u>	<u>1,543</u>	<u>3,667</u>
Total assets	<u>52,230</u>	<u>98,377</u>	<u>87,862</u>
Current liabilities	<u>395</u>	<u>1,098</u>	<u>2,670</u>
Total liabilities	<u>395</u>	<u>1,098</u>	<u>2,670</u>
Net assets	<u>51,835</u>	<u>97,279</u>	<u>85,192</u>

The Group has changed certain of its accounting policies following the early adoption of Hong Kong Financial Reporting Standard (“**HKFRS**”) 3 “Business Combinations”, Hong Kong Accounting Standard (“**HKAS**”) 36 “Impairment of Assets” and HKAS 38 “Intangible Assets”. The early adoption of HKFRS 3 resulted in an increase in retained earnings of approximately US\$20.4 million as at 1 April 2004. This was a result of the derecognition of the negative goodwill balance by an associate as at that date.

B. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2005

Set out below are the audited consolidated income statement for the year ended 31 March 2005 and the consolidated balance sheet as at 31 March 2005 together with the notes to the financial statements as extracted from the Company's latest audited financial statements set out in the Company's annual report for the year ended 31 March 2005.

Consolidated Income Statement

For the year ended 31 March 2005

	<i>Note</i>	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
Turnover:	3		
Asset management and corporate finance		627	1,141
Corporate investment income and net realised and unrealised gains and losses on investments		2,798	369
Internet retailing		—	2
Other revenues		<u>177</u>	<u>1,083</u>
		3,602	2,595
Expenses:			
Staff costs	4	(1,975)	(3,073)
Rental and office expenses		(182)	(324)
Information and technology expenses		(188)	(237)
Marketing costs and commissions		(33)	(21)
Professional fees		(470)	(526)
Investment advisory fee		(204)	(124)
Other operating expenses		<u>(392)</u>	<u>(291)</u>
Operating profit/(loss) from ordinary activities	5	158	(2,001)
Share of (losses)/profits of associates		<u>(35,218)</u>	<u>7,445</u>
(Loss)/Profit before taxation		(35,060)	5,444
Taxation	7	<u>(6,832)</u>	<u>(356)</u>
(Loss)/Profit after taxation		(41,892)	5,088
Minority interests		<u>(438)</u>	<u>(15)</u>
Net (loss)/profit attributable to shareholders	8	<u>(42,330)</u>	<u>5,073</u>
Dividends	9	<u>—</u>	<u>35,901</u>
(Loss)/Earnings per share (US cent):	10		
— Basic		<u>(3.5)</u>	<u>0.4</u>
— Diluted		<u>N/A</u>	<u>0.4</u>

Consolidated Balance Sheet*As at 31 March 2005*

	<i>Note</i>	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
Non-current assets:			
Fixed assets	11	49	25
Investments in associates	13	43,023	92,392
Investments in securities	14	6,491	3,922
Due from an associate	15	<u>435</u>	<u>495</u>
		<u>49,998</u>	<u>96,834</u>
Current assets:			
Cash and bank balances	16	1,063	703
Investments in securities	14	121	102
Accounts receivable	17	146	212
Prepayments, deposits and other receivables		<u>902</u>	<u>526</u>
		<u>2,232</u>	<u>1,543</u>
Current liabilities:			
Accounts payable, accruals and other payables	18	<u>(395)</u>	<u>(1,098)</u>
		<u>(395)</u>	<u>(1,098)</u>
Net current assets		<u>1,837</u>	<u>445</u>
Net assets		<u>51,835</u>	<u>97,279</u>
Share capital	19	11,936	11,904
Reserves	20	<u>39,451</u>	<u>85,365</u>
Shareholders' equity		<u>51,387</u>	<u>97,269</u>
Minority interests		<u>448</u>	<u>10</u>
Capital and reserves		<u>51,835</u>	<u>97,279</u>

Consolidated Statement of Changes in Equity*For the year ended 31 March 2005*

	Share capital	Accumulated losses	Share premium	Asset revaluation reserve	Capital redemption reserve	Foreign currency exchange reserve	Total
2005	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 April 2004, as previously reported	11,904	(42,412)	114,309	3,735	1,204	8,529	97,269
Derecognition of negative goodwill by an associate (note 2(a))	—	20,418	—	—	—	—	20,418
At 1 April 2004, as restated	11,904	(21,994)	114,309	3,735	1,204	8,529	117,687
Foreign currency translation adjustment of an associate	—	—	—	—	—	8,431	8,431
Disposal of properties by an associate	—	3,735	—	(3,735)	—	—	—
Exercise of share options	32	—	34	—	—	—	66
Dividend paid	—	—	(32,467)	—	—	—	(32,467)
Loss for the year	—	(42,330)	—	—	—	—	(42,330)
At 31 March 2005	<u>11,936</u>	<u>(60,589)</u>	<u>81,876</u>	<u>—</u>	<u>1,204</u>	<u>16,960</u>	<u>51,387</u>
Representing:							
Company and subsidiaries	11,936	(18,830)	81,876	—	1,204	(1,623)	74,563
Associates	—	(41,759)	—	—	—	18,583	(23,176)
At 31 March 2005	<u>11,936</u>	<u>(60,589)</u>	<u>81,876</u>	<u>—</u>	<u>1,204</u>	<u>16,960</u>	<u>51,387</u>

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	Share capital	Accumulated losses	Share premium	Asset revaluation reserve	Capital redemption reserve	Foreign currency exchange reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2004							
At 1 April 2003	11,869	(44,057)	114,263	3,735	1,204	(1,822)	85,192
Foreign currency translation adjustment	—	—	—	—	—	10,428	10,428
Exercise of warrants	—	—	9	—	—	—	9
Exercise of share options	35	—	37	—	—	—	72
Dividend paid	—	(3,428)	—	—	—	(77)	(3,505)
Profit for the year	—	5,073	—	—	—	—	5,073
At 31 March 2004	<u>11,904</u>	<u>(42,412)</u>	<u>114,309</u>	<u>3,735</u>	<u>1,204</u>	<u>8,529</u>	<u>97,269</u>
Representing:							
Company and subsidiaries	11,904	(18,543)	114,309	—	1,204	(1,623)	107,251
Associates	—	(23,869)	—	3,735	—	10,152	(9,982)
At 31 March 2004	<u>11,904</u>	<u>(42,412)</u>	<u>114,309</u>	<u>3,735</u>	<u>1,204</u>	<u>8,529</u>	<u>97,269</u>

Consolidated Cash Flow Statement*For the year ended 31 March 2005*

	<i>Note</i>	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
Cash flows from operating activities:			
(Loss)/Profit before taxation		(35,060)	5,444
Depreciation		18	39
Bad debts written off		38	9
Interest income		(6)	(5)
Dividend income from investments		(28)	(41)
Share of losses/(profits) of associates		35,218	(7,445)
Net unrealised profit on current other investments and derivatives		(83)	—
Net unrealised profit on non-current other investments		(2,034)	(123)
Net realised profit on disposal of non-current other investments		(307)	(37)
Net realised profit on disposal of current other investments		(332)	(239)
Loss on disposal of fixed assets		10	—
Write-back of provisions for corporate finance expenses		—	(1,270)
Decrease in accounts receivable		28	495
(Increase)/Decrease in prepayments, deposits and other receivables		(283)	144
Decrease in accounts payable, accruals and other payables		<u>(703)</u>	<u>(302)</u>
Cash used in operations		(3,524)	(3,331)
Income tax paid		<u>(7)</u>	<u>—</u>
Net cash outflow from operating activities		<u>(3,531)</u>	<u>(3,331)</u>
Cash flows from investing activities:			
Purchase of non-current other investments		(1,259)	(206)
Purchase of current other investments		(940)	(204)
Proceeds from disposal of current other investments		1,243	508
Proceeds from disposal of non-current other investments		1,064	1,004
Purchase of fixed assets		(52)	(4)
Proceeds from disposal of fixed assets		1	1
Decrease in amount due from an associate		60	167
Interest received		6	5
Dividend received from other investments and associates		<u>36,170</u>	<u>3,975</u>
Net cash inflow from investing activities		<u>36,293</u>	<u>5,246</u>

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	<i>Note</i>	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
Cash flows from financing activities:			
Proceeds from exercise of share options		66	72
Proceeds from exercise of warrants		—	9
Dividend paid		<u>(32,467)</u>	<u>(3,505)</u>
Net cash outflow from financing activities		<u>(32,401)</u>	<u>(3,424)</u>
Net increase/(decrease) in cash and cash equivalents		361	(1,509)
Effects of foreign currency fluctuations		(1)	98
Cash and cash equivalents at the beginning of the year		<u>703</u>	<u>2,114</u>
Cash and cash equivalents at the end of the year	16	<u><u>1,063</u></u>	<u><u>703</u></u>

Company Balance Sheet*As at 31 March 2005*

	<i>Note</i>	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
Non-current assets:			
Investments in subsidiaries	12	2,504	3,005
Investments in associates	13	41,496	62,918
Investments in securities	14	2,273	445
Due from an associate	15	<u>430</u>	<u>490</u>
		<u>46,703</u>	<u>66,858</u>
Current assets:			
Cash and bank balances	16	620	175
Accounts receivable	17	—	33
Due from subsidiaries	12	4,295	12,569
Prepayments, deposits and other receivables		<u>368</u>	<u>74</u>
		<u>5,283</u>	<u>12,851</u>
Current liabilities:			
Accruals and other payables	18	(250)	(948)
Due to subsidiaries	12	<u>(7,294)</u>	<u>(7,201)</u>
		<u>(7,544)</u>	<u>(8,149)</u>
Net current (liabilities)/assets		<u>(2,261)</u>	<u>4,702</u>
Net assets		<u>44,442</u>	<u>71,560</u>
Share capital	19	11,936	11,904
Reserves	20	<u>32,506</u>	<u>59,656</u>
Shareholders' equity		<u>44,442</u>	<u>71,560</u>

**Notes to the Consolidated Financial Statements
for the year ended 31 March 2005****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 P O 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 Frankfurt Stock Exchange.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

a. Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that other investments are valued at fair value, as explained in the accounting policy for investments below.

During the year, the HKICPA issued a number of new Hong Kong Financial Reporting Standards ("HKFRS") and revised Hong Kong Accounting Standards ("HKAS") (together "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has changed certain of its accounting policies following the early adoption of HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets". The early adoption of HKFRS 3 resulted in an increase in retained earnings of approximately US\$20.4 million as at 1 April 2004. This was a result of the derecognition of the negative goodwill balance by an associate as at that date.

Other than the three new HKFRSs mentioned above, the Group has not adopted the other new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of the other new HKFRSs, but is not in a position to state whether these other new HKFRSs would have a significant impact on its results of operations and financial position.

b. Reporting currency

The reporting currency of the Group is United States dollars.

c. Consolidation**(i) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) *Associates*

An associate is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and the Company or the Group has significant influence over its management, including participation in the financial and operating policy decisions.

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

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

The investments in associates are stated in the Company's balance sheet at cost less impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

d. **Fixed assets and depreciation**

Fixed assets comprising furniture and fixtures, computer and other equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

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

e. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

f. Investments in securities

Investments are classified as investment securities and other investments.

- (i) Investment securities are stated in the balance sheet at cost less any provision for impairment loss.

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

This impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

- (ii) Other investments are stated in the balance sheet at fair value. At each balance sheet date, the net unrealised gains or losses arising from changes in fair value are recognised within turnover in the income statement. Fair value for listed securities is quoted market price at the balance sheet date. Fair value for unlisted equity securities is directors' valuation, which may be based on net asset value or cost less provision for impairment loss of investments.

For unlisted open-ended investment companies, mutual funds and unit trusts, fair value is based on the latest reported net asset value of such investments at the balance sheet date as provided by the respective administrators.

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

g. Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals net of any incentives received from the lessors on operating leases are charged to the income statement on a straight-line basis over the lease terms.

h. Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

i. Derivatives

Off-balance sheet financial instruments include derivatives, such as forwards, futures and options contracts, undertaken by the Group in foreign exchange, commodity and equity markets. Transactions undertaken for trading purposes are re-measured to their fair value. Fair values for forwards, futures and options contracts are quoted market prices at the balance sheet date. Unrealised profits on trading derivatives which are marked to market are included in “prepayments, deposits and other receivables”. Unrealised losses on trading derivatives which are marked to market are included in “accounts payable, accruals and other payables”.

j. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

k. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

l. Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

m. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

n. Translation of foreign currencies

The Company maintains its accounting records in United States dollars. Foreign currency transactions are recorded at the 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 rates of exchange ruling at that date. Exchange differences are recognised in the income statement.

The balance sheets of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statements are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

o. Revenue recognition

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

- (i) investment management, advisory and administration fees; 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;
- (ii) profit or loss on disposal of other investments and investment securities is recognised in the income statement on a trade date basis when the relevant transactions are executed;
- (iii) interest is recognised on a time apportioned basis, taking into account the principal amounts outstanding and the interest rates applicable; and
- (iv) dividend income is recognised when the right to receive payment is established.

p. Turnover

Turnover principally includes:

- (i) investment management, performance and administration fees from asset management business;
- (ii) corporate finance and advisory fees and commission income from corporate advisory services; and
- (iii) realised and unrealised profits or losses and dividend income from investments in securities.

q. Employee benefits

(i) *Bonus plans*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(ii) *Pension obligations*

The Group operates a defined contribution plan, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant Group companies.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions depending on the nature of the plans under the scheme.

(iii) *Stock options*

The stock options granted are not recorded as expenses. When the options are exercised, the proceeds received net of amount of transaction costs are credited to share capital (nominal value) and share premium.

r. **Segmental reporting**

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, investments in securities, receivables, prepayments and deposits and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

3. SEGMENTED INFORMATION

Segmented information is presented in respect of the Group's business and geographical segments. Business segmented information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

The Group comprises four business segments as follows:

Asset management	:	management and administration of assets entrusted by the shareholders of various mutual funds, including private equity and Dublin-listed funds
Corporate finance	:	provision of investment advisory services to associates and third parties
Corporate investment	:	investment in corporate entities, both listed and unlisted
Internet retailing	:	sale of customer goods on the Internet

Inter-segment revenues arising from inter-segment transactions are conducted at competitive market prices charged to external customers. Those revenues are eliminated on consolidation.

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FINANCIAL INFORMATION OF THE GROUP

For the year ended 31 March 2005

	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Inter-segment elimination US\$'000	Others US\$'000	Consolidated US\$'000
Revenue from external customers	802	2	2,798	—	—	—	3,602
Inter-segment revenue	1	—	3	—	(4)	—	—
	<u>803</u>	<u>2</u>	<u>2,801</u>	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>3,602</u>
Segment results	(999)	(58)	1,223	(8)	—	—	158
Unallocated operating expenses							—
Profit from operations							158
Share of losses of associates							(35,218)
Taxation							(6,832)
Minority interests							(438)
Net loss attributable to shareholders							<u>(42,330)</u>

	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Others US\$'000	Consolidated US\$'000
Segment assets	558	53	7,178	5	1,413	9,207
Investments in associates	—	—	—	—	43,023	43,023
Total assets	<u>558</u>	<u>53</u>	<u>7,178</u>	<u>5</u>	<u>44,436</u>	<u>52,230</u>
Segment liabilities	<u>85</u>	<u>27</u>	<u>34</u>	<u>6</u>	<u>243</u>	<u>395</u>

	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Consolidated US\$'000
Depreciation and amortisation		18	—	—	18
Capital expenditure incurred		52	—	—	52

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FINANCIAL INFORMATION OF THE GROUP

For the year ended 31 March 2004

	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Inter-segment elimination US\$'000	Others US\$'000	Consolidated US\$'000
Revenue from external customers	1,136	88	1,369	2	—	—	2,595
Inter-segment revenue	2	—	3	—	(5)	—	—
	<u>1,138</u>	<u>88</u>	<u>1,372</u>	<u>2</u>	<u>(5)</u>	<u>—</u>	<u>2,595</u>
Segment results	(1,073)	(239)	(679)	(10)	—	—	(2,001)
Unallocated operating expenses							—
Loss from operations							(2,001)
Share of profits of associates							7,445
Taxation							(356)
Minority interests							(15)
Net profit attributable to shareholders							<u>5,073</u>

	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Others US\$'000	Consolidated US\$'000
Segment assets	904	48	3,752	63	1,218	5,985
Investments in associates	—	—	—	—	92,392	92,392
Total assets	<u>904</u>	<u>48</u>	<u>3,752</u>	<u>63</u>	<u>93,610</u>	<u>98,377</u>
Segment liabilities	<u>96</u>	<u>26</u>	<u>25</u>	<u>4</u>	<u>947</u>	<u>1,098</u>

	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Consolidated US\$'000
Depreciation and amortisation		31	4	—	39
Capital expenditure incurred		4	—	—	4

Geographical segments

The Group's business is managed on a world-wide basis. Asia Pacific is a major market for its asset management business while North America and Western Europe are the major markets for its corporate investments.

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

There are no sales between the geographical segments.

For the year ended 31 March 2005

	North America	Asia Pacific	Australasia	Eastern Europe	Western Europe	Others	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue from external customers	<u>1,480</u>	<u>1,722</u>	<u>—</u>	<u>—</u>	<u>412</u>	<u>(12)</u>	<u>3,602</u>
Segment assets	<u>2,007</u>	<u>7,015</u>	<u>—</u>	<u>—</u>	<u>185</u>	<u>—</u>	<u>9,207</u>
Capital expenditure incurred during the year	<u>—</u>	<u>52</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>52</u>

For the year ended 31 March 2004

	North America	Asia Pacific	Australasia	Eastern Europe	Western Europe	Others	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue from external customers	<u>331</u>	<u>1,898</u>	<u>48</u>	<u>2</u>	<u>312</u>	<u>4</u>	<u>2,595</u>
Segment assets	<u>—</u>	<u>5,905</u>	<u>—</u>	<u>—</u>	<u>80</u>	<u>—</u>	<u>5,985</u>
Capital expenditure incurred during the year	<u>—</u>	<u>4</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4</u>

4. STAFF COSTS

	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
Wages and salaries	1,960	1,786
Discretionary bonuses	—	1,267
Pension costs — defined contribution plans	15	20
	<u>1,975</u>	<u>3,073</u>

The amount includes Directors' remuneration in respect of service in the current year (note 6).

5. OPERATING PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

Operating profit/(loss) from ordinary activities is stated after charging/crediting the following:

	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
After charging:		
Auditors' remuneration	158	130
Bad debts written off	38	9
Depreciation on owned fixed assets	18	39
Loss on disposal of fixed assets	10	—
Operating lease rental on property	117	184
	<u>421</u>	<u>462</u>
After crediting:		
Write-back of provisions for corporate finance expenses	—	1,270
Net realised profit on disposal of current other investments*	332	239
Net realised profit on disposal of non-current other investments*	307	37
Interest income on bank deposits*	6	5
Dividend income from investments*	28	41
Net unrealised profit on current other investments and derivatives*	83	—
Net unrealised profit on non-current other investments*	2,034	123
	<u>2,780</u>	<u>1,715</u>

* *Included in turnover*

6. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' REMUNERATION

Remuneration excludes amounts relating to share options (see note 19 below). There were no benefits in kind paid or payable to the Directors during the year.

	2005 <i>US\$'000</i>	2004 <i>US\$'000</i>
Executive Directors:		
Fees	—	—
Basic salaries and other emoluments	1,405	1,297
Discretionary bonuses		
— in respect of service in the current year	—	392
— in respect of service in the prior years	392	716
Retirement scheme contributions	3	3
	<u>1,800</u>	<u>2,408</u>
Non-Executive Directors:		
Fees	149	85
Basic salaries and other emoluments	50	44
Discretionary bonuses		
— in respect of service in the current year	—	180
— in respect of service in the prior years	198	125
	<u>397</u>	<u>434</u>

Directors' fees disclosed above include US\$50,000 (2004: US\$15,000) paid to independent non-executive Directors.

The remuneration of Directors fell within the following bands:

		Number of Directors	
		2005	2004
HK\$Nil-HK\$500,000	(US\$Nil-US\$64,308)	6	6
HK\$500,001-HK\$1,000,000	(US\$64,309-US\$128,617)	—	1
HK\$1,000,001-HK\$1,500,000	(US\$128,618-US\$192,925)	1	1
HK\$1,500,001-HK\$2,000,000	(US\$192,926-US\$257,234)	1	—
HK\$2,500,001-HK\$3,000,000	(US\$321,544-US\$385,852)	—	1
HK\$4,500,001-HK\$5,000,000	(US\$578,779-US\$643,086)	—	1
HK\$11,500,001-HK\$12,000,000	(US\$1,479,100-US\$1,543,408)	—	1
HK\$12,500,001-HK\$13,000,000	(US\$1,607,717-US\$1,672,025)	1	—
		<u>9</u>	<u>11</u>

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, three (2004: 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 individuals are as follows:

	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
Basic salaries and other emoluments	149	—
Retirement scheme contributions	<u>3</u>	<u>—</u>
	<u>152</u>	<u>—</u>

The above remuneration of the employees fell within the following bands:

		Number of employees	
		2005	2004
HK\$Nil-HK\$500,000	(US\$Nil-US\$64,308)	1	—
HK\$500,001-HK\$1,000,000	(US\$64,309-US\$128,617)	<u>1</u>	<u>—</u>
		<u>2</u>	<u>—</u>

7. TAXATION**Income statement:**

	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
Group:		
Overseas taxation		
— Under-provisions in prior years	7	—
Share of tax of associates	<u>6,825</u>	<u>356</u>
	<u>6,832</u>	<u>356</u>

No provision for Hong Kong or overseas profits tax has been made in these financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the year.

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The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
(Loss)/Profit before share of (losses)/profits of associates and taxation	158	(2,001)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	28	(350)
Income not subject to taxation	(492)	(330)
Expenses not deductible for taxation purposes	387	565
Tax effect of tax losses not recognised	77	115
Underprovision in prior year	<u>7</u>	<u>—</u>
	7	—
Share of tax of associates	<u>6,825</u>	<u>356</u>
	6,832	356
Taxation charge	<u><u>6,832</u></u>	<u><u>356</u></u>

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of US\$4,108,000 (2004: US\$3,666,000) to carry forward against future taxable income. The tax loss has no expiry date.

8. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company amounted to US\$5,283,000 (2004: US\$3,540,000).

9. DIVIDENDS

	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
Special interim, paid, of Nil (2004: 0.295 US cent) per share	—	3,505
Proposed, of Nil (2004: 2.72 US cents) per share	<u>—</u>	<u>32,396</u>
	<u><u>—</u></u>	<u><u>35,901</u></u>

10. (LOSS)/EARNINGS PER SHARE

- a. The calculation of basic (loss)/earnings per share is based on the net loss attributable to shareholders for the year of US\$42,330,000 (2004: net profit of US\$5,073,000) and on the weighted average of 1,192,558,921 (2004: 1,187,858,938) shares of the Company in issue during the year.
- b. No diluted loss per share is presented for the year ended 31 March 2005 as the outstanding share options were anti-dilutive. The diluted earnings per share for the year ended 31 March 2004 was based on the net profit attributable to shareholders for the year of US\$5,073,000 and on 1,189,783,702 shares, which was the sum of the weighted average number of shares in issue during the year of 1,187,858,938 shares plus the weighted average number of 1,924,764 shares deemed to be issued at no consideration if all the Company's outstanding share options had been exercised.

11. FIXED ASSETS**Group:**

	Furniture and fixtures	Computer and other equipment	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost:			
At 1 April 2004	137	391	528
Additions	33	19	52
Disposal	(27)	(71)	(98)
Exchange adjustment	<u>1</u>	<u>—</u>	<u>1</u>
At 31 March 2005	<u><u>144</u></u>	<u><u>339</u></u>	<u><u>483</u></u>
Accumulated depreciation:			
At 1 April 2004	125	378	503
Charge for the year	8	10	18
Disposal	<u>(17)</u>	<u>(70)</u>	<u>(87)</u>
At 31 March 2005	<u><u>116</u></u>	<u><u>318</u></u>	<u><u>434</u></u>
Net book value:			
At 31 March 2005	<u><u>28</u></u>	<u><u>21</u></u>	<u><u>49</u></u>
At 31 March 2004	<u><u>12</u></u>	<u><u>13</u></u>	<u><u>25</u></u>

The Company has no fixed assets.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 US\$'000	2004 US\$'000
Unlisted shares		
At cost	61,830	61,830
Less: Impairment loss	<u>(59,326)</u>	<u>(58,825)</u>
	<u>2,504</u>	<u>3,005</u>

Other balances with subsidiaries are included in current assets and current liabilities. These balances are unsecured, interest free and repayable on demand.

Particulars of the principal subsidiaries at 31 March 2005 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	Cayman Islands	Ordinary share of US\$1	—	100%	Investment holding
AstroEast.com (Hong Kong) Limited	Hong Kong	Ordinary shares of HK\$20	—	51%	Internet services
AstroEast.com Limited	Cayman Islands	Ordinary shares of US\$280,222	—	51%	Investment holding
Capital Nominees Limited	British Virgin Islands	Ordinary share of US\$1	—	100%	Corporate finance and structuring
Cycletek Investments Limited	British Virgin Islands	Ordinary shares of US\$490,261	—	91.7%	Investment holding
Interman Holdings Limited	British Virgin Islands	Ordinary shares of US\$41,500	100%	—	Investment holding
Interman Limited	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding
Regent Fund Management (Asia) Limited (formerly iRegent Fund Management (Asia) Limited)	Cayman Islands	Ordinary shares of US\$100	100%	—	Asset management
Regent Corporate Finance Limited	Cayman Islands	Ordinary shares of US\$2	100%	—	Corporate finance
Regent Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK\$5 million	100%	—	Provision of management services
RPG (Bahamas) Limited	Bahamas	Ordinary shares of US\$134,220	100%	—	Investment holding
Regent Financial Services Limited	Hong Kong	Ordinary shares of HK\$5 million	—	100%	Marketing of unit trusts, investment holding and advisory services
Regent Fund Management Limited	Cayman Islands	Ordinary shares of US\$150,000	—	100%	Asset management

13. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Unlisted shares				
At cost	—	—	92,061	92,061
Less: Impairment loss	—	—	(50,565)	(29,143)
	—	—	41,496	62,918
Share of net assets:				
— Unlisted	43,023	92,392	—	—
	<u>43,023</u>	<u>92,392</u>	<u>41,496</u>	<u>62,918</u>

Particulars of the principal associates at 31 March 2005 are as follows:

Name of associate	Place of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Eclipse Investment Holdings Limited*	British Virgin Islands	Ordinary shares of HK\$7.8 million	—	38.5%	Travel agency
Regent Markets Holdings Limited*	British Virgin Islands	Ordinary shares of US\$20,000	49.9%	—	Online betting
Bridge Investment Holding Limited (“BIH”)	Cayman Islands	Ordinary shares of US\$4,481,268	40.2%	—	Investment holding

Eclipse Investment Holdings Limited principally operates in Hong Kong. Regent Markets Holdings Limited has its principal centre of operation in Malta. BIH’s principal operating subsidiary, Bridge Securities Co., Ltd (“BSC”), operates in Korea.

* The financial statements of these associates for the year ended 31 March 2005 were not audited by PricewaterhouseCoopers. The aggregate net assets of the associates not audited by PricewaterhouseCoopers amounted to approximately 3% of the Group’s net assets.

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As the value of the Group's holding in BIH (collectively with its subsidiaries, the "BIH Group") is significant to the Group, further details regarding the results of BIH for the year ended 31 March 2005 and balance sheet as at 31 March 2005 are disclosed as follows:

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

	Continuing Operations		Discontinuing Operations*		Total	
	2005	2004	2005	2004	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenues	<u>253</u>	<u>2,865</u>	<u>56,575</u>	<u>91,995</u>	<u>56,828</u>	<u>94,860</u>
(Loss)/Profit from operations	(8,868)	5,329	(83,300)#	19,788	(92,168)	25,117
Interest expense	(2)	(327)	(2,546)	(3,660)	(2,548)	(3,987)
Share of loss of an associate	<u>—</u>	<u>—</u>	<u>(458)</u>	<u>(308)</u>	<u>(458)</u>	<u>(308)</u>
(Loss)/Profit before taxation	(8,870)	5,002	(86,304)	15,820	(95,174)	20,822
Taxation	(16,386)	—	(316)	(887)	(16,702)	(887)
Minority interest	<u>—</u>	<u>—</u>	<u>5,792</u>	<u>(3,330)</u>	<u>5,792</u>	<u>(3,330)</u>
Net (loss)/profit for the year	<u>(25,256)</u>	<u>5,002</u>	<u>(80,828)</u>	<u>11,603</u>	<u>(106,084)</u>	<u>16,605</u>

Balance Sheet information (as adjusted to the Group's accounting policies):

	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
Fixed assets*	2,366	69,115
Investment in an associate	—	443
Investments*	18,091	46,693
Negative goodwill (<i>note</i>)	—	(50,828)
Other non-current assets*	<u>7,406</u>	<u>35,005</u>
Total non-current assets	27,863	100,428
Current assets	222,794	326,157
Current liabilities	(98,393)	(127,118)
Non-current liabilities	<u>(417)</u>	<u>(596)</u>
Net assets	<u>151,847</u>	<u>298,871</u>
Share capital	4,481	4,481
Reserves	<u>98,815</u>	<u>222,706</u>
Shareholders' equity	103,296	227,187
Minority interest	<u>48,551</u>	<u>71,684</u>
Capital and reserves	<u>151,847</u>	<u>298,871</u>

Note: Negative goodwill of US\$50,828,000 as at 1 April 2004 was derecognised with a corresponding adjustment to retained earnings as a result of BIH's adoption of International Financial Reporting Standard 3 "Business Combinations".

* On 23 June 2005, the BSC directors approved a KRW 100 billion (or US\$98.5 million) mandatory capital reduction (the "Mandatory Capital Reduction") (note 25(b)). On 13 July 2005, certain BIH subsidiaries (the "BIH Subsidiaries"), among others, entered into a share sale option agreement (the "Share Sale Option Agreement") with a third party to dispose of its investment in BSC (the "Share Sale") (note 25(b)). As a result, BSC's results were classified as discontinuing operation of the BIH Group.

The total proceeds from the Mandatory Capital Reduction and the Share Sale attributable to BIH are approximately KRW 108.1 billion (or US\$106.5 million). An impairment loss of US\$62,985,000 is recognised in BIH's financial statements as such consideration is less than the carrying amount of the investment in BSC. The impairment loss is allocated to reduce the carrying amount of the assets of BSC as follows:

	2005
	<i>US\$'000</i>
Property and equipment	6,964
Non-current investments	34,210
Non-current other receivables and deposits	<u>21,811</u>
	<u><u>62,985</u></u>

The impairment loss of US\$62,985,000 is included in the loss from operations of BSC as discontinuing operations.

As at 31 March 2004, BIH was involved in litigation with BIH's former executive directors, Peter Everington and Romi Williamson (together the "Claimants"). On 20 January 2005, the Claimants and BIH signed a settlement agreement as full and final settlement of their claim.

14. INVESTMENTS IN SECURITIES

The Group's and the Company's investments can be analysed as follows:

Non-current investments:

	Group		Company	
	2005	2004	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Investment securities, at cost:				
Club debentures	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
Other investments, at fair value:				
Listed equity securities				
— in Hong Kong	1,704	365	1,704	365
— outside Hong Kong (<i>note a</i>)	2,218	306	550	—
Unlisted equity securities (<i>note b</i>)	<u>2,550</u>	<u>3,232</u>	<u>—</u>	<u>61</u>
	<u>6,472</u>	<u>3,903</u>	<u>2,254</u>	<u>426</u>
	<u><u>6,491</u></u>	<u><u>3,922</u></u>	<u><u>2,273</u></u>	<u><u>445</u></u>

Current investments:

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Other investments, at fair value:				
Listed equity securities — outside Hong Kong	113	—	—	—
Unlisted equity securities	<u>8</u>	<u>102</u>	<u>—</u>	<u>—</u>
	<u>121</u>	<u>102</u>	<u>—</u>	<u>—</u>

All the above other investments are in corporate entities.

Notes:

- a. As at 31 March 2005, the Group held shares in BSC amounting to US\$359,000 (2004: US\$224,000). Such shares are subject to sale in the Share Sale Option Agreement entered into with a third party subsequent to the year end (note 25(b)).
- b. Included in the Group's unlisted equity securities was a close-ended fund amounting to US\$2.4 million (2004: US\$3.1 million) managed by Regent Fund Management (Asia) Limited (formerly iRegent Fund Management (Asia) Limited), a wholly-owned subsidiary of the Company.

15. DUE FROM AN ASSOCIATE

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Bridge Investment Holding Limited				
— Advance	<u>435</u>	<u>495</u>	<u>430</u>	<u>490</u>

The amount was unsecured, interest-free and not repayable within twelve months.

16. CASH AND BANK BALANCES

Cash and bank balances of the Group and the Company are analysed as follows:

	Group		Company	
	2005	2004	2005	2004
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances with banks	377	431	49	40
Money at call and short notice	<u>686</u>	<u>272</u>	<u>571</u>	<u>135</u>
Total cash and bank balances	<u>1,063</u>	<u>703</u>	<u>620</u>	<u>175</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The Group's subsidiary maintains clients' trust accounts with banks as part of its normal business transactions. At 31 March 2005, included in the Group's cash and balances with banks were clients' trust accounts of US\$28,000 (2004: US\$28,000).

17. ACCOUNTS RECEIVABLE

	Group		Company	
	2005	2004	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
1 to 3 months old	123	151	—	—
More than 3 months old but less than 12 months old	<u>23</u>	<u>61</u>	<u>—</u>	<u>33</u>
Total accounts receivable	<u>146</u>	<u>212</u>	<u>—</u>	<u>33</u>

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.

18. ACCOUNTS PAYABLE, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Due within 1 month or on demand	2	36	—	—
Due after 3 months but within 6 months	—	40	—	—
More than 6 months	<u>87</u>	<u>18</u>	<u>—</u>	<u>—</u>
Total accounts payable	89	94	—	—
Accruals and other payables	<u>306</u>	<u>1,004</u>	<u>250</u>	<u>948</u>
Total accounts payable, accruals and other payables	<u>395</u>	<u>1,098</u>	<u>250</u>	<u>948</u>

As at 31 March 2004, an amount of US\$640,000 included in accruals and other payables represented a provision for bonuses for the Group and the Company.

Included in accounts payables were those clients' payables placed in clients' trust accounts amounted to US\$28,000 as at 31 March 2005 (2004: US\$28,000).

19. SHARE CAPITAL

	Company	
	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of US\$0.01 each	20,000	20,000
550,000,000 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	<u>5,500</u>	<u>5,500</u>
	<u>25,500</u>	<u>25,500</u>
Issued and fully paid:		
1,106,900,089 (31 March 2004: 1,103,720,089) ordinary shares of US\$0.01 each	11,069	11,037
86,728,147 non-voting convertible deferred shares of US\$0.01 each	<u>867</u>	<u>867</u>
	<u>11,936</u>	<u>11,904</u>

During the year, an aggregate of 3,180,000 new ordinary shares were issued and allotted for a total consideration of HK\$508,800 (approximately US\$65,230), being HK\$0.16 per share, upon exercise of options under the Employee Share Option Scheme of the Company.

No additional ordinary shares were issued and allotted subsequent to the year end date or prior to the date of this report.

Rights of the Deferred Shares

The non-voting convertible deferred shares of US\$0.01 each in the capital of the Company (the “**Deferred Share(s)**”) shall rank for dividends pari passu to ordinary shares of the Company from time to time in issue. Each Deferred Share shall confer on the holder thereof pari passu rights to ordinary shares on a winding up or other return of capital.

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.

No application was made for the listing of the Deferred Shares on The Stock of Exchange of Hong Kong Limited (the “**HK Stock Exchange**”). However, application has been made to the HK Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Holders of the Deferred Shares are entitled to receive notices of the general meetings of the Company but not to attend and vote thereat. The Deferred Shares are transferable with the prior written consent of the Directors of the Company and with prior notice to the HK Stock Exchange.

During the year ended 31 March 2005, no Deferred Shares were converted into ordinary shares (2004: Nil). No Deferred Shares were converted into ordinary shares subsequent to the year end date or prior to the date of this report.

Share optionsa. *Share Option Scheme (2002)*

A new share option scheme, named “Share Option Scheme (2002)” (the “**Share Option Scheme (2002)**”), was adopted with shareholders’ approval at the Company’s annual general meeting held on 15 November 2002. The scheme shall continue in force until the tenth anniversary of its commencement date, which will be 15 November 2012.

As at 1 April 2004, no options were outstanding under the Share Option Scheme (2002) (1 April 2003: Nil). During the year, options in respect of an aggregate of 21,400,000 ordinary shares in the Company were granted on 9 September 2004, entitling the holders to subscribe, in stages, for one-third of the number of shares subject to the option at each of the first, second and third anniversary dates after the date of grant at the exercise price of HK\$0.266 per share (2004: Nil). Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of grant. All entitlements of the option then remain unexercised will lapse.

During the year, none of the outstanding options were vested (2004: Nil) or cancelled (2004: Nil). An option in respect of 800,000 shares lapsed upon the resignation of a full-time employee of the Group (2004: Nil). Accordingly, as at 31 March 2005 and the date of this report, there were/are outstanding options entitling the holders to subscribe, in stages, for an aggregate of 20,600,000 ordinary shares at the exercise price of HK\$0.266 per share (31 March 2004: Nil), representing 1.86% (31 March 2004: Nil) of the Company’s then issued voting share capital and 1.83% (31 March 2004: Nil) of the enlarged voting share capital. All such outstanding options are not vested (31 March 2004: Nil). Exercise in full of the outstanding options would result in the issue of 20,600,000 additional ordinary shares for aggregate proceeds, before expenses, of HK\$5,479,600 (approximately US\$702,510).

Details of the Share Option Scheme (2002) and particulars of the options held under the scheme during the year by various participants are set out under the section headed “Share Capital and Share Options” in the Report of the Directors of this annual report.

b. *Employee Share Option Scheme*

Following the adoption of the Share Option Scheme (2002) referred to in paragraph (a) above, the Company’s employee share option scheme (the “**Employee Share Option Scheme**”), which was approved by the shareholders on 24 July 1996 (and was deemed to have commenced on 15 July 1994), as amended on 27 May 1998, was terminated. However, its provisions remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under such scheme prior to the date of such termination. Therefore, no new options were granted under the Employee Share Option Scheme during the year or prior to the date of this report.

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

As at 1 April 2004, under the Employee Share Option Scheme there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 6,063,333 (1 April 2003: 13,600,000) ordinary shares in the Company at exercise prices ranging from HK\$0.16 to HK\$1.40 per share, amongst which options in respect of 4,180,002 shares or 68.94% (1 April 2003: 6,466,662 shares or 47.55%) were vested. During the year, no options were granted (2004: Nil) or cancelled (2004: Nil). Vested options in respect of an aggregate of 3,180,000 shares were exercised at HK\$0.16 per share (2004: options in respect of 3,520,001 shares). Unvested and

expired options in respect of an aggregate of 2,683,333 shares (2004: options in respect of 4,016,666 shares) lapsed. Accordingly, as at 31 March 2005 and the date of this report, there was/is an outstanding and vested option entitling its holder to subscribe for 200,000 ordinary shares (31 March 2004: 6,063,333 shares) at the exercise price of HK\$1.06 per share, representing 0.02% (31 March 2004: 0.55%) of the Company's then issued voting share capital and 0.02% (31 March 2004: 0.55%) of the enlarged voting share capital. Exercise in full of the outstanding option would result in the issue of 200,000 additional ordinary shares for aggregate proceeds, before expenses, of approximately HK\$212,000 (approximately US\$27,180).

Details of the Employee Share Option Scheme and particulars of the options held under the scheme during the year by various participants are set out under the section headed "Share Capital and Share Options" in the Report of the Directors of this annual report.

20. RESERVES

	Accumulated losses <i>US\$'000</i>	Share premium <i>US\$'000</i>	Asset revaluation reserve <i>US\$'000</i>	Capital redemption reserve <i>US\$'000</i>	Foreign currency exchange reserve <i>US\$'000</i>	Total <i>US\$'000</i>
Group						
At 1 April 2003	(44,057)	114,263	3,735	1,204	(1,822)	73,323
Foreign currency translation adjustment	—	—	—	—	10,428	10,428
Exercise of warrants	—	9	—	—	—	9
Exercise of share options	—	37	—	—	—	37
Dividend paid	(3,428)	—	—	—	(77)	(3,505)
Profit for the year	<u>5,073</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,073</u>
At 31 March 2004, as previously reported	(42,412)	114,309	3,735	1,204	8,529	85,365
Derecognition of negative goodwill by an associate (note 2(a))	<u>20,418</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,418</u>
At 31 March 2004, as restated	(21,994)	114,309	3,735	1,204	8,529	105,783
Foreign currency translation adjustment of an associate	—	—	—	—	8,431	8,431
Disposal of properties by an associate	3,735	—	(3,735)	—	—	—
Exercise of share options	—	34	—	—	—	34
Dividend paid	—	(32,467)	—	—	—	(32,467)
Loss for the year	<u>(42,330)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(42,330)</u>
At 31 March 2005	<u>(60,589)</u>	<u>81,876</u>	<u>—</u>	<u>1,204</u>	<u>16,960</u>	<u>39,451</u>

Company	Accumulated losses <i>US\$'000</i>	Share premium <i>US\$'000</i>	Capital redemption reserve <i>US\$'000</i>	Foreign currency exchange reserve <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 April 2003	(58,236)	116,528	1,204	79	59,575
Profit for the year (<i>note 8 above</i>)	3,540	—	—	—	3,540
Exercise of warrants	—	9	—	—	9
Exercise of share options	—	37	—	—	37
Dividend paid	<u>(3,428)</u>	<u>—</u>	<u>—</u>	<u>(77)</u>	<u>(3,505)</u>
At 31 March 2004	(58,124)	116,574	1,204	2	59,656
Profit for the year (<i>note 8 above</i>)	5,283	—	—	—	5,283
Exercise of share options	—	34	—	—	34
Dividend paid	<u>—</u>	<u>(32,467)</u>	<u>—</u>	<u>—</u>	<u>(32,467)</u>
At 31 March 2005	<u>(52,841)</u>	<u>84,141</u>	<u>1,204</u>	<u>2</u>	<u>32,506</u>

21. EMPLOYEE BENEFITS

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 scheme prior to vesting fully in the contributions. During the year, there were forfeited contributions of US\$1,000 (2004: US\$16,000) and the Group’s contribution was US\$15,000 (2004: US\$20,000).

22. OFF BALANCE SHEET EXPOSURES

Derivatives

At 31 March 2005, there were outstanding forwards and futures contracts with notional amounts of approximately US\$1,734,000 (2004: US\$1,811,000) and US\$462,000 (2004: US\$421,000) respectively undertaken by the Group in the foreign exchange and equity markets.

A realised profit of US\$86,000 (2004: US\$38,000) and a realised loss of US\$47,000 (2004: US\$89,000) were made from forwards and futures trading respectively during the year. An unrealised profit of US\$55,000 (2004: loss of US\$16,000) and US\$17,000 (2004: loss of US\$4,000) were recorded from forwards and futures trading respectively as at the balance sheet date.

In the course of the Group's normal trading in derivatives, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2005, the amount of these margin deposits amounting to US\$275,000 (2004: US\$185,000) was included in the "prepayments, deposits and other receivables".

Lease commitments

Group

	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
At 31 March 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
— within 1 year	97	112
— in the 2nd to 5th year, inclusive	<u>102</u>	<u>186</u>
	<u>199</u>	<u>298</u>
Plant and equipment:		
— within 1 year	<u>—</u>	<u>2</u>
	<u>—</u>	<u>2</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

Company

The Company has no lease commitments.

Capital commitments

The Group and the Company have no capital commitments at 31 March 2005.

23. MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of material related party contracts or transactions of the Group during the year. All such transactions were entered into in the ordinary course of business of the Group.

For the purposes 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.

- (1) A shareholders' agreement dated 15 May 2002 (the "**KOL Shareholders' Agreement**") was entered into between (a) the Company and (b) The State of Wisconsin Investment Board ("**SWIB**") relating to BIH, (then known as KoreaOnline Limited), a 40.2% owned associate of the Company. The KOL Shareholders' Agreement superseded the share transfer agreement dated 15 October 1999.

On 1 May 2003, (i) the Company; (ii) SWIB; and (iii) BIH entered into a new shareholders' agreement regarding the shareholdings of SWIB and the Company in BIH (the "**BIH Shareholders' Agreement**"). Amongst other things, the Company, SWIB and BIH agreed in the BIH Shareholders' Agreement to explore ways in which to realise the investment of the Company and SWIB in BIH in the most effective and profitable manner. The BIH Shareholders' Agreement superseded the KOL Shareholders' Agreement.

SWIB currently holds a 7.46% interest in the total issued voting share capital of the Company and a 26.8% interest in the total issued share capital of BIH.

- (2) On 24 March 2003, an operational support agreement was entered into between (a) Regent Financial Services Limited, an indirectly wholly-owned subsidiary of the Company, as service provider and (b) BIH relating to the provision of a range of accounting and other related services by Regent Financial Services Limited to BIH at fixed monthly fee of US\$2,000, which was increased to US\$5,000 with effect from 1 March 2004 pursuant to a side letter dated 1 March 2004.

An aggregate of US\$60,000 was received during the year ended 31 March 2005 and US\$15,000 was received subsequent to the year end date and prior to the date of this annual report.

- (3) On 4 March 2005, the Company as lender and each of (a) KoreaOnline (Labuan) Limited; (b) RPG (L) Ltd; and (c) SWKOL (Labuan) Limited, all being wholly-owned subsidiaries of BIH, as borrower, entered into a loan agreement where the Company agreed to offer each of the borrower an interest-bearing unsecured loan facility of US\$100,000. Interest on the amount outstanding from time to time under the facilities would accrue at one month US dollar LIBOR, plus 2%.

An amount of US\$300,000 was drawn on 10 March 2005, which was repaid in full on 17 March 2005.

24. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified in the tax reconciliation (note 7) and the results of BIH shown in the investments in associates (note 13) for presentation purpose.

25. POST BALANCE SHEET EVENTS

- (a) On 14 February 2005, the BIH Subsidiaries, RPCA (L) Limited ("**RPCA**", a wholly-owned subsidiary of the Company, SWIB and Leading Investment and Securities Co., Ltd ("**Leading**") entered into an acquisition agreement (the "**Acquisition Agreement**") in relation to the acquisition by Leading of, in aggregate, 62,341,329 common shares of BSC at a cash consideration of KRW 131 billion (or US\$129 million). On 31 March 2005, BSC and Leading entered into a merger agreement (the "**Merger Agreement**"). The completion of the Acquisition Agreement and the Merger Agreement was conditional upon the granting of approval of the Financial Supervisory Commission of Korea (the "**FSC**").

On 24 May 2005, BSC's external auditor issued a disclaimer opinion in respect of BSC's financial statements prepared under financial accounting standards generally accepted in the Republic of Korea for the year ended 31 March 2005 due to the uncertainty over whether BSC would remain as a going concern for the year ending 31 March 2006. This uncertainty arose as a result of a shareholders' proposal by the BIH Subsidiaries for the voluntary dissolution of BSC and the uncertainty over whether the FSC would approve the merger with Leading. Accordingly, the Korea Exchange suspended the trading of BSC's shares with effect from 25 May 2005. The Directors were informed by BIH on 27 May 2005 that the FSC did not approve the proposed merger between BSC and Leading at its meeting on 27 May 2005.

- (b) On 24 June 2005, a call option agreement (the “**Call Option Agreement**”) was entered into amongst the BIH Subsidiaries, RPCA and SWIB (collectively the “**Sellers**”) and Golden Bridge Co., Ltd (the “**Purchaser**”), pursuant to which the Sellers have agreed to grant a call option over the 62,341,329 shares currently held by the Sellers in BSC to the Purchaser at an initial consideration of KRW 3.81 billion (or US\$3.8 million) in cash (the “**Initial Consideration**”) which has been paid by the Purchaser to the Sellers on 29 June 2005. The BIH Subsidiaries and RPCA have received KRW 3.4 billion (or US\$3.4 million) and KRW 0.02 billion (or US\$0.02 million) respectively from the Initial Consideration.

The Share Sale Option Agreement relating to the sale of 62,341,329 BSC shares (the “**Sale Shares**”) was entered into on 13 July 2005 amongst BIH, the BIH Subsidiaries, the Purchaser and others, which replaced the Call Option Agreement. Pursuant to the Share Sale Option Agreement, BIH, among others, has agreed to sell to the Purchaser its BSC shares (such shares will be reduced by 41.2231177%, representing the number of shares purchased by BSC pursuant to the Mandatory Capital Reduction), at a total consideration of KRW 33.98 billion (or US\$33.46 million).

On 23 June 2005, the BSC directors approved a KRW 100 billion (or US\$98.5 million) Mandatory Capital Reduction, pursuant to which BSC’s shares will be repurchased by BSC mandatorily at KRW 3,380 (or US\$3.3) per share. BSC extraordinary general meeting has been convened to be held on 4 August 2005, at which a resolution will be proposed to shareholders to consider and, if though fit, approve the Mandatory Capital Reduction. As part of the Mandatory Capital Reduction, creditors of BSC are allowed to present their objection, if any, before 5 September 2005. Assuming that no creditors object, BSC will mandatorily purchase 41.2231177% of each shareholder’s interest in BSC on or around 20 September 2005. Accordingly, BSC will buy back 23,003,379 shares from the BIH Subsidiaries for cash at KRW 3,380 (or US\$3.3) per share thus raising approximately KRW 77.75 billion (or US\$76.6 million), before applicable taxes, for the BIH Subsidiaries. The BIH Subsidiaries will receive approximately US\$73.36 million, net of estimated Korean taxes.

The completion of the sale and purchase of the Sale Shares under the Share Sale Option Agreement is subject to a number of conditions, including the completion of the Mandatory Capital Reduction.

The total proceeds to be received by RPCA directly from BSC in respect of the Mandatory Capital Reduction and the sale of the Sale Shares, net of estimated Korean taxes, will amount to US\$600,000.

- (c) On 23 June 2005, the Company entered into a cooperation agreement with RMHL, the RMHL Shareholder and the beneficial owner of the share interests held by the RMHL Shareholder for the conditional acquisition of all the issued share capital in RMHL currently held by the RMHL Shareholder for a total consideration of US\$4.805 million in instalments, such consideration comprising US\$3.5 million by way of cash, and the remaining US\$1.305 million by way of the issue by the Company of 158,128,584 ordinary restricted shares. Subsequent to the year end date and prior to the date of this annual report, the Company has already paid in aggregate US\$3.5 million for an 80 per cent interest of the total issued share capital of RMHL.
- (d) During May and June 2005, four assessment notices were received by BIH from the National Tax Service of Korea in respect of the withholding tax in the amount of KRW 6 billion (or US\$5.9 million) payable by the BIH Group on the deemed dividends received from BSC in the years of assessment of 2000, 2003 and 2004. BIH has already made a provision for such withholding tax in its books at 31 March 2005.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21 July 2005.

C. UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

Set out below are the unaudited consolidated income statement for the period ended 30 September 2005 and the consolidated balance sheet as at 30 September 2005 together with the notes to the financial statements as extracted from the Company's latest published interim financial statements set out in the Company's interim report for the period ended 30 September 2005.

Condensed Consolidated Income Statement

For the six months ended 30 September 2005

		(Unaudited)	
		For the six months ended	
		30 September	
		2005	2004
	<i>Note</i>	<i>US\$'000</i>	Restated
		<i>US\$'000</i>	<i>US\$'000</i>
Turnover:			
Asset management and corporate finance	3	244	324
Corporate investment income and net realised and unrealised gains and losses on investments and derivatives		2,453	166
Internet retailing		—	—
Other income		20	29
		<u>2,717</u>	<u>519</u>
Expenses:			
Staff costs		(3,725)	(1,162)
Rental and office expenses		(85)	(94)
Information and technology expenses		(84)	(108)
Marketing costs and commissions		(49)	(17)
Professional fees		(335)	(211)
Investment advisory fee		(109)	(104)
Other operating expenses		(188)	(106)
		<u>(4,875)</u>	<u>(2,802)</u>
Operating loss from ordinary activities	4	(1,858)	(1,283)
Share of profits/(losses) of associates		13,175	(12,973)
		<u>11,317</u>	<u>(14,256)</u>
Profit/(Loss) before taxation		11,317	(14,256)
Taxation	5	—	—
		<u>11,317</u>	<u>(14,256)</u>
Profit/(Loss) for the period		<u><u>11,317</u></u>	<u><u>(14,256)</u></u>

		(Unaudited)	
		For the six months ended	
		30 September	
		2005	2004
		US\$'000	Restated
		US\$'000	US\$'000
		<i>Note</i>	
Attributable to:			
Equity holders of the Company		11,456	(14,256)
Minority interests		<u>(139)</u>	<u>—</u>
		<u>11,317</u>	<u>(14,256)</u>
Dividend	6	<u>33,872</u>	<u>—</u>
Earnings/(Loss) per share (US cent)	7		
— Basic		<u>0.96</u>	<u>(1.20)</u>
— Diluted		<u>0.96</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet*As at 30 September 2005*

		(Unaudited) As at 30 September 2005 <i>US\$'000</i>	(Audited) As at 31 March 2005 <i>US\$'000</i>
	<i>Note</i>		
Non-current assets:			
Fixed assets		43	49
Investments in associates		39,425	43,023
Financial assets at fair value through profit and loss	8	3,955	—
Investment in securities	9	—	6,491
Due from an associate		—	435
		<u>43,423</u>	<u>49,998</u>
Current assets:			
Cash and bank balances	10	1,273	1,063
Investment in securities	9	—	121
Derivative financial instruments	14	52	—
Trade receivable	11	125	146
Prepayments, deposits and other receivables		4,708	902
Due from an associate		7	—
		<u>6,165</u>	<u>2,232</u>
Current liabilities:			
Trade payable, accruals and other payables	12	<u>(3,186)</u>	<u>(395)</u>
Net current assets		<u>2,979</u>	<u>1,837</u>
Net assets		<u><u>46,402</u></u>	<u><u>51,835</u></u>
Share capital	13	11,939	11,936
Reserves		<u>34,154</u>	<u>39,451</u>
Shareholders' equity		<u>46,093</u>	<u>51,387</u>
Minority interests		<u>309</u>	<u>448</u>
Capital and reserves		<u><u>46,402</u></u>	<u><u>51,835</u></u>

Condensed Consolidated Cash Flow Statement*For the six months ended 30 September 2005*

	(Unaudited)	
	For the six months ended	
	30 September	
	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash used in operating activities	(5,360)	(1,894)
Net cash from investing activities	5,559	36,212
Net cash from/(used in) financing activities	<u>11</u>	<u>(32,401)</u>
Net increase in cash and cash equivalents	210	1,917
Cash and cash equivalents at the beginning of the period	1,063	703
Effects of currency fluctuations	<u>—</u>	<u>140</u>
Cash and cash equivalents at the end of the period	<u><u>1,273</u></u>	<u><u>2,760</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u><u>1,273</u></u>	<u><u>2,760</u></u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2005

	(Unaudited)						
	Share capital	Accumulated losses	Share premium	Employee share base payment reserve	Capital redemption reserve	Foreign currency exchange reserve	Total
2005	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 April 2005	11,936	(60,589)	81,876	—	1,204	16,960	51,387
Foreign currency translation adjustment	—	—	—	—	—	(16,772)	(16,772)
Exercise of share options	3	—	8	—	—	—	11
Profit for the period	—	11,456	—	—	—	—	11,456
Employee share option benefits	—	—	—	11	—	—	11
At 30 September 2005	<u>11,939</u>	<u>(49,133)</u>	<u>81,884</u>	<u>11</u>	<u>1,204</u>	<u>188</u>	<u>46,093</u>

	(Unaudited)						
	Share capital	Accumulated losses	Share premium	Asset revaluation reserve	Capital redemption reserve	Foreign currency exchange reserve	Total
2004	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 April 2004, as previously reported	11,904	(42,412)	114,309	3,735	1,204	8,529	97,269
Derecognition of negative goodwill	—	20,418	—	—	—	—	20,418
At 1 April 2004, as restated	11,904	(21,994)	114,309	3,735	1,204	8,529	117,687
Foreign currency translation adjustment	—	—	—	—	—	(715)	(715)
Disposal of property	—	3,735	—	(3,735)	—	—	—
Exercise of share options	32	—	34	—	—	—	66
Dividend	—	—	(32,467)	—	—	—	(32,467)
Loss for the period	—	(14,256)	—	—	—	—	(14,256)
At 30 September 2004	<u>11,936</u>	<u>(32,515)</u>	<u>81,876</u>	<u>—</u>	<u>1,204</u>	<u>7,814</u>	<u>70,315</u>

Notes to Condensed Interim Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with the requirements of The Rules Governing the Listing of Securities (the “**HK Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**HK Stock Exchange**”) and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed interim financial statements should be read in conjunction with the Company’s financial statements for the year ended 31 March 2005.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“**new HKFRS**”) which are effective for accounting periods commencing on or after 1 January 2005.

The interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective or issued and early adopted as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The change to the Group’s accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

(A) Effect of adopting new HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Event after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets

HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment

In 2004, the Group early adopted the new/revised standards of HKFRS below.

HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 24, 27, 28, 32, 33, 34, 36, 37, 38, 39, HKFRS 2 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
- HKASs 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 24, 27, 28, 33, 34 and 37 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.
- The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of trading activities.
- The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 April 2005, the Group expenses the cost of share options in the income statement. The adoption of the new accounting policy does not have material impact on the financial statements of the Group.
- The Group had changed certain of its accounting policies following the early adoption of HKFRS 3, HKASs 36 and 38 as at 1 April 2004. The early adoption of HKFRS 3 resulted in an increase in retained earnings of approximately US\$20.4 million as at 1 April 2004. This was a result of the derecognition of the negative goodwill balance by an associate as at that date.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 16 — the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 — prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with the standard on a retrospective basis. The Group applied the previous Statement of

Standard Accounting Practice (“SSAP”) 24 “Accounting for investments in securities” to investments in securities for the 2004 comparative information. The adoption of the new standard does not have any material impact on the retained earnings of the Group at 1 April 2005 since the other investments were stated at fair value at 31 March 2005;

- HKFRS 2 — only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 April 2005; and
- HKFRS 3 — prospectively after the adoption date.

(B) New accounting policies

The accounting policies used for the condensed consolidated financial statements for the six months ended 30 September 2005 are the same as those set out in note 2 to the 2005 annual financial statements except for the following:

2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in US dollars, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.2 Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.3 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.4 Investments

From 1 April 2004 to 31 March 2005:

Investments are classified as investment securities and other investments.

- (a) Investment securities are stated in the balance sheet at cost less any provision for impairment loss.

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

This impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

- (b) Other investments are stated in the balance sheet at fair value. At each balance sheet date, the net unrealised gains or losses arising from changes in fair value are recognised within turnover in the income statement. Fair value for listed securities is quoted market price at the balance sheet date. Fair value for unlisted equity securities is directors' valuation, which may be based on net asset value or cost less provision for impairment loss of investments.

For unlisted open-ended investment companies, mutual funds and unit trusts, fair value is based on the latest reported net asset value of such investments at the balance sheet date as provided by the respective administrators.

- (c) Profits or losses on disposal of other investments are accounted for within turnover in the income statement as they arise.

From 1 April 2005 onwards:

The Group classifies its investments in the following categories: (a) financial assets at fair value through profit and loss, (b) loans and receivables, (c) held-to-maturity investments, and (d) available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluation this designation at every reporting date.

(a) *Financial assets at fair value through profit and loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Otherwise, they are classified as non-current assets.

(b) *Loan and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 2.5).

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period, the Group did not hold any investments in this category.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

As at 30 September 2005, the Group did not have any available-for-sale financial assets.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards or ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changing in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in

which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instrument are not reversed through income statement.

2.5 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is an objective that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.7 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.8 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

2.9 Accounting for derivative financial instruments

From 1 April 2004 to 31 March 2005:

Derivative financial instruments are designated as “trading”. The Group records derivative financial instruments at cost. The gains and losses on derivative financial instruments are included in the income statement. The Group records the marked-to-market gain/loss of the derivative financial instruments in the “prepayment, deposits and other receivables” on the balance sheet.

From 1 April 2005 onwards:

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group records the marked-to-market gain/loss as derivative financial instruments on the balance sheet.

3. SEGMENTED INFORMATION**Primary reporting format - business segments**

Segmented information is presented in respect of the Group’s business and geographical segments. Business segmented information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

The Group comprises four business segments as follows:

Asset management	:	management and administration of assets entrusted by the shareholders of various mutual funds, including private equity and Dublin-listed funds
Corporate finance	:	provision of investment advisory services to associates and third parties
Corporate investment	:	investment in corporate entities, both listed and unlisted
Internet retailing	:	sale of customer goods on the internet

Inter-segment revenues arising from inter-segment transactions are conducted at competitive market prices charged to external customers. Those revenues are eliminated on consolidation.

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

An analysis of the Group's revenue and results for the period by business segments is as follows:

For the six months ended 30 September 2005

	(Unaudited)						Consolidated US\$'000
	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Inter-segment elimination US\$'000	Unallocated US\$'000	
Revenue from external customers	264	—	2,453	—	—	—	2,717
Inter-segment revenue	1	—	2	—	(3)	—	—
	<u>265</u>	<u>—</u>	<u>2,455</u>	<u>—</u>	<u>(3)</u>	<u>—</u>	<u>2,717</u>
Segment results	(1,870)	(427)	442	(3)	—	—	(1,858)
Unallocated operating expenses							—
Loss from operations							(1,858)
Share of profits of associates							13,175
Taxation							—
Profit for the period							<u>11,317</u>

For the six months ended 30 September 2004

	(Unaudited)						Consolidated US\$'000
	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Inter-segment elimination US\$'000	Unallocated US\$'000	
Revenue from external customers	353	—	166	—	—	—	519
Inter-segment revenue	1	—	1	—	(2)	—	—
	<u>354</u>	<u>—</u>	<u>167</u>	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>519</u>
Segment results	(574)	(58)	(646)	(3)	—	(2)	(1,283)
Unallocated operating expenses							—
Loss from operations							(1,283)
Share of losses of associates							(12,973)
Taxation							—
Loss for the period							<u>(14,256)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The segment assets and liabilities at 30 September 2005 and capital expenditure for the six months then ended are as follows:

	(Unaudited)					Consolidated US\$'000
	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Others US\$'000	
	Segment assets	302	51	4,930	4	
Investment in associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>39,425</u>	<u>39,425</u>
Total assets	<u>302</u>	<u>51</u>	<u>4,930</u>	<u>4</u>	<u>44,301</u>	<u>49,588</u>
Segment liabilities	<u>82</u>	<u>23</u>	<u>18</u>	<u>3</u>	<u>3,060</u>	<u>3,186</u>
Depreciation and amortisation	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9</u>
Capital expenditure	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>

The segment assets and liabilities at 31 March 2005 and capital expenditure for the year then ended are as follows:

	(Unaudited)					Consolidated US\$'000
	Asset management US\$'000	Corporate finance US\$'000	Corporate investment US\$'000	Internet retailing US\$'000	Others US\$'000	
	Segment assets	558	53	7,178	5	
Investment in associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>43,023</u>	<u>43,023</u>
Total assets	<u>558</u>	<u>53</u>	<u>7,178</u>	<u>5</u>	<u>44,436</u>	<u>52,230</u>
Segment liabilities	<u>85</u>	<u>27</u>	<u>34</u>	<u>6</u>	<u>243</u>	<u>395</u>
Depreciation and amortisation	<u>18</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18</u>
Capital expenditure	<u>52</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>52</u>

Secondary reporting format — geographical segments

The Group's business is managed on a world-wide basis. Asia Pacific is a major market for its asset management business while North America and Western Europe are the major markets for its corporate investments.

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

There are no sales between the geographical segments.

For the period ended 30 September 2005

	North America <i>US\$'000</i>	Asia Pacific <i>US\$'000</i>	Western Europe <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue from external customers	<u>171</u>	<u>2,452</u>	<u>94</u>	<u>2,717</u>
Capital expenditure incurred during the period	<u>—</u>	<u>3</u>	<u>—</u>	<u>3</u>

For the period ended 30 September 2004

	North America <i>US\$'000</i>	Asia Pacific <i>US\$'000</i>	Western Europe <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue from external customers	<u>3</u>	<u>507</u>	<u>9</u>	<u>519</u>
Capital expenditure incurred during the period	<u>—</u>	<u>52</u>	<u>—</u>	<u>52</u>

4. OPERATING LOSS FROM ORDINARY ACTIVITIES

	(Unaudited)	
	For the six months ended	
	30 September	
	2005	2004
	US\$'000	US\$'000
After charging:		
Auditors' remuneration	27	61
Bad debts written off	—	38
Depreciation on owned fixed assets	9	11
Loss on disposal of fixed assets	—	10
Operating lease rental on property	43	62
Net realised loss on derivative financial instruments*	70	—
Net unrealised loss on non-current other investments*	—	138
Staff costs	<u>3,725</u>	<u>1,162</u>
After crediting:		
Net realised profit on disposal of current other investments*	—	88
Net realised profit on disposal of non-current other investments*	—	182
Net realised profit on disposal of financial assets at fair value through profit and loss*	2,199	—
Net realised profit on derivative financial instruments*	—	22
Interest income on bank deposits*	8	2
Dividend income from investments*	46	—
Net unrealised profit on derivative financial instruments*	52	—
Net unrealised profit on financial assets at fair value through profit and loss*	224	—
Net unrealised profit on current other investments*	<u>—</u>	<u>31</u>

* Included in turnover

5. TAXATION

No provision for Hong Kong or overseas profits tax has been made in these financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the period.

Share of associates' taxation for the six months ended 30 September 2005 of US\$1,224,000 (2004: US\$314,000) are included in the income statement as share of profits/(losses) of associates.

6. DIVIDEND

	(Unaudited)	
	For the six months ended 30 September	
	2005	2004
	US\$'000	US\$'000
Special interim, proposed, of 2.837 US cents (2004: Nil) per share	33,872	—
	<u>33,872</u>	<u>—</u>

Note: On 27 October 2005, the Directors proposed a dividend of 22 HK cents (or 2.837 US cents) per share for the year ending 31 March 2006. This proposed dividend is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of share premium for the year ending 31 March 2006.

7. EARNINGS/(LOSS) PER SHARE

- (a) The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company for the period of US\$11,456,000 (2004: loss of US\$14,256,000) and on the weighted average of 1,193,640,706 (2004: 1,187,955,402) shares of the Company in issue during the period.
- (b) The diluted earnings per share for the period ended 30 September 2005 is based on the profit attributable to equity holders of the Company for the period of US\$11,456,000 and on 1,196,507,068 shares, which is the weighted average number of shares in issue during the period of 1,193,640,706 shares plus the weighted average number of 2,866,362 shares deemed to be issued at no consideration if the Company's outstanding share options had been exercised. No diluted loss per share is presented for the period ended 30 September 2004 as the outstanding share options are anti-dilutive.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	(Unaudited)
	As at 30 September 2005
	US\$'000
At 1 April 2005	6,612
Additions	533
Disposals	(3,414)
Unrealised profit	<u>224</u>
At 30 September 2005*	<u>3,955</u>

Financial assets at fair value through profit and loss include the following:

	(Unaudited)
	As at 30 September
	2005
	<i>US\$'000</i>
Listed securities	
equity security — Canada	1,358
equity security — UK	75
equity security — US	125
Unlisted securities	
club debenture, at cost	19
equity security	<u>2,378</u>
	<u><u>3,955</u></u>

** All the above investments were designated as financial assets at fair value through profit and loss at inception.*

9. INVESTMENT IN SECURITIES

Non-current investments:

	(Audited)
	As at 31 March
	2005
	<i>US\$'000</i>
Investment securities, at cost:	
Club debentures	<u>19</u>
Other investments, at fair value:	
Listed equity securities	
— in Hong Kong	1,704
— outside Hong Kong	2,218
Unlisted equity securities	<u>2,550</u>
	<u><u>6,472</u></u>
	<u><u>6,491</u></u>

Current investments:

	(Audited) As at 31 March 2005 US\$'000
Other investments, at fair value:	
Listed equity securities — outside Hong Kong	113
Unlisted equity securities	<u>8</u>
	<u>121</u>

All the above other investments are in corporate entities.

10. CASH AND BANK BALANCES

Cash and bank balances of the Group can be analysed as follows:

	(Unaudited) As at 30 September 2005 US\$'000	(Audited) As at 31 March 2005 US\$'000
Cash and balances with banks	691	377
Money at call and short notice	<u>582</u>	<u>686</u>
Total cash and bank balances	<u>1,273</u>	<u>1,063</u>

A subsidiary of the Group maintains trust accounts with banks as part of its normal business transactions. As at 30 September 2005, included in the Group's cash and balances with banks were trust accounts of US\$28,000 (31 March 2005: US\$28,000).

11. TRADE RECEIVABLE

	(Unaudited) As at 30 September 2005 US\$'000	(Audited) As at 31 March 2005 US\$'000
1 to 3 months old	103	123
More than 3 months old but less than 12 months old	<u>22</u>	<u>23</u>
Total trade receivable	<u>125</u>	<u>146</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

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.

12. TRADE PAYABLE, ACCRUALS AND OTHER PAYABLES

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2005	2005
	<i>US\$'000</i>	<i>US\$'000</i>
Due within 1 month or on demand	2	2
More than 6 months	84	87
Total trade payable	86	89
Accruals and other payables	3,100	306
Total trade payable, accruals and other payables	<u>3,186</u>	<u>395</u>

Included in trade payables were those payables placed in trust accounts which amounted to US\$28,000 as at 30 September 2005 (31 March 2005: US\$28,000).

13. SHARE CAPITAL

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2005	2005
	<i>US\$'000</i>	<i>US\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of US\$0.01 each	20,000	20,000
550,000,000 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	5,500	5,500
	<u>25,500</u>	<u>25,500</u>
Issued and fully paid:		
1,107,226,089 (31 March 2005: 1,106,900,089) ordinary shares of US\$0.01 each	11,072	11,069
86,728,147 non-voting convertible deferred shares of US\$0.01 each	867	867
	<u>11,939</u>	<u>11,936</u>

During the six months ended 30 September 2005, an aggregate of 326,000 new ordinary shares were issued and allotted for a total consideration of HK\$86,716 (approximately US\$11,117), being HK\$0.266 per share, upon exercise of options under the Share Option Scheme (2002) of the Company (referred to below in this note).

At the Company's extraordinary general meeting held on 18 November 2005, the authorised share capital of the Company was increased from US\$25,500,000 comprising 2,000,000,000 ordinary shares of US\$0.01 each ("**Ordinary Share(s)**") and 550,000,000 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 ("**Deferred Share(s)**") to US\$55,500,000 comprising 5,000,000,000 Ordinary Shares and 550,000,000 unclassified shares of US\$0.01 each which may be issued as Ordinary Shares or as Deferred Shares.

On 16 December 2005, an aggregate of 107,992,423 new Ordinary Shares were issued and allotted to those shareholders who elected to receive part or all of their special interim dividend of 22 Hong Kong cents per share for the year ending 31 March 2006, declared by the Company on 18 November 2005, by way of new Ordinary Shares credited as fully paid (the "**Scrip Dividend Shares**"). The market value of the Scrip Dividend Shares was fixed at HK\$0.153 per share.

Rights of the Deferred Shares

The Deferred Shares shall rank for dividends *pari passu* to ordinary shares of the Company from time to time in issue. Each Deferred Share shall confer on the holder thereof *pari passu* rights to ordinary shares on a winding up or other return of capital.

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.

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

Holders of the Deferred Shares are entitled to receive notices of the general meetings of the Company but are not entitled to attend and vote thereat. The Deferred Shares are transferable with the prior written consent of the Directors of the Company and with prior notice to the HK Stock Exchange.

During the six months ended 30 September 2005, no Deferred Shares were converted into ordinary shares (2004: Nil). No Deferred Shares were converted into ordinary shares subsequent to 30 September 2005 or prior to the date of this report.

Share options

The Company has two share option schemes:

a. Share Option Scheme (2002)

A new share option scheme, named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"), was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002. The scheme shall continue in force until the tenth anniversary of its commencement date, which will be 15 November 2012.

Options granted under the Share Option Scheme (2002) entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant, provided that the option holder remains as an eligible participant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of offer of the relevant option. All entitlements of the option then remain unexercised will lapse.

As at 1 April 2005, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 20,600,000 ordinary shares at the exercise price of HK\$0.266 per share (1 April 2004: Nil), representing 1.86% (1 April 2004: Nil) of the Company's then issued voting share capital and 1.83% (1 April 2004: Nil) of the enlarged voting share capital. All such outstanding options were not vested (1 April 2004: Nil). During the six months ended 30 September 2005, no options were granted (2004: options in respect of 21,400,000 shares) or cancelled (2004: Nil) or lapsed (2004: Nil). Vested options in respect of an aggregate of 326,000 shares were exercised at HK\$0.266 per share (2004: Nil). Accordingly, as at 30 September 2005 and the date of this report, there were/are outstanding options entitling the holders to subscribe, in stages, for an aggregate of 20,274,000 ordinary shares (30 September 2004: 21,400,000 shares) at the exercise price of HK\$0.266 per share, representing 1.83% (30 September 2004: 1.93%) of the Company's issued voting share capital as at 30 September 2005 and 1.80% (30 September 2004: 1.90%) of the enlarged voting share capital. Amongst the outstanding options, options in respect of an aggregate of 6,540,663 shares or 32.26% were/are vested (30 September 2004: Nil). Exercise in full of the outstanding options would result in the issue of 20,274,000 additional ordinary shares for aggregate proceeds, before expenses, of HK\$5,392,884 (approximately US\$691,395).

Following the issue and allotment of an aggregate of 107,992,423 Scrip Dividend Shares (as referred to above in this note) on 16 December 2005, the outstanding options represent 1.67% of the Company's existing issued voting share capital and 1.64% of the enlarged voting share capital as at the date of this report.

Particulars of the options held under the Share Option Scheme (2002) during the period by various participants are as follow:

i. Directors, Chief Executive and substantial shareholders

As at 1 April 2005, there were outstanding options, which were granted on 9 September 2004, entitling the Chief Executive Officer (also an executive Director) and an executive Director to subscribe, in stages, for an aggregate of 14,500,000 ordinary shares at the exercise price of HK\$0.266 per share. No options were granted, exercised or cancelled or lapsed during the six months ended 30 September 2005 or prior to the date of this report.

Particulars of the options granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed "Directors' Interests in Securities and Options" in this report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the period or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company, as referred to in the section headed "Substantial Shareholders" in this report, or their respective associates, at any time during the period or prior to the date of this report.

ii. Participants in excess of individual limit

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

iii. Full-time employees

As at 1 April 2005, there were outstanding options, which were granted on 9 September 2004, entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 6,100,000 ordinary shares at the exercise price of HK\$0.266 per share. On 23 September 2005, vested options in respect of an aggregate of 326,000 shares were exercised at HK\$0.266

per share. The closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$0.30. Accordingly, as at 30 September 2005 and the date of this report, there were/are outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 5,774,000 ordinary shares at the exercise price of HK\$0.266 per share.

iv. Suppliers of goods and services

No options were granted to or held by suppliers of goods and services of the Company at any time during the period or prior to the date of this report.

v. Other participants

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the period or prior to the date of this report.

b. Employee Share Option Scheme

Following the adoption of the Share Option Scheme (2002) referred to in paragraph (a) above on 15 November 2002, the Company's employee share option scheme (the "**Employee Share Option Scheme**"), which was approved by the shareholders on 24 July 1996 (and was deemed to have commenced on 15 July 1994), as amended on 27 May 1998, was terminated. However, its provisions remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under such scheme prior to the date of such termination. Therefore, no new options were granted under the Employee Share Option Scheme since 15 November 2002.

As at 1 April 2005, an outstanding and vested option under the Employee Share Option Scheme entitled its holder to subscribe on or before 11 October 2005 for 200,000 (1 April 2004: 6,063,333) ordinary shares at the exercise price of HK\$1.06 per share, representing 0.02% (1 April 2004: 0.55%) of the Company's then issued voting share capital and 0.02% (1 April 2004: 0.38%) of the enlarged voting share capital. As the scheme was terminated on 15 November 2005, no new options were granted during the six months ended 30 September 2005 (2004: Nil). No options were cancelled (2004: Nil) or lapsed (2004: options in respect of 2,683,333 shares lapsed) during the period. Accordingly, as at 30 September 2005, there was an outstanding and vested option entitling its holder to subscribe on or before 11 October 2005 for 200,000 (2004: 300,000) ordinary shares at the exercise price of HK\$1.06 per share, representing 0.02% (2004: 0.03%) of the Company's then issued voting share capital and the enlarged voting share capital. The option lapsed on 11 October 2005. Accordingly, as at the date of this report, there are no outstanding options under the Employee Share Option Scheme.

Particulars of the options held under the Employee Share Option Scheme during the period by various participants are as follow:

i. Directors, Chief Executive and substantial shareholders

As at 1 April 2005, no outstanding options were held by any Directors or the Chief Executive Officer of the Company under the Employee Share Option Scheme. As the scheme was terminated on 15 November 2005, no new options were granted during the six months ended 30 September 2005 or prior to the date of this report.

No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the period or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company, as referred to in the section headed “Substantial Shareholders” in this report, or their respective associates, at any time during the period or prior to the date of this report.

ii. Participants in excess of individual limit

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

iii. Full-time employees

As at 1 April 2005, there was an outstanding and vested option, which was granted on 12 October 2000, entitling a full-time employee of the Group (not being a Director of the Company) to subscribe on or before 11 October 2005 for 200,000 ordinary shares at the exercise price of HK\$1.06 per share. As the scheme was terminated on 15 November 2005, no new options were granted during the six months ended 30 September 2005. Accordingly, as at 30 September 2005, there was an outstanding and vested option entitling a full-time employee of the Group (not being a Director of the Company) to subscribe on or before 11 October 2005 for 200,000 ordinary shares at the exercise price of HK\$1.06 per share. The option lapsed upon expiry of the exercise period. Accordingly, as at the date of this report, no outstanding options are held by full-time employees of the Group (excluding Directors of the Company) under the Employee Share Option Scheme.

iv. Suppliers of goods and services

No options were granted to or held by suppliers of goods and services of the Company at any time during the period or prior to the date of this report.

v. Other participants

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the period or prior to the date of this report.

Whenever options are granted, the Directors make a valuation of the options granted under the share option schemes under a modified Black Scholes option pricing model. This calculates a theoretical valuation assuming that the options involved are freely tradable.

Within this model, certain assumptions are made with respect to: (a) the volatility of the Company’s share price by using a period of 260 trading days prior to the grant of the options; (b) the risk-free interest rate by using the interest rate of the Exchange Fund Notes as issued by Hong Kong Monetary Authority at the grant date of the option; (c) the expected dividend yield by reference to the historical dividend payments and the historical share price movements; and (d) the expected life of the options by using a period of 10 years being the maximum life of the options.

The fair value calculation is inherently subjective and uncertain due to the assumptions made and the limitation of the model.

No options were granted under the share option schemes of the Company during the period.

14. DERIVATIVES FINANCIAL INSTRUMENTS

At 30 September 2005, there were outstanding forwards and futures trading contracts with notional amounts approximately to US\$3,179,000 (2004: Nil) and US\$474,000 (2004: US\$421,000) respectively undertaken by the Group in the foreign exchange and equity market.

A realised loss of US\$56,000 (2004: profit of US\$34,000) and US\$14,000 (2004: US\$12,000) were made from forwards and futures trading contracts respectively during the period.

As at 30 September 2005, the Group recorded an unrealised profit of US\$48,000 and US\$4,000 from forwards and futures trading respectively which were recorded as derivative financial instruments on the balance sheet. As at 31 March 2005, the Group recorded an unrealised profit of US\$55,000 and US\$17,000 from forwards and futures trading respectively which were included in the "prepayment, deposits and other receivables" on the balance sheet.

In the course of the Group's normal trading in derivatives, margin deposits of varying amounts of cash are held by the Group's brokers and were included in the "prepayment, deposits and other receivables" on the balance sheet. As at 30 September 2005, the amount of these margin deposits was US\$216,000 (31 March 2005: US\$275,000).

15. OFF BALANCE SHEET EXPOSURES*Lease commitments*

	(Unaudited) As at 30 September 2005 US\$'000	(Audited) As at 31 March 2005 US\$'000
At 30 September 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
— within 1 year	97	97
— in the 2nd to 5th year, inclusive	<u>59</u>	<u>102</u>
	<u>156</u>	<u>199</u>

Capital commitments

The Company has no capital commitments at 30 September 2005 other than the commitment disclosed in Note 17 (a).

16. MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of material related party contracts or transactions of the Group during the period. All such transactions were entered into in the ordinary course of business of the Group.

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.

- (1) A shareholders' agreement dated 15 May 2002 (the "**KOL Shareholders' Agreement**") was entered into between (a) the Company and (b) The State of Wisconsin Investment Board ("**SWIB**") relating to Bridge Investment Holding Limited ("**BIH**", then known as KoreaOnline Limited), a 40.2% owned associate of the Company. The KOL Shareholders' Agreement superseded the share transfer agreement dated 15 October 1999.

On 1 May 2003, (i) the Company; (ii) SWIB; and (iii) BIH entered into a new shareholders' agreement regarding the shareholdings of SWIB and the Company in BIH (the "**BIH Shareholders' Agreement**"). Amongst other things, the Company, SWIB and BIH agreed in the BIH Shareholders' Agreement to explore ways in which to realise the investment of the Company and SWIB in BIH in the most effective and profitable manner. The BIH Shareholders' Agreement superseded the KOL Shareholders' Agreement.

SWIB currently holds a 7.46% interest in the total issued voting share capital of the Company and a 26.8% interest in the total issued share capital of BIH.

- (2) On 24 March 2003, an operational support agreement was entered into between (a) Regent Financial Services Limited, an indirectly wholly-owned subsidiary of the Company, as service provider and (b) BIH relating to the provision of a range of accounting and other related services by Regent Financial Services Limited to BIH at fixed monthly fee of US\$2,000, which was increased to US\$5,000 with effect from 1 March 2004 pursuant to a side letter dated 1 March 2004.

An aggregate of US\$30,000 was received during the six months ended 30 September 2005 and US\$5,000 was received subsequent to the period end date and prior to the date of this interim report.

- (3) On 24 June 2005, a call option agreement (the "**Call Option Agreement**") was entered into amongst certain subsidiaries of BIH (the "**BIH Subsidiaries**"), RPCA(L) Limited ("**RPCA**") and SWIB (collectively the "**Sellers**") and Golden Bridge Co., Ltd (the "**Purchaser**"), pursuant to which the Sellers agreed to grant a call option over the 62,341,329 shares then held by the Sellers in Bridge Securities Co., Ltd ("**BSC**") to the Purchaser at an initial consideration of KRW 3.81 billion (or US\$3.8 million) in cash (the "**Initial Consideration**") which was paid by the Purchaser to the Sellers on 29 June 2005. The BIH Subsidiaries and RPCA received KRW 3.4 billion (or US\$3.4 million) and KRW 0.02 billion (or US\$0.02 million) respectively from the Initial Consideration.

A share sale option agreement (the "**Share Sale Option Agreement**") relating to the sale of 62,341,329 BSC shares was entered into on 13 July 2005 amongst BIH, the BIH Subsidiaries, the Purchaser and others, which replaced the Call Option Agreement. Pursuant to the Share Sale Option Agreement, BIH, among others, agreed to sell to the Purchaser its BSC shares (such shares were reduced by 41.2231177%, representing the number of shares purchased by BSC pursuant to the mandatory capital reduction completed on 20 September 2005), at a total consideration of KRW 33.98 billion (or US\$33.46 million).

17. POST BALANCE SHEET EVENTS

- (a) On 23 June 2005 the Group entered into a cooperation agreement between the Company, Regent Metals Holdings Limited (“**RMHL**”, formerly called Red Dragon Resources Corporation), Finistere Limited and Stephen Dattels, pursuant to which the Group paid US\$3.5 million for an 80% interest in RMHL. RMHL has remitted US\$3 million into a temporary acquisition account in The People’s Republic of China (the “**PRC**”), which will be transferred into the capital account of the Joint Venture Company (as defined below) as a part of the capital contribution by Regent Metals Limited (“**RML**”, the wholly owned subsidiary of RMHL) if the Joint Venture Company is established. However, if the conditions are not satisfied for establishing the Joint Venture Company, the US\$3 million will be returned to RML. In the event that the Joint Venture Company is established but RML fails to pay its capital contribution in full in accordance with the time limits stated in the joint venture contract, and any non-defaulting party does not select to terminate the joint venture contract in accordance with clause 12.1(f) of the said contract, such non-defaulting party shall have the right to purchase all the capital interests of RML. In this case, the purchase price shall be 90% of the capital contribution paid by RML (i.e. 90% of US\$3 million).

On 7 November 2005, RML entered into a commitment agreement with Yuxi Resources Corporation (“**YRC**”) and Simao Shanshui Minerals Ltd (“**SSM**”) relating to the establishment of a Sino-foreign equity joint venture enterprise (the “**Joint Venture Company**”) to co-explore and co-develop certain mineral resources in the PRC subject to the satisfaction of certain conditions. RML will contribute RMB160 million (or US\$20 million) into the Joint Venture Company, representing a 40% equity interest in the Joint Venture Company.

On 16 December 2005, the Company has appointed Regent Mercantile Bancorp Inc. as exclusive agent for a private placement of up to US\$20 million of securities of a wholly-owned subsidiary of RMHL (the “**Offering**”). The Offering will be marketed on a best efforts basis to qualified investors in certain jurisdictions subject to obtaining all the necessary regulatory approvals. The Offering is expected to complete by 31 January 2006 with closing happening on or around 3 February 2006.

- (b) BIH declared a dividend of US\$2.0925 per share on 10 October 2005. The dividend was paid in cash to all BIH shareholders on 17 October 2005 and, accordingly, the Group has received US\$37.7 million which was recorded as dividend income and a corresponding reduction in the investments in associates on that date. The BIH group is in the process of being placed into voluntary liquidation.

18. CONTINGENT LIABILITIES

The Group was not involved in any material litigation or disputes during the six months ended 30 September 2005.

1. UNAUDITED PRO FORMA STATEMENTS

I. Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

The following unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2005 and assumes that the Transaction, the Disposal and the Further Completion have been completed as at 30 September 2005.

This unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group as at 30 September 2005, or at any future date.

	(Unaudited) The Group as at 30 September 2005 US\$'000	Pro forma adjustments US\$'000	Note	(Unaudited) The Enlarged Group as at 30 September 2005 US\$'000
Non-current assets:				
Fixed assets	43	—		43
Investments in associates	39,425	—	2(e)	39,425
Financial assets at fair value through profit and loss	3,955	—		3,955
Investment in a joint venture	<u>—</u>	<u>20,000</u>	2(d)	<u>20,000</u>
	<u>43,423</u>	<u>20,000</u>		<u>63,423</u>
Current assets:				
Cash and bank balances	1,273	18,400	2(a)	2,673
		(17,000)	2(b)	
Derivative financial instruments	52	—		52
Trade receivable	125	—		125
Prepayments, deposits and other receivables	4,708	(3,000)	2(b)	1,708
Due from an associate	<u>7</u>	<u>—</u>		<u>7</u>
	6,165	(1,600)		4,565

	(Unaudited) The Group as at 30 September 2005 <i>US\$'000</i>	Pro forma adjustments <i>US\$'000</i>	<i>Note</i>	(Unaudited) The Enlarged Group as at 30 September 2005 <i>US\$'000</i>
Current liabilities:				
Trade payable, accruals and other payables	<u>(3,186)</u>	<u>—</u>		<u>(3,186)</u>
Net current assets	<u>2,979</u>	<u>(1,600)</u>		<u>1,379</u>
Net assets	<u>46,402</u>	<u>18,400</u>		<u>64,802</u>
Share capital	11,939	706	2(c)	12,645
Reserves	34,154	1,405	2(c)	40,371
	<u> </u>	<u>4,812</u>	2(d)	<u> </u>
Shareholders' equity	<u>46,093</u>	<u>6,923</u>		<u>53,016</u>
Minority interests	<u>309</u>	<u>11,477</u>	2(d)	<u>11,786</u>
Capital and reserves	<u>46,402</u>	<u>18,400</u>		<u>64,802</u>

II. Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

The unaudited pro forma consolidated income statement of the Enlarged Group is not presented as the Joint Venture Company is a newly formed joint venture and there were no financial results available prior to its formation.

III. Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

The following unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared based on the unaudited consolidated cash flow statement of the Group for the six months ended 30 September 2005 and assumes that the Transaction, the Disposal and the Further Completion have been completed as at 1 April 2005.

This unaudited pro forma consolidated cash flow statement has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the cash flows of the Enlarged Group for the six months period ended 30 September 2005, or for any future financial period.

	(Unaudited) The Group for the period ended 30 September 2005 <i>US\$'000</i>	Pro forma adjustments <i>US\$'000</i>	<i>Note</i>	(Unaudited) The Enlarged Group for the period ended 30 September 2005 <i>US\$'000</i>
Net cash used in operating activities	(5,360)	—		(5,360)
Net cash from/(used in) investing activities	5,559	(17,000)	2(b)	(11,441)
Net cash from financing activities	<u>11</u>	<u>18,400</u>	2(a)	<u>18,411</u>
Net increase in cash and cash equivalents	210	1,400		1,610
Cash and cash equivalents at the beginning of the period	<u>1,063</u>	<u>—</u>		<u>1,063</u>
Cash and cash equivalents at the end of the period	<u><u>1,273</u></u>	<u><u>1,400</u></u>		<u><u>2,673</u></u>

IV. Notes to the unaudited pro forma financial information of the Enlarged Group

1. The unaudited consolidated accounts of the Group for the period ended 30 September 2005 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are effective for accounting periods beginning on or after 1 January 2005.
2. The Transaction, the Disposal and the Further Completion are inter-linked, because the financing for the Transaction is anticipated to be achieved by means of the Disposal and the Further Completion is conditional upon the Transaction. Accordingly, they have been accounted for as one transaction for the purpose of the pro forma financial information. The pro forma adjustments reflect the following:
 - (a) Being cash deemed to be received from the private placing of 49.9% interest in the Target Company to independent third parties totalling US\$20 million pursuant to the Disposal. The Target Company was valued at US\$40 million as determined by the Directors after taking into consideration the consultant’s report entitled “An Evaluation of the Dapingzhang Copper/Zinc/Gold Deposit, Simao Yunnan Province, PRC”. Net cash of US\$18.4 million will be generated after offsetting the estimated expenses of US\$1.6 million associated with the private placing. Since the actual number of securities in the Target Company to be placed and the placing price of such securities are yet to be determined, the actual proceeds from the private placing may be substantially different from the US\$20 million used in the preparation of the pro forma financial information.
 - (b) Being payment of US\$17 million, out of the proceeds from the private placement as stated in (a) above, as capital contribution into the Joint Venture Company. This payment is in addition to the US\$3 million previously deposited into a temporary acquisition foreign exchange account in accordance with the Cooperative Agreement. The initial deposit will be transferred as a capital contribution into the Joint Venture Company upon completion of the Transaction.
 - (c) Being the issue of 70,653,197 of the Company’s ordinary shares for the acquisition of the 20% issued share capital of RMHL at a consideration of US\$2,111,000, resulting in the increase in share capital of US\$706,000 and share premium of US\$1,405,000, pursuant to the Further Completion. The fair value of the Consideration Shares of US\$2,111,000 is based on the closing market price of the Company’s Shares as at 17 January 2006, being the Latest Practicable Date. Since the fair value of the Consideration Shares at the date of the Further Completion may be substantially different from their fair value used in the preparation of the pro forma financial information, the actual consideration arising from the Transaction may be different from the estimated consideration.
 - (d) Negative goodwill of US\$4,812,000 resulted from the amount by which the Group’s share of the fair value of the Target Company’s identifiable net assets (including the 40% interest in the Joint Venture Company) of US\$11,523,000 exceeds the Group’s cost of the investments in the Target Company. The Group’s attributable cost of investment in the Target Company is US\$6,711,000, being the aggregate of the fair value of its Consideration Shares issued of US\$2,111,000, the cash contribution of US\$3 million stated in (b) above, and the US\$1.6 million placing expenses being borne by the holding company of the Target Company. The fair value of the Joint Venture Company’s identifiable net assets, being the Operating Mining Assets, the Mining and Exploration Licenses and the remaining cash after acquisition of these assets are currently estimated by the Directors to be US\$50 million. The Group’s share of the fair value of the Target Company, including the Joint Venture Company’s identifiable net assets, amounts to US\$11,523,000, being US\$23 million (the identifiable net assets of the Target Company, comprising principally 40% of the Joint Venture Company’s identifiable net assets and US\$3 million net cash retained in the Target Company out of the US\$20 million inflow stated in (a)) minus the minority interest of US\$11,477,000 shared by the 49.9% minority shareholder of the Target Company.

Since the fair value of the Joint Venture Company’s identifiable net assets may be substantially different from their fair value used in the preparation of the pro forma financial information, and the actual amount of the cash proceeds from the Disposal may be substantially different as described in (a) above, the actual negative goodwill arising from the Transaction may be different from the estimated amount.
 - (e) No adjustment has been made to reflect trading results or any other transactions entered into subsequent to 30 September 2005, including the dividend of approximately US\$37.7 million that was received from Bridge Investment Holding Limited (including a corresponding reduction in investment in associates), and the payment of a special interim dividend of HK\$0.22 per share in the form of a cash dividend of approximately US\$31.7 million and scrip dividend of 107,992,423 shares.

2. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix for inclusion in this circular.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

20 January 2006

The Directors
Regent Pacific Group Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Regent Pacific Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) as set out on pages 94 to 97 under the headings of unaudited pro forma financial information of the Enlarged Group (Appendix II of the Company’s circular dated 20 January 2006) and in connection with the proposed formation of a joint venture company, allotment of the consideration shares and possible very substantial disposal resulting from proposed disposal of an interest in a wholly owned subsidiary of Regent Metals Holdings Limited (“RMHL”) (hereinafter referred to as the “Transactions”). The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide certain information on how the Transactions may affect the relevant financial information of the Group as at and for the period ended 30 September 2005.

Responsibilities

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraphs 14.69 and 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom such reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the basis set out on pages 94 to 97 for illustrative purposes only and, because of its nature, it may not be indicative of:

- the financial position of the Enlarged Group as at 30 September 2005 or at any future date, or
- the cash flows of the Enlarged Group for the period ended 30 September 2005 or for any future financial periods.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

1. INDEBTEDNESS

At the close of business on 30 November 2005, the Group had no outstanding borrowings.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 30 November 2005, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, any hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, based on the internal resources of the Group, the Group will have sufficient working capital for its present requirements other than in respect of the financing required to complete the Transaction. The financing for the Transaction is anticipated to be achieved by means of the Disposal because the Group does not otherwise have the means to complete the Transaction, in respect of which discussions were, as at the Latest Practicable Date, on-going through the placing agent but had not been concluded.

3. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2005, the date of the latest published audited accounts of the Group.

4. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP**Financial review**

The Group recorded a profit attributable to shareholders of US\$11.5 million (2004: loss of 14.3 million) for the six-month period ended 30 September 2005, representing earnings per share of 0.96 US cent (2004: loss per share 1.20 US cents). The profit was mainly attributable to the Group's share of profit after tax of US\$13.5 million (after adjustment in accordance with the Group's accounting policy) from its associate, Bridge Investment Holding Limited ("BIH"). BIH recorded a profit attributable to shareholders of US\$33.6 million for the six-month period ended 30 September 2005. Another associate of the Group, Regent Markets Holdings Limited has contributed a share of loss of US\$317,000 to the Group for the six-month period ended 30 September 2005.

The revenue of the corporate investment business division increased significantly to US\$2.5 million (2004: US\$0.2 million), while the revenue of the asset management business division was reduced to US\$0.3 million (2004: US\$0.4 million), which was primarily due to the further reduction in assets under management.

The shareholders' equity decreased slightly by 10.3% to US\$46.1 million from US\$51.4 million as at 31 March 2005 and BIH accounts for approximately 82.9% of the Group's total shareholders' equity as at 30 September 2005. The remaining Group assets comprise: (i) cash of US\$1.27 million and (ii) other corporate investments of US\$6.61 million.

Set out below is a brief summary of the main elements of the profit attributable to shareholders as follows (which is extracted from the Company's interim report for the six-month period ended 30 September 2005):

	<i>US\$ million</i>
Share of profit connected with BIH	13.5
Corporate investments	0.4
Asset management	(1.9)
Other operating income	<u>(0.5)</u>
 Total profit attributable to shareholders	 <u><u>11.5</u></u>

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

	<i>US\$ million</i>
Stake in BIH	38.2
Other net assets	<u>7.9</u>
 Total net assets	 <u><u>46.1</u></u>

On 17 October 2005, the Company received a dividend of US\$37.7 million from BIH. On 18 November 2005, the Company's shareholders approved the payment of a special interim dividend of 22 HK cents per share. On the basis of the Company's then existing issued share capital, payment of the special interim dividend amounted to approximately US\$33.8 million. Accordingly, the Directors have approved a distribution representing approximately 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning distributions received from BIH. The dividend was paid on 16 December 2005.

During the period and up to the date of the interim report, 326,000 new ordinary shares were issued pursuant to the exercise of share options (2004: 3.18 million shares). No share options were granted during the period concerned.

Review of operations

Joint Venture with Simao Shanshui Minerals Ltd and Yuxi Resources Corporation

As set out in this Circular, the Group will acquire a 40% equity interest in the Joint Venture Company.

Realisation of Bridge Securities Co., Ltd

On 20 September 2005, Bridge Securities Co., Ltd (“BSC”) completed a KRW 100 billion mandatory capital reduction, whereby the BIH group received approximately US\$72.5 million and, thereafter, BIH disposed of its shares in BSC on 30 September 2005 for US\$29.2 million. Accordingly, the BIH directors declared a dividend of US\$2.0925 per share on 10 October 2005. The dividend was paid in cash to all BIH shareholders on 17 October 2005 and, accordingly, the Group has received US\$37.7 million. The BIH group is now being placed into voluntary liquidation and it is expected that no further distributions will be made to its shareholders.

Fund Management

The Group had assets under management of US\$26.6 million as at 30 September 2005 and consequently with the small size of assets under management the division continues to incur losses.

Technology Investments

Regent Markets Group Limited experienced a comparatively difficult year, with the setting up of a back office in Malaysia taking up significant management time during the first half. Yearly turnover for 2005 is projected at approximately US\$70 million, a 16% drop on 2004, and the group is expected to announce a loss for the year. However, turnover and profitability have experienced a turnaround in the latter part of the year, notably as a result of a successful UK marketing campaign. With the current success in marketing, and a recent downsizing to reduce staff count and expenses, the group is expected to enter 2006 in a strong position and expects the coming year to show significantly improved results.

Future Funding

As at 30 September 2005, the Group had US\$1.27 million net cash or 2.8% of its total shareholders’ equity, which does not take account of the Group’s holding of listed securities that amounts to US\$1.56 million. There were no material charges against Group assets.

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

Management of Risk

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

As BIH was responsible for approximately 82.9% of the total shareholders' equity as at 30 September 2005, the Company is exposed to the fluctuations in the equity values of BIH. The exposure is to the Korean economy, and its credit and equity markets. The responsibility for management of these risks rests with the BIH management.

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

Investment is carefully controlled, in accordance with parameters set by the Board, in short term situations where physical assets may be inappropriate. There is strict segregation between the investment management and settlement functions.

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 30 September 2005, the amount of these margin deposits was US\$215,000 (2004: US\$73,000).

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

Contingent Liabilities

The Group was not involved in any material litigation or disputes during the period ended 30 September 2005.

No other material changes were noted during the six-month period ended 30 September 2005 from the information disclosed in the published annual report for the year ended 31 March 2005.

Employees and remuneration policies

As at 30 September 2005, the Group, including subsidiaries but excluding associates, employed approximately 10 employees. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by a remuneration committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole.

Outlook

The investment into the Joint Venture Company is the Group's first investment in the mining and metals sector in China which presents an excellent opportunity for the Group to acquire a significant interest in an established copper mining business in China. It is believed that this project will be the first foreign funded operational copper mining and processing joint venture in China.

Through the investment in the Joint Venture Company, the Group is seeking to take advantage of the strong and continuing growth in demand for commodities within China, such as non ferrous metals like copper. The Group is, therefore, of the view that by entering into the joint venture contract, it will be able to capture a good opportunity for investment in the minerals exploration, mining and processing industry in China.

Looking ahead, the Group will continue to pursue its opportunistic investment approach. Efforts will be made to acquire later stage projects with untapped potential in the non ferrous and precious metals industry in China with the aim of increasing its portfolio of investments in this sector over the next two years.

The following excerpts are taken from the report entitled "An Evaluation of the Dapingzhang Copper/Zinc/Gold Deposit, Simao, Yunnan Province, PRC" (the "Preliminary Evaluation Report") prepared by Mr. P.H. Cowdery ("PHC") of 1950 Nanton Avenue, Vancouver, British Columbia, V6J 2Y1, Canada. A copy of the full Preliminary Evaluation Report is available for inspection by Shareholders of the Company during normal business office hours at the Company's principal place of business in Hong Kong.

The Preliminary Evaluation Report was commissioned by the Company during its initial due diligence process.

Mr. P.H. Cowdery is a BSc. (Mining Engineering) graduate of the Royal School of Mines, University of London (1949) and holds a Master degree in Business Administration (M.B.A.) from the University of Alberta (1976). He has been practicing in the mining profession for more than 50 years and was employed for 30 years at operating mines in Canada. During the last 24 years, Mr. Cowdery has been involved as a consultant carrying out economic evaluations, inspection and exploration of mining properties throughout the world. In the last 8 years, Mr. Cowdery has been largely involved with the inspection, economic evaluation and exploration of mining properties across China. Mr. Cowdery is a registered member of the Association of Professional Engineers of Ontario, since 1979 and also a member of the British Columbia Association of Professional Engineers, since 1991.

1.0 Introduction

This report consists of a preliminary evaluation of the Dapingzhang Deposit, which is located some 50 km west of Simao City in Yunnan Province of the P.R.C. The Report has been commissioned by the Regent Pacific Group Limited ("**Regent**"). It is envisaged that the Dapingzhang Project will be carried out as an equity joint venture company, that includes the following partners Regent, Yuxi Resources Corporation ("**Yuxi**") and Simao Shanshui Minerals Ltd ("**Simao-Shanshui**"). Regent, Yuxi and Simao-Shanshui will each have a 40%, 50% and 10% equity interest respectively in the joint venture company.

2.0 Summary of Findings

1. The Dapingzhang Property is located in South-west Yunnan, P.R.C. approximately 45 km west of Simao City, which is in turn 310 km South-west of Kunming, the capital city of Yunnan. The deposit was first discovered in 1990 and subsequently explored in the period 1997 to 2000. Certain geologists of the Yunnan Provincial Bureau of Geology and Mineral Resources (the "**Geologists**") carried out an exploration program, which included the drilling of 36 widely spaced drill holes. They prepared a written report on their work, which was issued in 2001 (the "**Geological Report**"). Simao-Shanshui, the present owner of the property, acquired exploration licenses that covered the area in 2001-2002 and in 2003 obtained a mining concession for the deposit. Once they obtained the concession they started construction of the #1 mill. They have subsequently built 3 other mills, with financial assistance from two other third parties. These mills are now all in production, though not at their rated capacity of 3,700 tonnes per day, since some are still being run-in. It is understood that Simao-Shanshui has mined as at the date of the report some 700,000 tonnes of mineralized rock from both the higher grade V1 lens and the V2 lens.

2. The area of Simao-Shanshui's two exploration licences is 11.36 sq km with their mining concession having an area of 2.751 sq km (Illustration 3). This concession adequately covers the entire area of the known mineralization that is the subject of this report.
3. The Dapingzhang deposit occurs within a belt of favorable volcanic rocks that strike North North-west. These rocks are limited in width by major faulting. The belt has a minimum strike length of 6 km and has a width of about half a km. Approximately 2½ km of the volcanic rocks are covered by younger formations and these areas have not yet been examined.
4. The geological work indicates that the deposit is a typical example of a volcanic massive sulphide ("VMS") deposit, which has been considerably enlarged by ongoing volcanic activity. The massive sulfides occur, in what is called the V1 lens, as a cap that is draped on top of the deposit and this mineralization represents the initial intense phase of volcanic activity. It is understood that the Regent's geologists believe that the mineralization that accompanied the later volcanic activity made its way to the near surface through vertical feeder structures, or veinlets. The rock directly under the massive sulphide mineralization is found to be intensely brecciated, so the Regent geologists hypothesize that the lower grade, more disseminated sulfides spread out along the breccias, forming an uneven layer, over an area that varies from section to section. The vertical feeder structures, if they are sufficiently closely spaced, would also form mineable blocks, that once properly drilled could be included in a potential mineral resource estimate.
5. A review of the sections, prepared by the Geologists, that have been freshly interpreted has resulted in the estimation of a potential mineral resource of a little over 63 million tonnes. The reason for this categorization of the resources is that the majority of the drill holes are spaced at distances that vary from 200 to 300 meters, though it should be pointed out that on one section the spacing has been reduced to 100 meters, with no significant change in continuity, or grade from hole to hole. Some 7 millions tonnes of the resource (V1 lens) can be considered massive sulfides, having a grade of a little more than 2% copper with economically attractive zinc, gold and silver credits. It is understood that the remaining 56 million tonnes are considered to be disseminated mineralization (V2 lens) grading 0.6% copper, with an attractive gold credit. The overall estimate of the resource amounts to 63,228,000 tonnes grading 0.76% copper, with an overall strip ratio of 5.3:1. It is considered that the interpretation used in this estimate makes it unlikely that significant mining dilution will be experienced, when the deposit is mined. It should be noted that included in the total resource are 1.35 million tonnes that, by virtue of the mining carried out by the Simao-Shanshui operators, can be categorized as probable reserves.
6. Simao-Shanshui currently employs a very simple milling operation by bulk floating all of the sulphide mineralization. The result of this process is that the copper recovery is excellent at 92-93% copper, but on the other hand the grade of the concentrates is very low at 10 to 15% copper, in addition the concentrates have more than 18% water, when they arrive at the smelter. Both of these parameters are penalized by the smelter, which results in Simao-Shanshui probably losing more than 50% of the net-back value of the concentrates. The reported costs of the current operation were examined and though there are some anomalies with the milling costs, the mining costs and concentrate haul costs, which are both contracted out, appear to be realistic, using North American standards, when they are factored for use in China.

7. It is very apparent that if the Parties of the Joint Venture are to optimize the operation the following changes and improvements will have to be instituted:
- (a) to carry out selective flotation and improve the metallurgy, so that the concentrates and other products will not incur smelter penalties.
 - (b) to increase the mining rate, so that the mine life is capped at 12 to 16 years.
 - (c) to rationalize the sizes and locations of the mills to minimize transport costs by: (i) shutting down the oldest #1 mill, (ii) constructing a new #5 mill at the mine site that in the base case can treat the entire output from the V2 lens.
 - (d) to continue using the existing mills at the highest rate possible for the next two years, which is the estimated time needed to implement the above noted changes.
8. Two scenarios have been developed to evaluate the project. The first is called the “Base Case” where the V1 ore is beneficiated in the #2 and 3 mills and the V2 ore goes to the #5 mill. The #4 mill being shut down, once the #5 mill is in operational. The V1 ore is mined over 11 years and the V2 ore over a period of 16 years. The second scenario has been termed the “Maximum Production case”. Mining and beneficiation of the V1 ore does not change, but with the V2 ore the existing #4 mill is kept in production in addition to the new #5 mill. The V1 ore is mined out, as noted above, in 11 years and the V2 ore is mined out over a period of 12 years.
9. The estimated capital/pre-production costs have been shown in the table below and a preliminary schedule for the initial preparation work has been developed in this report (Illustration 8):

Cost Center	Est. Costs for the JV in millions of US\$	
	Base Case	Maximum Production Case
<i>Direct costs of the V1 mining plant</i>	\$ 2.48	\$ 2.48
Direct costs of the V2 mining and milling plant	\$ 37.53	\$ 41.68
Special pre-production costs	\$ 8.60	\$ 8.60
Acquisition cost	\$ 50.00	\$ 50.00
Indirect project costs	\$ 9.88	\$ 9.88
Total ¹	\$108.49	\$112.64

Note: Regent's share of these costs is 40%.

It is estimated that in both cases US\$63.66 million of these costs will be expended in 2005 and 2006, with \$46.83 million in 2007 for the Base Case and US\$48.98 million for the Maximum Production case.

10. The project costs have been estimated to an order of accuracy suitable for a scoping study using, as a basis, the estimated potential mineral resource described above. The table below summarizes the yearly production of the Base Case:

Year of Project	1	2	3 to 11	12 to 16
Alternative Identification of the year noted in the report	1st year of pre-production	2nd year of pre-production	Years 1 to 9 of production	Years 10 to 14 of production
Base Case production in tonnes/year of copper	9,051	19,471	33,088	20,879

The following table summarizes the same results for what has been called the Maximum Production case:

Year of Project	1	2	3 to 11	12
Alternative identification of the year noted in the report	1st year of pre-production	2nd year of pre-production	Years 1 to 9 of production	Year 10 of production
Maximum Case production in tonnes/ year of copper	9,051	19,471	40,350	28,141

3.0 Location, History and Land Position

The Dapingzhang Deposit is located in South-west Yunnan Province of the P.R.C. some 45 km due west of Simao City, which is some 310 km from the provincial capital Kunming. The geographical location is approximately 22° 45' north and 100° 31' east. The mine is connected to the main highway to Simao City by 30 km of partly up-graded dirt road (Illustrations 1 and 2).

The initial geologic surveys and mapping of the area took place in the period 1960 to 1975. In the year 1990 a 5-year survey of stream sediments was started and the results from this work provided the first indications of copper mineralization in the Dapingzhang area. A detailed geological exploration of the area was carried out by the Geologists starting in 1997, with a report on the work being issued in the year 2001. This exploration work covered a block of ground oriented in an approximately North-South direction of some 121 km in length and from 15 to 50 km in width East to West. Simao-Shanshui acquired their two Exploration Licences in the period 2001 to 2002 and obtained their mining concession in 2003. The company started to build their first mill in 2003 and have continued to build 3 more mills giving a total rated throughput of 3,700 tonnes per day, though it must be recognized that

the mills have not yet operated at their full capacity. Simao-Shanshui have reportedly mined approximately 700,000 tonnes at a strip ratio of 0.4:1. Stockpiles have been accumulated at each mill, to allow the mine to shut down for the worst of the rainy season. These stockpiles, at the time of PHC's visit, were estimated to amount to 210,000 tonnes.

The Simao-Shanshui's land position currently consists of two mining exploration licenses (Illustration 3 and Tables 2 & 3) and one mining permit/concession (Illustration 3 and Table 4). The two exploration permits total some 11.36 sq km and the mining permit covers an area of 2.751 sq km.

4.0 Geology and Mineralization

The Geologists have produced a very complete technical report, which includes a full geological description of the deposit nevertheless, since the emphasis of this report is on the recent geological findings, pre-production and production scheduling, together with some potential economics of the deposit, what follows is a short summary of their findings.

The exploration area is bounded to the east and west by two major fault systems the Lachang and the Jiufang faults (Illustration 4). The most important rock formation in the area is called the Dawezi and it consists of Devonian-lower Carboniferous and upper Triassic intrusives including rhyolitic and granitic porphyrys. This formation is underlain by Triassic limestones and Jurassic red beds. These latter rocks outcrop at lower elevations in the South-east and North-west parts of the exploration area. A listing of the work done by the Geologists in the exploration area has been set out in Table 1. This work included the drilling of 8,210 meters of drilling in 36 holes, of which 25 encountered economically attractive mineralization.

The mineralization has been traced both by geological and geophysical methods and two distinct mineralized lenses were identified by the Geologists, Simao-Shanshui and Regent. These findings were based on the diamond drilling and tunneling by the Geologists, the further tunneling and mining by Simao-Shanshui and the mapping and drilling by Regent. These mineralized lenses have been termed V1 and V2 by all the parties involved. The descriptions of the mineralization in the lenses shown below have been largely taken from the report by the Geologists.

The V1 lens is currently represented by three discontinuous blocks, though this may change in the future with further detailed and fill-in drilling by Regent, for it is understood that one of their new holes has intersected high grade mineralization in a location that would increase the size of one V1 block by almost 50%, once the continuity of the mineralization in this area is established. The mineralization of these blocks lies on top of the V2 lens in the form of a cap (Illustration 7) and is partly oxidized.

The un-oxidized mineralization is massive and sulfides account for 82% of the contained rock. The average grades of the economically attractive portion of the mineralization were found to be as follows: 0.53 grams per tonne of gold, 156 grams per tonne of silver, 2.36% of lead, 8.54% of zinc, with the average grade of copper being 2.14%. The only sample, taken for a metallurgical test, that was carried out on this mineralization had a head grade of over 6% copper and so it must be considered unrepresentative of the overall deposit. The recovery of the copper in this test was only 66% and though no details were given it can be assumed that some particularly selective flotation was

attempted. It should be noted that with bulk flotation Simao-Shanshui in their #1 mill regularly recovers some 92 to 93% of the contained copper. The report also noted that the grain size of the chalcopyrite and sphalerite were very small and the minerals were highly mixed in with each other. This does not seem to represent reality, since the writer saw a large amount of very coarse mineralization exposed in the stripped V1 mineralization during his first visit to the deposit. The Geologists found by mineralogical examination that the gold is mainly associated with the chalcopyrite and the silver occurs with copper and the galena minerals. It can be seen that the top of the V1 mineralization is oxidized, which forms an easily recognizable gossan. The gold in these oxidized areas is free from sulfides and Simao-Shanshui have been vat leaching the material, as it is removed, recovering a large proportion of the gold.

In the V2 mineralized lense the sulfides consist mainly of pyrite with some chalcopyrite and very small amounts of sphalerite and galena. The sulphide minerals account for some 36% of the total rock mass with normal gangue rocks making up the rest. The rock is described by the Geologists as having an idiomorphic texture with the mineralization occurring in veinlets and as disseminations in the rock surrounding the veinlets. The grain size of the mineralization is found to be relatively coarse. The average grade of this mineralization is estimated to be: 0.52 grams per tonne, gold, 10.9 grams per tonne of silver, only 0.04% of lead and 0.21% of zinc, with a copper grade of 0.92%. The sample taken for metallurgical testing was, as with the V1 test, unrepresentative since the copper grade was 1.95%, though the recovery was high at 92%.

The Geologists believed that the V1 mineralization could be categorized as a VMS (volcanic massive sulphide) deposit, but thought that the V2 mineralization was significantly different and occurred within the breccias that lie on top of the underlying rhyolitic porphyries. They have interpreted the mineralization from the drill intersections as occurring in relatively flat beds and having an epithermal origin. On the other hand Regent's geologists believe that the whole deposit is VMS in origin, with the V1 lens forming the initial high grade cap and the V2 mineralization being formed in the later stages of volcanism and driven to below the V1 lens along near vertical feeder structures, or veinlets. The best grade and most extensive V2 mineralization being found in the upper breccias (Illustration 7), with the intersections found at the lower elevations being part of the vertical feeder structures (Illustration 6). Regent's geologists also believe that, because of the origin of the mineralization, the copper content will diminish at a relatively shallow depth of approximately 300 meters, leaving pyrite as the only remaining mineralization below this elevation. It is evident that the validity of these hypotheses of both the Geologists and Regent can only be determined by a significant amount of fill-in drilling.

5.0 Estimates of the Potential Mineral resource

The Geologists prepared a number of sections and plans showing the mineralization as they interpreted it from the drill intersections. They also developed an estimate of the potential mineral resources using plans of the drill intersections to determine the area and the size and shapes of the V1 and V2 lenses, establishing the average width and grade of the mineralization. A review of the sections shows that, away from the main center of the mineralization, which the Regent geologists believe to be in the area of section 10 (Illustrations 5 and 6), there are relatively few drill holes and the Geologists and indeed anyone who wished to interpret the drill hole intersections must first have a realistic hypothesis of the mineralization and in addition use a certain amount of speculation. Regent's geologists have prepared

alternative interpretations for some of the central sections, where the results of their new drilling and sampling could be incorporated and it should be pointed out that the descriptions of the mineralization that follow were largely derived from discussions that the writer held with Regent's vice president of exploration.

The hypothesis used by the Geologists was that of an initial, very intense submarine volcanic eruption that settled on the then existing sea floor, forming a bed of massive sulfides (V1), which was subsequently buried by volcanic ash. The thickness of this layer is dependant upon the topography that existed at that time. It can be visualized that the topographic highs would have no mineralization, whereas the lows would have comparatively thick layers. The volcanic activity then continued at a reduced rate. The Geologists believed that this later volcanism was comparatively gentle and they described it as being of epithermal origin. It can be inferred that the Geologists believed hot mineralizing solutions ascended from the point of origin until they hit flat lying brecciated, favorable layers, at which point they spread out in all directions. The Geologists looked upon each intersection found in the drill hole as a likely sign of a flat mineralized bed and as a consequence, in some of the sections, the resulting interpretation was extremely complicated.

Regent's geologists first realized that the hypothesis described above was probably wrong, when they started to map the eastern high wall of the open pit around section 10. They found that an area of the pit wall, which had been interpreted as a barren layer between two favorable beds, was in actual fact well mineralized. They also noted when logging the drill core from their due diligence program that the configuration of the mineralization below the V1 bed was aligned with the vertical core and did not run across the core, which would have been expected with flat lying beds. They then recognized that what they were seeing conformed to the classic VMS model of mineralization and that the mineralization below the V1 layer most likely ascended along near vertical feeder structures and veinlets. There appears to be a strong possibility that immediately below the V1 layer the rocks were sufficiently brecciated, so the width of the feeder structures became large enough that, in effect, they formed a near continuous bed of mineralization. Nevertheless, below this one bed any mineralization was confined to the vertical feeder structures, which inevitably means there will be higher strip ratios when mining the lower elevation blocks. These strip ratios would in all likelihood determine the ultimate size of the pit and limit the mining of the mineralization. In addition because of the verticality of the feeder structures vertical drill holes could most likely miss a large part of this mineralization. Consequently to properly identify the maximum number of structures and the associated resources Regent's geologists are planning to carry out all their further drilling at a flat an angle as is found to be practical.

The Geologists developed plans of the V1 and V2 lenses and by estimating the average thickness of the mineralization within each polygon, they developed the total resource for the deposit. The same method was used by the writer in November 2004 for the first inspection of the deposit, with a reasonably good agreement with the Geologists' results. Nevertheless in this second evaluation, sections were used with hypothetical outlines of the mineralization developed on each. Both of the hypotheses were used to develop a set of the resources. This work was done mainly to determine if the choice of hypothesis affected the economic attractiveness of the project and it was determined that it did not, since the estimated resources were very similar by both interpretations and methods.

One section #10 has been chosen to show the difference between the two hypotheses and these have been included in the report as Illustrations 5 and 6. The summary of the resources found on each section with the likely strip ratios have been included as Tables 6 and 7. The Table 5 was developed to show the differences in the density of each type of mineralization and the waste as estimated by the Geologists, Regent's geologists and the writer. The comparison between the different resource estimates, as shown below, is remarkable in how close the estimates of the total resources are, given the wide spacing between the sections and the drill holes. The main difference between the estimates was the higher strip ratio that occurs with the Regent hypothesis, as noted above. A second difference is that it seems very probable that the dilution, which will be experienced in the pit, using Regent's hypothesis, is likely to be insignificant, partly because of the large block sizes that have been used.

The table below compares all of the estimates including the earlier one incorporated into the 2000 report by the Geologists.

Date	Estimator	Estimated Resources 1000's tonnes	Grade % Cu	Estimated Dilution	Est. Dil. Grade % Cu	Undil. Strip Ratio	Dil Strip Ratio
2000	Geologists ¹	43,819	1.04	N.E.	—	N.E.	—
2001	Geologists ¹	61,000	0.92	15 ²	0.78	3.0 ³	2.6
2005	PHC (Geologists' Hypothesis)	57,082	0.74	5	0.70	2.67	2.53
2005	PHC (Regent's Hypothesis)	63,288	0.76	0	0.76	5.29	5.29

Notes:

1. The two estimates made by the Geologists are determined by the size of the Mining Concession. It is understood that the first estimate excluded the Tianbao area, which is now rolled into the Mining Concession for the Deposit.
2. An allowance which is based on the number and size of the hypothesized beds.
3. An allowance based on the Geologists' interpretation of the mineralization.

It is recognized that there is insufficient drilling to be able to categorize the above estimates as anything but Potential Mineral Resources, but it is encouraging to see this agreement in the above table, which is the first step towards the establishment of a valid categorized, mineral reserve/resource on the property. There also appears to be a reasonable agreement in the grades of the intersections between the holes, consequently it is probable that further drilling will not appreciably change the estimated average grade of the deposit. Nevertheless it must be stated that the estimated potential quantities and grades shown above and in Tables 5 & 6 are conceptual in nature and in addition there is insufficient exploration on the property to define a mineral resource/reserve, so that at this time it is uncertain if further exploration will result in the establishment of a mineral resource/reserve on the property. On the other hand it should be stated that Simao-Shanshui has successfully mined approximately 700,000 tonnes from the deposit since May 2004 and has thus established the continuity of the mineralization in the mined area.

The past mining has exposed a mineralized pit face between sections 6 and 10, in addition approximately half of section 10 has been drilled at 100 meters spacing. Regent's geologists have mapped and sampled the exposed mineralization, so the mining experience plus the mapping and sampling allows more confidence to be placed on the mineralization in this area. It would seem that a small amount of mineralization could be classified as probable reserves. In deriving an estimate of this category of reserve it has been assumed that the mineralization will only continue into the 500 meters long face for 30 meters and since it has an average true width of 30 meters and an average density of 3.0 the total of these reserves amounts to 1.35 million tonnes. This quantity will allow mining to continue for the two years that are required to complete the fill-in drilling and evaluate and estimate the deposit's reserves.

It can be concluded from the work described above that the maximum likely resource is, slightly in excess of 60,000,000 tonnes with a grade of approximately 0.75% copper, when the grades are based on realistically sized mining blocks, as well as a little over a million tonnes, which can be classified as probable reserves. It seems evident that, whatever hypothesis is found to be correct, control of the mining dilution will be an important part of any mining operation. This concern and the large amount of rock, both ore and waste, that has to be moved makes the mining operation such a significant part of the total project that contracting out the work, as has been done by Simao-Shanshui would likely to be counterproductive, both in minimizing dilution and operating costs, as well as maintaining control of the operation.

6.0 Metallurgy

The current layouts of #1, 2 and 3 mills are quite simple. The installed equipment seems to be typical of normal small Chinese plants, though it is very clear that the equipment in the # 4 mill is larger, as well as being more advanced. The main features of the mills are:

- (1) The circuits are kept as simple as possible and the plants are built on hillsides, to allow the maximum use of gravity to simplify the control of the operation and possibly reducing pumping costs;
- (2) There is a minimum of instrumentation and automatic control of the plants;
- (3) The circuits are designed for bulk flotation only; and
- (4) It can be inferred that the goal of the plants is to maximize recovery of the main mineral copper, with little or no attention being given to increasing the grade of the concentrate, or optimizing the value of the product.

The table below sets out the approximate differences between the Simao-Shanshui and the typical North American performance for the V2 mill feed.

Operator	Recovery of Copper	Grade of Copper concentrate
Simao-Shanshui	92-93%	15-17%
North America	88-92%	22-28%

Obviously the aim of any metallurgical review should be to optimize the net margin from the milling operation and must include a consideration of the terms of the smelter contract and the transport cost of the concentrate to the smelter. The table above demonstrates that there appears to be ample scope for optimizing the current milling process. The suggested pre-production schedule (Illustration 8) gives the highest priority to the mineralogical and metallurgical aspects of the project, including a total review of the operating aspects of each plant.

7.0 Preproduction Scheduling and Costs

The pre-production activities that are described below have been scheduled in a very preliminary fashion (Illustration 8) and the schedule concludes with the construction of a new, much larger, #5 milling plant, that in the Base Case can handle the complete proposed production from the V2 lens. The schedule covers those engineering activities directly associated with the project and so does not include any mine development work, exploration, or other work that may be undertaken in the Exploration License areas, but outside of the mining concession.

The primary goal of the schedule is to maintain production from the # 1, 2, 3 mills and increase production from the #4 mill during the pre-production period, while all the time minimizing the duration of the period. A metallurgical review of all the existing mills would be carried out, so as to determine if there were any short term changes, or improvements that could be made, which would improve the performances of the plants and, as noted above, there would be a separate review of the #4 mill to determine the best way of increasing its throughput, during the construction period of the new #5 mill. It is shown in the Base Case schedule that the #1 and 4 mills will eventually be shut down, or taken out of the Dapingzhang Project. Whereas in the alternative Maximum Production case the #4 mill would be kept in production. The work of the #1 mill treating the V1 production would be replaced by one or both of the #2 and 3 mills, with their circuits revised, as needed, to produce two separate concentrates of copper and zinc. In the case of the V2 production the #2, 3 and 4 mills would be replaced in the Base Case by the one large #5 mill and in the Maximum Production case both the #4 and 5 Mills would be used. The interim enlargement of the #4 mill has another advantage, which is to allow the #2 and 3 mills to be taken off line and converted to handle the selective flotation of mineralization from the V1 lens. Once the #2 and 3 mills are converted and all the changes completed the #1 mill can then be moth-balled, or converted to other uses.

Bench scale metallurgical test work could commence as soon as a number of relatively small, representative, samples have been accumulated and in the interim much larger representative samples from both lenses must be collected, either from the ongoing mining operations, or from the drill hole rejects. These larger samples could be used to run pilot plant scale testing, both of the V1 selective flotation and of the large scale treatment of the V2 mineralization.

Two major assumptions have been made with respect to the drilling when developing the schedule and they are: (1) that there will be three phases of exploration and that in the latter two phases there will be at least 6 drills active on the mining concession area. The first phase is the "due diligence" program already started, which is due to be completed by year end. The drilling for 2006 is such that the final spacing between holes will not be greater than 100 meters, which should be sufficiently close, based on the results of the current drilling, to prepare reliable categorized reserves/resources. If it is found that closer spaced drilling will be necessary the area of the deposit is sufficiently large that additional drills can be readily placed on the ground, thus ensuring that the elapsed time required to complete this phase of work will not be increased.

As noted above, in the short term, the most important consultant is a metallurgist, who should, as soon as is possible, be commissioned to inspect the existing operating plants to determine if there are any immediate changes in operating techniques or revisions to the circuits, which can be made to improve their performance. Once the first phase of drilling is complete and the core logged a mineralogist should be called in to examine the core and take-away specimens for further, more detailed, examination. Again, as noted above, the bench scale metallurgical testing can probably start when the first phase of the drilling is complete and representative samples have been selected from the logged core, by the time the first metallurgical tests are completed a pre-feasibility study could probably be commissioned. The advantages of undertaking a pre-feasibility study are that: (i) the various phases of pre-production work can be critically examined to determine if they are indeed sufficient and properly scheduled and (ii) better and more detailed cost estimates can be prepared. The commencement of a final feasibility study could start as soon as the pilot plant metallurgy is complete, but it should be recognized that at this time the third phase of drilling may only be half complete. If the results from the drilling are not entirely satisfactory the study might have to be delayed, to allow the estimation of a reliable reserve/resource estimate, which could stretch out the entire schedule. It has been assumed in the schedule (Illustration 8) that financing would be needed to raise both the capital cost of the #5 mill and the purchase of mining equipment, which will be required before the joint venture can carry out its own mining and this financing would require the support of a full feasibility study. A period of 2 months has been allowed for the completion of the study and a further 3 months to raise the necessary financing. The design, construction and the running in of the #5 mill is assumed to take 12 months. Once the #5 mill is in production it has been assumed in the Base Case that the #4 mill would be taken off line and the equipment sold. In the Maximum Production case this mill would continue in full production.

The alternative scenario referred to and titled above as the Maximum Production case has been developed to examine the case where the fill-in and detailed drilling has been sufficiently favorable to allow the mining rate for the V2 lens to be increased from 11,500 tonnes per day to 15,500 tonnes per day. It seems evident from the sections developed by the Geologists that with the V1 lens draped on top of the V2 mineralization that the mining of the V1 mineralization must be finished a significant time in advance of the completion of mining the V2 lens. The Base Case allows a period of 5 years

to complete the mining of the V2 lens, which would seem to be readily achievable, with the current picture of the deposit as shown on the sections. The Maximum Production case, on the other hand, only allows 1 year from the completion of the V1 mining to the end of the mine life. This timing would seem to be tight and scheduling problems can be envisaged. The direct result of this type of problem would potentially lead to mixing of the V1 and V2 ores and in places create excessive dilution in the latter years of production. Nevertheless the scenario has been evaluated and in any case it would not be necessary to run the #4 Mill at its full production rate, in fact it can be retained merely to process any excess production and so in this case would provide good flexibility, as well as improving the revenue. At this time it does not seem to be worthwhile to investigate the case where the V1 lens is mined at a higher rate, for again high mining rates in this relatively small lens would likely to lead to excessive dilution. Nevertheless this and other scenarios should be investigated, once the fill-in drilling has been completed.

A simplified, pre-production schedule, for the period prior to the achieving of the full production rate, has been shown in the form of a Gantt chart in Illustration 8. It must be recognized that the ordering of the various work components that has been shown is only one among many alternatives. The choices of ordering will largely depend upon the priorities of management and the project staff. In addition the schedule has been further simplified by estimating the duration of the tasks in multiples of a month (30 elapsed days). A preliminary cost estimate for this pre-production program has been laid out in Table 11.

A series of notes and costs for the current operation have been included in this evaluation as Tables 8 to 10. Table 11, as noted above, consists of some preliminary estimates of the cost of the pre-production, or expansion, period. Table 12 consists of the May 2005 terms for the sale of copper concentrates to the Yunnan copper smelter. Table 13 shows a set of assumed values for the various parameters on which the costs of the proposed operation could be based. This last table also shows the daily and yearly production schedules for the two scenarios.

Table 1 — List of Exploration Work carried out by the Geologists

Item	Unit	Amount
Trenching	cm	23,293
Shallow Pits	m	716
Tunneling	m	656
Diamond Drilling (36 Drill Holes)	m	8,210
Geological Survey	skm	148
Soil Sampling	skm	1,321
Stream Sediment Survey	skm	301
IP Surveys	skm	102
Other Geophysical work	skm	47
Topographic Surveying	skm	51
Control Points established	#	59
Survey Points established	#	72
Eleven Section Profiles	km	9
Detailed Topography	skm	5
Geochemical Samples	#	2,832
Thin Sections examined	#	402
Density Samples	#	76
Whole rock analysis	#	17
Soil Samples	#	1,300
Metallurgical Tests	#	2

Table 2 — Simao-Shanshui first Exploration Licence

**According to PRC laws and regulations, it is qualified after examination,
herewith granting exploration rights and issuing this permit**

Number: 5300000530368

Exploration Rights Owner:	Simao Shanshui Minerals Ltd
Address of Exploration Rights Owner:	Shanshui Industry, Court Building, Chayuan Road, Simao
Name of Exploration Project:	Yunnan Province, Simao, Da Ao Zi Copper Multi-Metal Mine General Survey
Geographical Location:	Cuiyun District, Simao, Yunnan Province
Map Number:	F47E008019
Exploration Area:	3.84 Square Kilometres
Period of Validity:	from 14 April, 2005 to 13 April, 2006
Exploration Entity:	Yunnan Geology and Mineral Resources Stock Company Ltd.
Address of Exploration Company:	#178 Keyi Road, High Tech Industry Development Zone, Kunming

(Seal)

Land and Resources Bureau of Yunnan Province

14 April, 2005

Table 3 — Simao-Shanshui second Exploration Licence

**According to PRC laws and regulations, it is qualified after examination,
herewith granting exploration rights and issuing this permit**

Number: 5300000520476

Exploration Rights Owner:	Simao Shanshui Minerals Ltd
Address of Exploration Rights Owner:	Shanshui Industry, Court Building, Chayuan Road, Simao
Name of Exploration Project:	Yunnan Province, Simao, Periphery of Da Ping Zhang Copper Multi-Metal Mine General Survey
Geographical Location:	Simaogang Town, Simao, Yunnan Province
Map Number:	F47E008018, F47E007018, F47E007019, F47E008019
Exploration Area:	7.52 Square Kilometres
Period of Validity:	from 12 April, 2005 to 12 April, 2007
Exploration Entity:	Yunnan Geology and Mineral Resources Stock Company Ltd.
Address of Exploration Company:	#178 Keyi Road, High Tech Industry Development Zone, Kunming

(Seal)

Land and Resources Bureau of Yunnan Province

14 April, 2005

Table 4 — Simao-Shanshui Mining Concession

The People's Republic of China	
Mining Permit	
(original)	
Number : 5300000520208	
Mining Rights Owner:	Simao Shanshui Minerals Ltd
Address:	#9 Wuyi Road, Simao, Yunnan Province
Mine Name:	Simao Shanshui Minerals Ltd, Simao Dapingzhang Copper Mine
Type of the Company:	Limited Liability Company
Period of Validity:	10 Years, from August 2005 to August 2015
Minerals:	Copper, Lead zinc, Gold, Silver
Means of Mining:	Open air/Underground
Scale of Production:	200,000.00 Tns per Year
Mining Area:	2.751 Square Kilometres
Scope of Mining area:	(see copy)

(Seal)

Land and Resources Bureau of Yunnan Province

30 August, 2005

Table 5 — Comparison of Density Measurements

Type of Rock	The Geologists	Regent's geologists	Used in Estimates ¹
V1	4 tns/cm	3.85 tns/cm	3.8 tns/cm
V2	3 tns/cm	2.8 tns/cm	2.8 tns/cm
Waste	N.I.	2.75 tns/cm	2.7 tns/cm
Soil Overburden	2 tns/cm	N.I.	2.0 tns/cm
Average of waste	—	—	2.35 tns/cm

Notes:

¹, These amounts assume that this rock has already been diluted.

Table 6 — Summary of the estimated Potential Mineral Resources using the Geologists' interpretation of the mineralization

Section	Dist. between Sections in m	1000's tns of Resources		Grade in % Copper		1000's tns of Waste and overburden	Strip Ratio
		V1	V2	V1	V2		
25	200	152	—	1.3	—	94	0.62
19	360	889	339	2.2	0.56	4,864	3.96
9	320	—	1,812	—	1.06	18,574	10.25
7	220	—	2,944	—	0.44	27,608	9.38
1	350	319	397	0.45	0.19	9,048	12.64
6	300	401	20,778	4.5	0.75	24,686	1.19
10	150	513	7,971	0.55	0.54	16,391	2.05
12	150	—	10,798	—	0.56	24,146	2.23
16	200	34	9,464	2.0	0.89	24,440	2.58
20	410	—	92	—	0.70	867	9.42
32	400	—	179	—	0.35	1,551	8.66
Totals	3,060	2,308	54,774	1.93	0.69	152,269	2.67

The total calculated Resource amounts to 57,082,000 tns., grading 0.74% Cu with an overall average strip ratio of 2.67:1.

Table 7 — Summary of the estimated Potential Mineral Resources using Regent's interpretation of the mineralization

Section	Dist. between Sections in m	1000's tns of Resources		Grades in % Cu		1000's tns of Waste and overburden	Strip Ratio
		V1	V2	V1	V2		
25	200	171	728	1.30	0.40	13,395	14.9
19	360	901	1,512	0.50	0.40	10,069	4.2
9	320	—	4,500	—	0.47	22,867	5.1
7	220	—	3,911	—	0.77	25,881	6.6
1	350	665	2,019	0.40	0.40	24,428	9.8
6	300	4,332	13,524	3.00	0.91	30,315	1.7
10	150	445	7,875	0.55	0.40	21,044	2.7
12	150	250	7,885	1.00	0.53	41,242	5.2
16	200	—	4,179	—	0.81	30,842	7.4
20	410	—	7,979	—	0.37	100,005	12.5
32	400	—	2,352	—	0.35	14,476	6.2
Totals	3,060	6,764	56,464	2.13	0.60	334,564	5.29

- (1) The total calculated Resource amounts to 63,228,000 tns grading 0.76% Cu with an overall strip ratio of 5.29:1. This estimated potential resource has been used as the basis for the scoping estimates of the conceptual capital, operating costs and revenues that follow in the subsequent Tables.
- (2) Nevertheless, there is one area where probable reserves could be validly estimated. This is along the exposed face of the pit from section 6 to beyond section 10 a distance of 500 m. Regent's geologists* have mapped and sampled the exposed mineralization on sections 6, 8 and 10. The average width of the mineralization was found to be 30 m and assuming that the specific gravity of the rock is 3.0 (a mixture of V1 and V2 mineralization) and that this mineralization extends 30 m beyond the face the total tonnage that could be categorized in this manner is $30 \times 30 \times 500 \times 3 = 1,350,000$ tonnes.

* Geologists employed by the Regent Group

Table 8 — Notes and costs for the current Simao-Shanshui operation

A/ Total Production

The total production to date amounts to 700,000 tns of ore and 280,000 tons of waste and overburden giving a strip ratio of 0.40:1. Of the total production approximately half has come from the Tianbao Pit on Section 16.

B/ Reported Mill Data and Statistics

Mill #	Start-up Date ¹	Rated Through-put	Actual Average Through-put	Conc. Grades	% Rec. Copper	Approx. for running time	Approx. tons milled	Stockpiles		Man-power
								Grade Size	% Cu	
1	4/04	500	420	Zn 20-25% Cu 10-12%	92-93	15 mos.	189,000	30,000	2.5	70
2 ²	3/05	600	300	Cu 15-17%	80-84	6 mos.	54,000	70,000	1.0	65
3 ²	4/05	600	125	Cu 15%	N.D.	4 mos.	20,000	50,000	0.8	65
4 ³	6/05	2000	2000 ⁵	Cu 15%	90	2 mos.	121,000	110,000	0.8	80 ⁶
Totals		3,700	2,845				384,000	260,000	1.05	280

Total milled and stockpile- 644,000 tns⁴

Notes:

- 1, The dates are when the mills were designated to be operational, but in fact they mostly started up at least 2 months previously.
- 2, These mills were operated by a third party who took 30% of the mill profits.
- 3, It is understood that this mill was financed, built and has been operated by Yunnan Copper and that they take 20% of the profits from the operation.
- 4, There is at least 50,000 tns of broken ore in the pit, which would make up the estimated total break to 700,000 tns.
- 5, It has been assumed that this mill is running at the rated capacity.
- 6, The quoted crew in the initial testing period was 75.

C/ Reported Mill Operating and Capital Costs

(1) Reported Operating Costs in RMB ¥/tn

Cost Center	#1	#2	#3
Labor	6.02	3.48	3.98
Supplies	22.12	13.63	14.58
Power	20.05	18.44	18.65
Total Costs	48.19	35.55	37.21
Throughput tns/day	420	300	125

(2) Reported Plant Capital Costs in 1000's RMB¥

Cost Center	#1 Mill	#2 Mill	#3 Mill	#4 Mill	Tailings Dam
Fdns. & Bldgs.	9,840	8,415	7,548	16,023	28,100
Plant & M/cs.	15,490	15,995	19,673	35,786	—
Land Purchase	1,327	976	892	1,730	1,805
Totals	26,657	25,386	28,113	53,539	29,905

D/ Mining

(1) Contractor and Operations

The mining operation is totally contracted out to a local road building organization. The contract calls for the contractor to supply all manpower, supplies and equipment. It was stated that the total mining crew was made up of 86 men, whereas in the earlier report it was stated that there were 100 men in the mining crew.

The equipment consists of:

3	-	drills and jumbos
8	-	1.5 cm excavators/back hoes
3	-	2 cm front end loaders
3	-	bulldozers (D8 size)
20	-	10 tn trucks
10	-	30 tn trucks

The capacity of this crew and equipment is stated to be 7,000 tns ore/day and with a strip ratio of 0.4:1 the total rate would be 9,800 tns/day. There must be some excess capacity since it was stated that while accumulating the various stockpiles for the rainy season a mining rate of 11,000 tns/day was achieved over a short period, but this would have been without any need for waste to be handled.

The contract price for the mining is 7.5¥/cm for waste and overburden (7.5/2.35 or 3.2¥/tn) and 9.0¥/tn for ore. The charge for transport from the pit to the mills is 2.0¥/tn to #2, 3 and 4 mills and 36.0¥/tn to the #1 mill.

(2) Reported Mine Capital Costs in 1000's RMB¥

Cost Center	Costs in 1000's RMB
Buildings	2,377
Plant and Mobile Equip.	709
Land Purchase	3,328
Total	6,414

E/ **Reported Administration**

The staff is located in three places Simao, Simaogang and the Dapingzhang mine site, but the true administration takes place in Simao and Simaogang with a stated 25 men. The crew at the mine amount to 33, but the majority of these would (using N.A. practice) be allocated to the mine and the mill as shown below. The crew at the Dapingzhang site consists of:

5 Engineers	(should be allocated to the mine)
21 Quality control staff	(these being samplers and assayers should be allocated to the mill)
3 Secretaries	
2 Drivers	
2 Cooks and camp maintenance	

The true administration crew is thus 25 + 3 + 2 + 2 for a total of 32.

F/ Reported Concentrate Transport

This work is contracted out to independent truckers, who work as needed and when available.

The rates are as follows:

#1 Mill-	180¥/tn from May to February inclusive and 240¥/tn for the months of March and April
#2, 3 & 4 Mills-	210¥/tn for May to February inclusive and 270¥/tn for the months of March and April

G/ Labor Costs

The average wage for the Mine and Mill crews is 1,200¥/ month and for the Administration Staff it is 1,300¥/ month.

If it is assumed that there is an 8 hour working day and 28 working days/ month, then the hourly rates can be calculated to be 5.36¥/hour for the mine and 5.80¥/hour for the administration staff. The employer is charged 50% of the hourly costs to cover medical and social costs, whereas in North America the usual indirects amount to 35% , so that to be comparable the Chinese hourly rates must be increased by 15% to 6.16¥/hr and 6.67¥/hr respectively.

H/ Estimate of the Working Crew

Mine	$(86+100)/2^1 + 5^2 = 98$
Mill	$70+65+65+80+21^2 = 301$
Administration	$32 = 32$
Total	$= 431$

Notes:

1. average of the reported figures for June 2005 and Nov. 2004
2. crews allocated from the reported Administration manpower

Table 9 — Parameters used for the calculations of costs for a comparison of current mining and milling Costs

- Reasonable US Location close to Highway
- Average Wage US\$18.00/hr
- Moderate soil overburden
- Hot Climate
- Mod. Environmental Sensitivity
- Med. rock grinding hardness
- Mod. Level of Bureaucracy
- New Chinese Equipment throughput
- Reasonable rock competence with easy mining
- Mineralization

V1 (#1 mill) Copper-Zinc
V2 (#2, 3, and 4 mills) Copper/gold

- Open Pit Mining
- Contracted Mining
- No leased equipment
- Low cost Public Utility Power
- Sufficient Infrastructure existing for workers
- No transport of employees provided
- Surface Water available
- Undiluted resources:

V1 6.7 million tns grading- Cu 2.1%, Zn 7.7 Au 1.4 gpt¹, Ag 134¹ gpt
V2 56.5 million tns grading Cu 0.6%, Au 0.3 gpt²

- Estimated Dilution - 0%
- Metal Prices used:
 - Cu- US\$3,307.00/tn(US\$1.50/lb)
 - Zn- US\$1,212.50/tn (US\$0.55/lb)
 - Au- US\$13.50/grm (US\$420/oz.)
 - Ag- US\$0.18/grm (US\$5.70/oz)
- Estimated Mill Recoveries-
 - V1 mill feed Cu 90.3% and Zn 86.7%
 - V2 mill feed Cu 91.63 and Au 62.0%
- Recommended Milling Rates between 7,500 and 11,000 tns/day
- Actual mining rates:
 - #1 Mill- 425 tns/day (Max 500 tns/day)
 - #2 Mill- 300 tns/day (Max 600 tns/day)
 - #3 Mill- 125 tns/day (Max 600 tns/day)
 - #4 Mill- 2,000 tns/day

Notes:

- 1, The only estimate of precious metals in the massive sulfides (V1) are reported in the metallurgical tests by the Geologists. They are 2.66 gpt Au and 171 gpt Ag with a head grade of 6.1% Cu. Because of the copper grade is not representative the precious metals content has been arbitrarily reduced by 48% of the Au and 22% of the Ag.
- 2, The precious metal grades in the disseminated sulfides are reported as 1.4 gpt Au and 34 gpt Ag for a copper grade of 1.95% Cu. Because the copper grade was considerably higher than the average grade of the resources the gold grade was reduced by 80% and the silver content eliminated.

Table 10 — Comparison of Chinese actual costs and those based on North American Experience

A/ Development of conversion factors for N.A. estimates to Chinese costs

The purpose of developing these factors is to allow estimates based on North American experience to be converted, by the use of straightforward factors, to actual Chinese costs as have been shown in Table 8. The average wage paid at Dapingzhang, as derived in Table 8 is US\$0.75 for plant workers and US\$0.85/hr for staff and administration. The Chinese indirect costs for social security and pensions are estimated to amount to 50%. On the other hand the average wage paid in the United States is estimated to be US\$18.00/hr, which does not include indirect costs of approximately 35%. Finally experience has shown that the plant workers in China are approximately 5 times larger than in the

States and 7.5 times larger for administration and staff. These manpower factors are to a large extent determined by social conditions in China and could undoubtedly be reduced in the short term, especially when using expatriate supervisors, but it is believed in the long term a significant degree of reduction would be found to be counterproductive.

The estimate of gross wages are:

Chinese Plant workers are	US\$0.75 x 1.50 x 5	= US\$5.62/hr
Chinese Admin. staff are	US\$0.85 x 1.50 x 7.5	= US\$9.56/hr
U.S. labor will be	US\$18.00 x 1.33	= US\$24.00/hr

The wage conversion factors can be calculated to be:

Plant employees-	0.23
Staff and Admin-	0.40

A factor for Capital costs assuming there is a content of 30% labor and 70% equipment and supplies, part of which have to be imported has been calculated as follows: $(0.23 \times 0.3) + (0.67 \times 0.7) = 0.54$

The factor for power, supplies and equipment assuming that they are of 100% Chinese manufacture are also estimated to be 0.54.

In addition, experience has shown that the Chinese cost of buildings, foundations, excavations and employee housing are 50% of the North American cost due partly to the use of very low cost local material and partly to social conditions.

B/ Comparison of the actual reported Mill costs with estimated and converted Costs

The parameters for these costs have been set out on the previous Table 9. The list of "actual" mill costs shows that there are a number of unexplained anomalies as shown below:

- (1) Unit Labor costs for the #2 mill are 60% of those for the #1 mill, for a drop in throughput of 30%, instead of showing a significant increase.
- (2) Unit power costs remain almost constant for the mills, whereas in the case of #3 mill there is almost a 100 % drop in throughput, so one would have expected a 30% increase.
- (3) Labor, supply and manpower in #3 mill increase only 14, 7 and 1% respectively, for a halving of throughput compared to the #2 mill, whereas all of these unit costs should have increased by more than 30%.

- (4) The manpower in these mills is approximately 80% of what would have been expected using the conversion factor, though this could be explained by (i) the total lack of any crew for control and instrumentation and (ii) the fact that all the assayers and sample men are included under administration.

The table below sets out the actual and estimated costs, for these mills.

Mill	Actual Costs and Mnpwr				Estimated Costs and Mnpwr at the stated throughputs				Estimated Cost and Mnpwr at the rated throughput					
	Tons/ day	Lab.	Supplies	Pwr. Mn. pwr.	Lab.	Supplies	Pwr. Mn. pwr.	Tons/ day	Lab.	Supp	Pwr. Mn. pwr.			
1	420	0.73	2.70	2.44	70	1.56	3.10	2.62	95	500	1.50	3.03	2.52	100
2	300	0.42	1.66	2.24	65	1.78	3.00	3.96	80	600	1.32	2.52	2.30	105
3	125	0.48	1.78	2.27	65	2.76	3.91	4.81	50	600	1.32	2.52	2.30	105

It must be concluded that the estimated costs are significantly higher than the actuals and this may be explained by, as noted above, the lack of control and testing staff, the emphasis on bulk flotation of all sulphide making for a very simple circuit with a resultant low grade and low value concentrate and finally the possibility that the reported costs may be significantly optimistic. It was very evident that to minimize corporate taxes there is a certain amount of creative accounting carried out, which would make it necessary to maintain two sets of costs. Finally it is very apparent that the estimated costs at the rated throughput are the closest to the actual costs.

C/ Transport Costs

The reported transport costs have already been discussed in Table 8 but have been tabulated below in terms of unit costs that is \$/tn km. The standard against which these costs have been compared is the old rule of thumb of US\$0.10/st mile, which when escalated for inflation and converted to metric measures amounts to US\$0.09/tn km, using a conversion factor of 0.54 the Chinese cost should be in the order of US\$0.05/tn km. The reported costs and the relevant distances and the estimated costs have been tabulated below:

Transport Leg	Reported cost in US\$/tn	Est. distance in km	Transport cost in US\$/tn km
Mine to mills 2, 3 and 4	US\$0.24	1.2	US\$0.20
Mine to Mill #1	US\$4.39	30.0	US\$0.15
Concentrates from Mill #1	US\$23.17	405	US\$0.06
Concentrates from Mills 2, 3 and 4	US\$26.83	425	US\$0.06

It is evident that the mine contractor is overcharging for his hauling work and that the cost of the concentrate haul, which is the most important rate, is about right, but has been reduced to a realistic US\$0.05/tn km in the cost estimates.

D/ Mining Costs

The mining equipment, crew and costs are all covered by the contract price. The rate is assumed to be appropriate for the total rated throughput of the mills using a 1:1 strip ratio, which amount to 7,400 tns/day. The reported recent performance of 11,000 tns/day is assumed to be due to special circumstances. That is little or no breaking and no waste stripping and it would probably have been for a very short time and not sustainable. The table below compares the estimated and actual costs for the median and maximum rates.

Type	For a rated throughput of 7,400 tons/day			For the maximum throughput of 11,000 tons/day			Actual Contract costs		
	Costs in US\$/ton	Mnpwr.	Equip.	Costs in US\$/ton	Mnpwr	Equip.	Costs in US\$/ton	Mnpwr	Equip.
Waste							\$0.40		
Ore							\$1.34		
Average cost using a 1:1 strip ratio	0.71	220	Shovel Cap. 8cm . Truck Cap. 270 tns	0.60 ³	275	Shovel Cap. 9cm Truck Cap. 340 tns	\$0.871	110	Shovel Cap. 16cm Truck Cap. 350 tns ²
Est Equip. cst			US\$4.0 million			US\$5.7 million			

Notes:

- 1, Costs include transport to #2, 3 and 4 mills
- 2, Allows 5-30tn trucks free for the #1 mill haul
- 3, Assuming a 20% fee for profits and overheads and a 20% allowance to write-off the equipment the gross cost should be US\$0.86/tn.

There are two comments that can be made on the mining, which are:

- (1) The contractor is probably overstocked with shovel equipment, which is most likely the correct procedure given what appears to be the non-existent facilities for general maintenance.
- (2) The labor factor appears to be half of the estimated amount, or 2.5 instead of 5, which given that the work is controlled by the equipment is likely to be correct.

Finally the contract cost appears to be fair, if the contractor is fulfilling the stated terms. It is not possible to discuss the actual or proper dilution that has occurred due to the lack of data, which is the one aspect of the contractor's work that is most likely to be unsatisfactory.

E/ Conclusion

The cost model using the derived factors developed in the Table appear to be reasonable and will tend to give costs that are slightly on the high side and so it should always be possible to do better than the estimates shown in this report.

Table 11 — Estimates of Special pre-production Capital Costs

All of the Activities for which costs have been developed in the Table below have been shown in the Pre-production Schedule (Illustration 8).

Description of Activity	Estimated Chinese Costs in US\$
Diamond Drilling	3,120,000 ¹
Mineralogy	30,000 ²
Metallurgical Test work	250,000 ³
Metallurgical Review of existing Mills	50,000 ²
Pre-feasibility and Feasibility Studies	350,000 ²
Renovation and Revisions to #2 and 3 Mills	34,000 ⁴
Closure of #1 and 4 Mills	14,500 ⁵
Expanding capacity of #4 Mill	250,000 ⁶
Sale/disposal of #4 Mill Equipment*	(2,000,000) ⁷
Pre-production Waste Stripping	5,100,000 ⁸
Total*	9,198,500

Notes:

- 1, 10,600m in first phase, 10,000m in 2nd phase and 10,600m in 3rd phase for a total of 31,200 m at US\$100/m
- 2, Assumes a North American Consultant
- 3, Assumes Chinese Laboratories used
- 4, Assumes Chinese labor, 30 men for 4 months, plus 30% of labor cost for supplies and equipment.
- 5, Assumes Chinese labor 20 men for 2 months plus 10% of labor cost for additional supplies.
- 6, Based on the installation of 2 small re-grind mills and two additional banks of flotation cells and new filtering equipment.
- 7, Based on recouping 45% of the original cost of the mill equipment.
- 8, 3 months work was allowed to catch up with the waste stripping. This would take the high wall back, from the edge of the current pit, approximately 100m with provision for safety berms and a final slope of 45 degrees.

* The income from eliminating the #4 Mill is not shown in the total costs, since it is dealt with separately in the cash flows.

Table 12 — A review of the smelter terms and the potential deductions from the concentrates

(1) Summary of Smelter Terms

- The sales cost is stated to be the equivalent of US\$0.01/lb copper.
- The sales tax is stated to be 6% of the revenue or approximately US\$0.09/lb copper.
- The smelting cost at the current sales price of US\$1.50/lb is noted to be 38% of the metal value leaving a net back of US\$1.08/lb or US\$2,380/tn
- A concentrate grade of 25% copper is acceptable and carries no penalty. With a concentrate grade of 15 to 20% the penalty is US\$10/tn or US\$0.45/lb.
- A water content of 14% or less is acceptable, but there is a penalty of US\$0.62/tn/%. With a likely 6% over the acceptable amount the penalty will be US\$17/lb.
- Sulphur is not paid for
- Gold is not paid for under 1 gpt
- Silver is not paid for under 20 gpt
- An Arsenic content of above 0.3% is penalized and rejected above 2%
- Zinc and lead are penalized above 8%
- A Bismuth content of above 0.1% is penalized and rejected above 0.2%

(2) Estimate of the net back from the current V2 concentrates

The basic net back allowed is	US\$1.08/lb
The penalty for low grade is	US\$0.45/lb
The penalty for water is	US\$0.17/lb

The total penalty is US\$0.62/lb, or 57% of the basic net-back

(3) Current treatment of the V1 Concentrates

The process is as follows:

- (i) The concentrates are taken to a Fertilizer plant north of Kunming and with mild roasting the majority of the sulphur is burnt off and a payment is made for it. The Zinc is reduced to Zinc Oxide.
- (ii) The calcines are then taken to a Zinc smelter, where the Zinc Oxide is roasted off and the copper concentrates reduced to a matte. The smelter then makes a payment for the Zinc.
- (iii) The copper matte is taken to a copper smelter where the matte is refined and sold.

There was insufficient time to determine the exact terms and costs of the process, the recoveries and the net payments etc. In the cash flow estimates that follow it has been conservatively assumed that the shipper would recover 100% of the normal net back for the copper with no penalties and 67% of the net-back from the Zinc.

(4) Concentrate Values in the Production Period

It has been assumed as a consequence of the test work carried out in the pre-production period, that both the grade and water content of all the concentrates can be made acceptable to the smelters and no penalties will apply. It is further assumed the precious metal content of the concentrates will be sufficiently high so payment will be made for them. Finally it is assumed that the content of both Arsenic and Bismuth in the concentrates will be low enough that they will be acceptable to the smelter and without penalty. Nevertheless it should be pointed out that there do not seem to be any assays for these metals available in the reports.

(5) Transport

In this estimate and the following calculations it is assumed that all of these costs are charged to the copper concentrates, The cost for shipping a tn of concentrate to Kunming is $\$0.05 \times 405 = \20.52 . Assuming that the grade of the concentrates are 25% Cu then the cost of shipping /tn of copper is \$81.00, or US\$0.08/kg Cu, which makes the true net-back US\$2.30/kg.

Table 13 — Parameters for estimating the costs and revenues from the Pre-production and Production Periods

- Reasonable US Location close to highway
- Average wage US\$18.00/hr
- Moderate treed Topography
- Moderate soil Overburden
- Hot Climate
- Med. Environmental Sensitivity
- Med Grinding Hardness
- Med. degree of Bureaucracy
- New Chinese Equipment
- Reasonable rock competence with easy mining
- Mineralization:
 - V1 lens at #1 mill for copper/ zinc and precious metals mineralization
 - V2 lens at #2, 3, and 4 Mills copper/ gold mineralization with some silver
- Open Pit Mining
- Contract mining used for first year and by mine thereafter
- Own equipment used
- Low cost utility power available
- Bunkhouse style accommodation needed in 2nd year
- Company supplied bus transport only needed in 2nd year
- Surface water available

- Estimated diluted resources:

V1 6.7 million tns grading 2.1% Cu, 7.7% Zn, 1.4 gpt Au, and 134 gpt Ag

V2 56.5 million tns grading 0.6% Cu and 0.3 gpt Au

- Dilution 0%

- Strip ratios:

V1 1:1

V2 5.6:1

- Assumed metal prices:

Copper	US\$3.30/kg	(US\$1.50/lb)
Zinc	US\$1.20/kg	(US\$0.55/lb)
Gold	US\$13.50/gram	(US\$420/oz.)
Silver	US\$0.18/gram	(US\$5.70/oz.)

- Recommended Mining Rates:

V1 from 1,900 tns/day (10.5 yrs of life) to 2,300 tns/day (9 yrs life)

Chosen rate 1,900 tns/day

V2 from 9,400 tns/day (18 yrs life) to 11,350 tns/day (15 yrs life)

Chosen rate 11,500 tns/day

- Concentrate Haul- 405 km

- Daily Production Schedule

Mill Number	Base Case		Maximum Production Case	
	Throughput in Tons/day	Strip Ratio	Throughput in Tons/day	Strip Ratio
<u>1st year of pre-production work</u>				
Mill #1 V1	500	1:1	500	1:1
#2 V2	600	5.6:1	600	5.6:1
#3 V2	600	5.6:1	600	5.6:1
#4 V2	2,000	5.6:1	2,000	5.6:1
Subtotal Mining	3,700 tns/day		3,700 tns/day	
<u>2nd year of pre-production</u>				
Mill #2 V1	950	1:1	950	1:1
#3 V1	950	1:1	950	1:1
#4 V2	4,000	5.6:1	4,000	5.6:1
Subtotal Mining	5,900 tns/day		5,900 tns/day	
<u>1st Year of Production</u>				
Mill #2 V1	950	1:1	950	1:1
Mill #3 V1	950	1:1	950	1:1
Mill #4 V2	—	—	4,000	5.6:1
Mill #5 V2	11,500	5.6:1	11,500	5.6:1
Subtotal Mining	13,400 tns/day		17,400 tns/day	
<u>10th Year of Production</u>				
Mill #4 V2	—	—	4,000	5.6:1
Mill #5 V2	11,500	5.6:1	11,500	5.6:1
Subtotal Mining	11,500 tns/day		15,500 tns/day	
<u>14th Year of Production (last year in operation)</u>				
Mill #5	11,500 tns/day	5.6:1	—	—

- Yearly Depletion Schedule

All quantities shown in the table below are in 1000's of metric tons.

The resources are rounded out to the nearest year of production, so that there are no fractional production years.

Year	Lens	Base Case		Maximum Production Case	
		Yearly Production	Cumulative Production	Yearly Production	Cumulative Production
First Year of Pre-production	V1	170	170	170	170
	V2	1,088	1,088	1,088	1,088
Second Year of Pre-production	V1	646	816	646	816
	V2	1,360	2,448	1,360	2,448
1st to 9th Years of Production	V1	646 x 9 = 5,814	6,690	646 x 9 = 5,814	6,690
	V2	3,910 x 9 = 35,190	37,638	5,270 x 9 = 47,430	49,878
10th to 14th Years of Production	V1	—	—	—	—
	V2	3,910 x 5 = 19,550 ²	57,188	5,270 x 1 = 5,270	55,148 ¹

Notes:

1, in this case the remaining resources are depleted in approximately 2 months so effectively the operation terminates in the 10th year of Production.

2, in this case the operation would terminate in the tenth month of the 14th year of Production.

Illustration 1

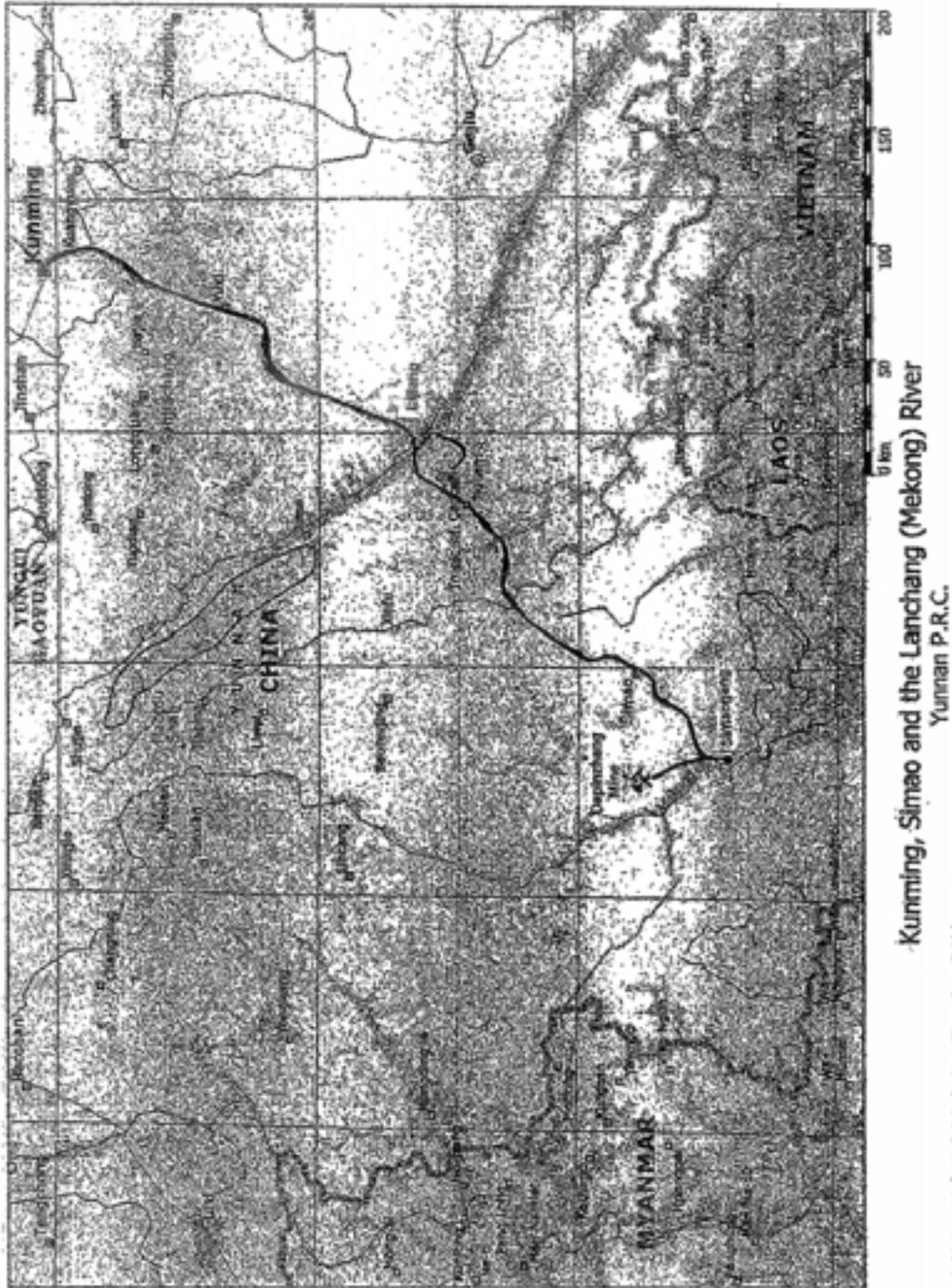
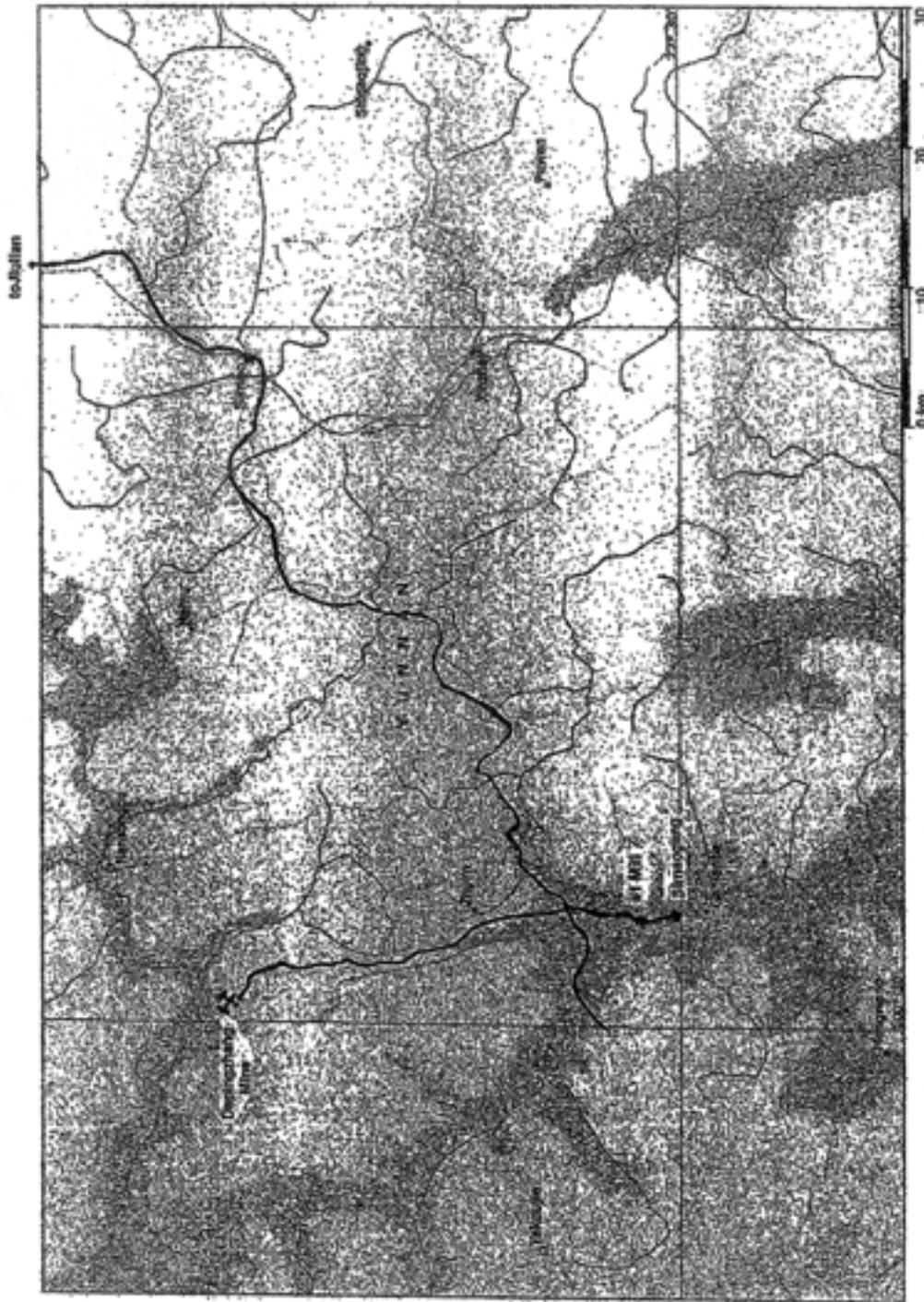
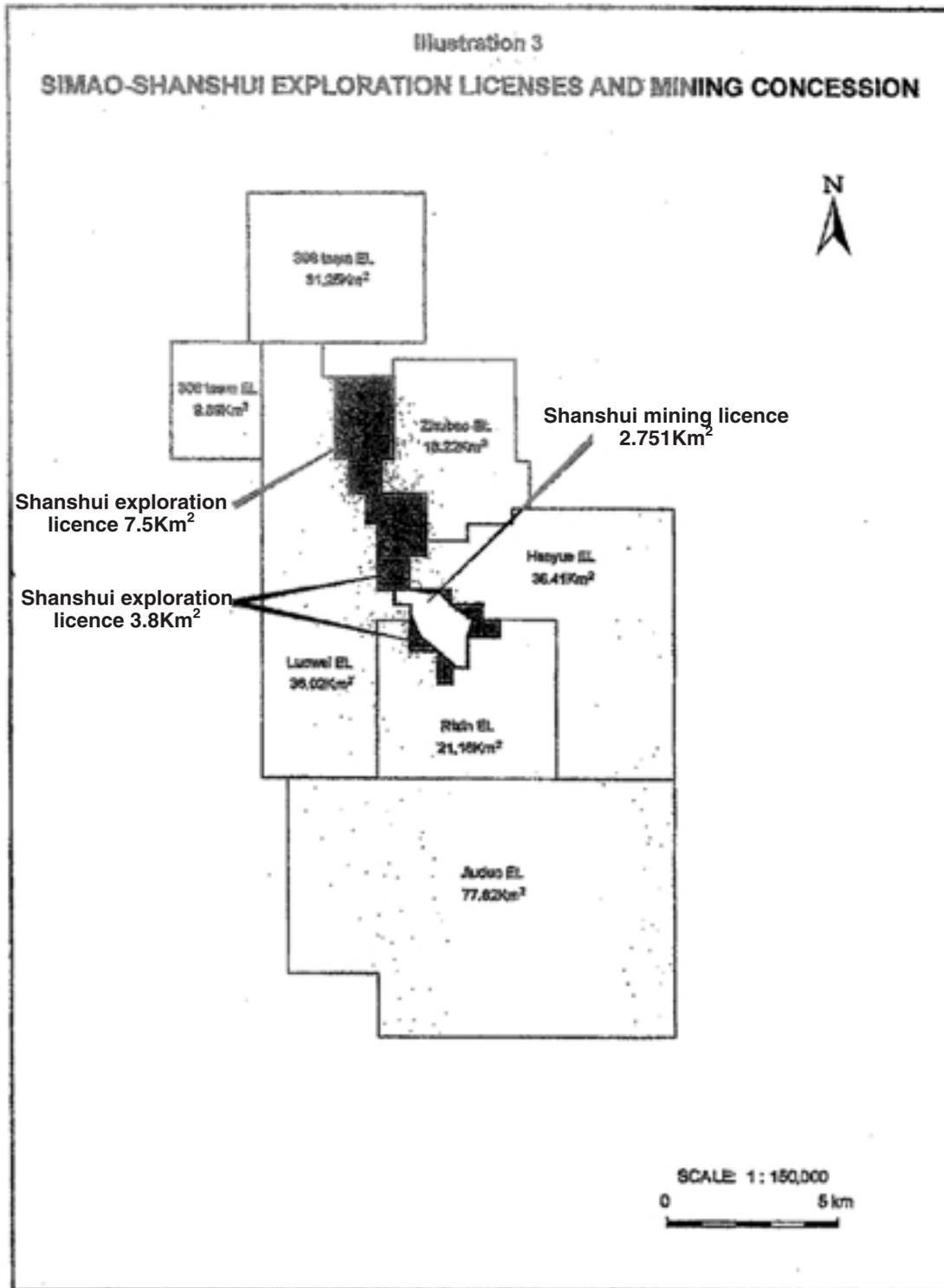


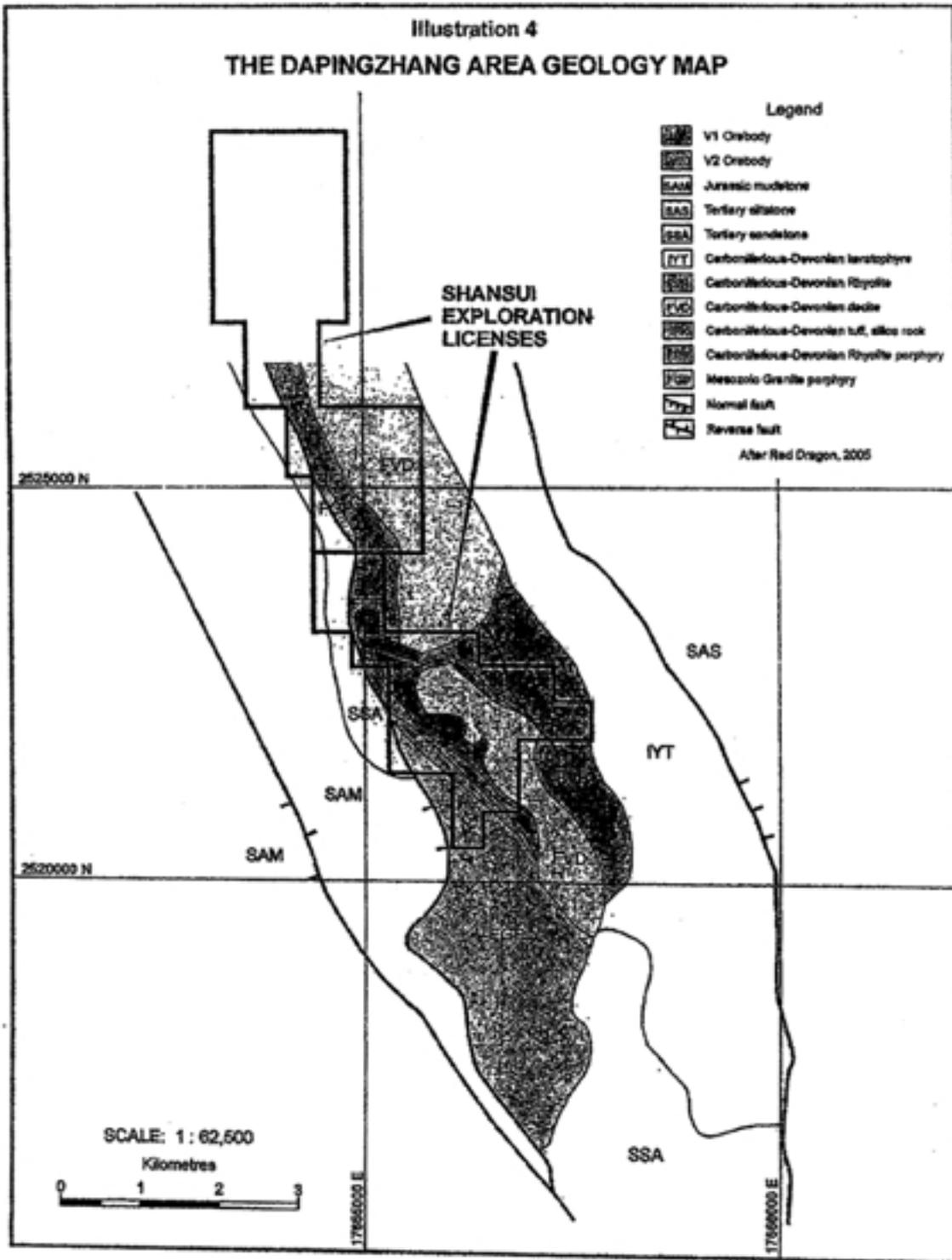
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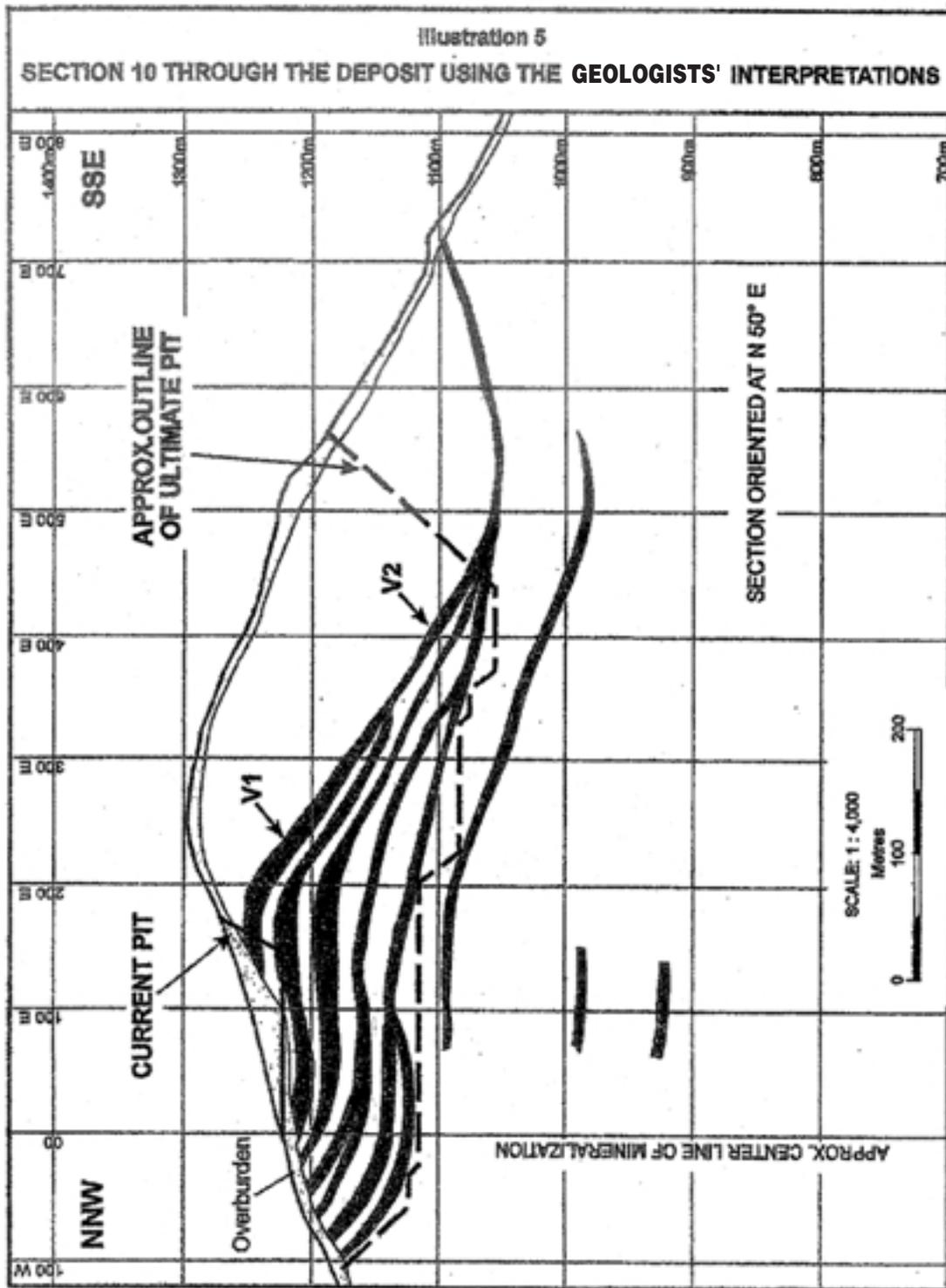


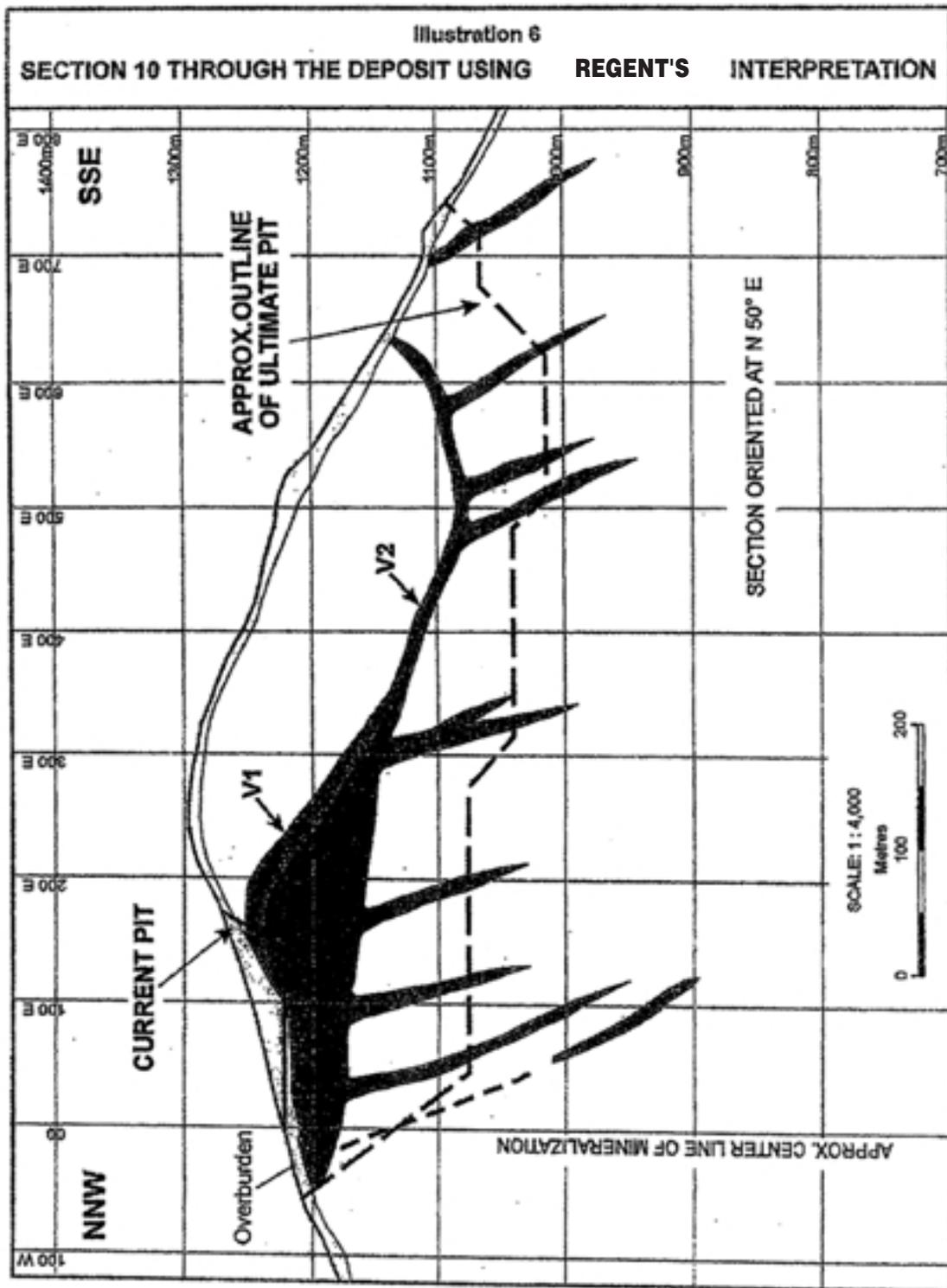
The Dapingzhang Deposit and Simiao
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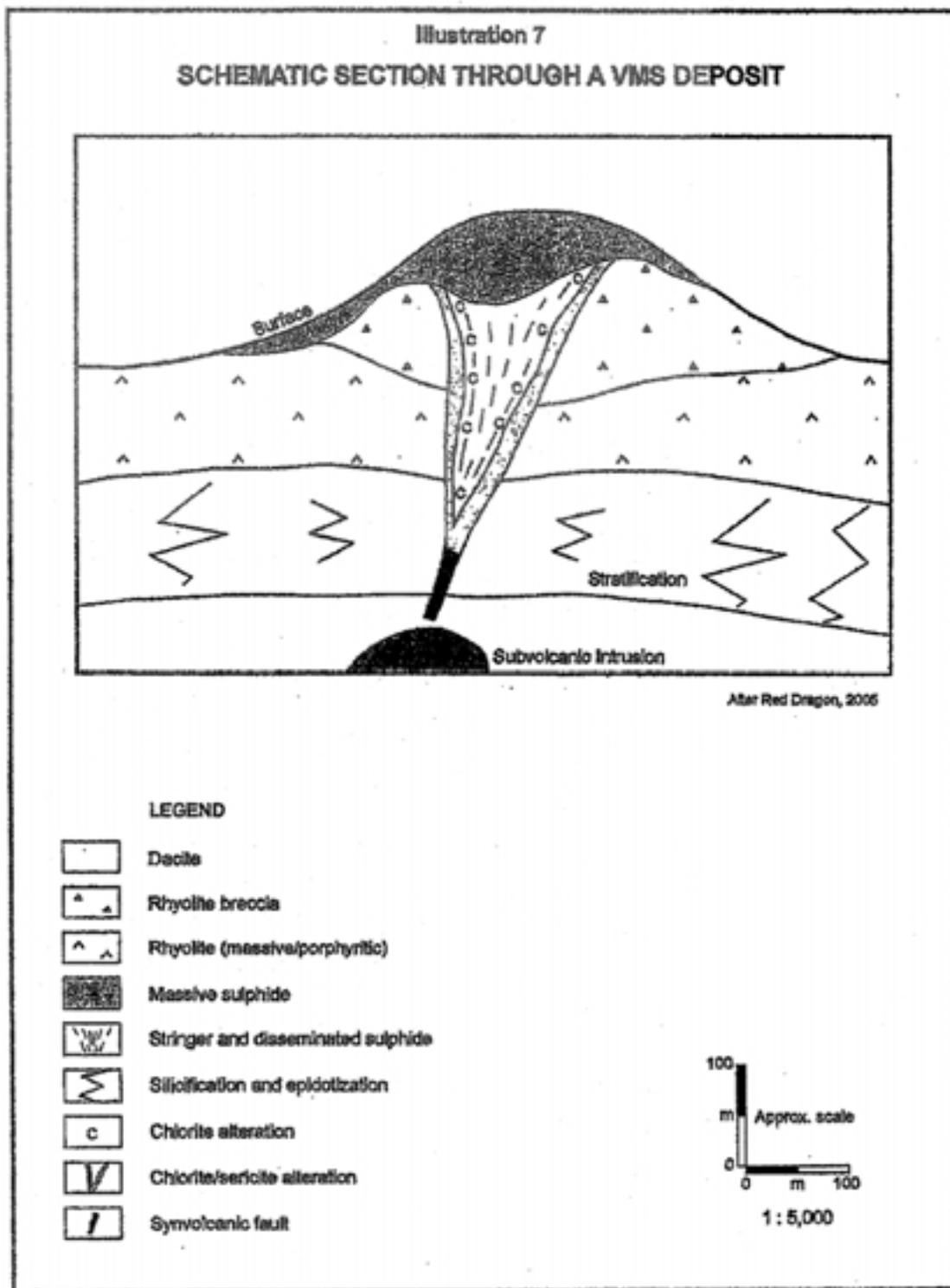
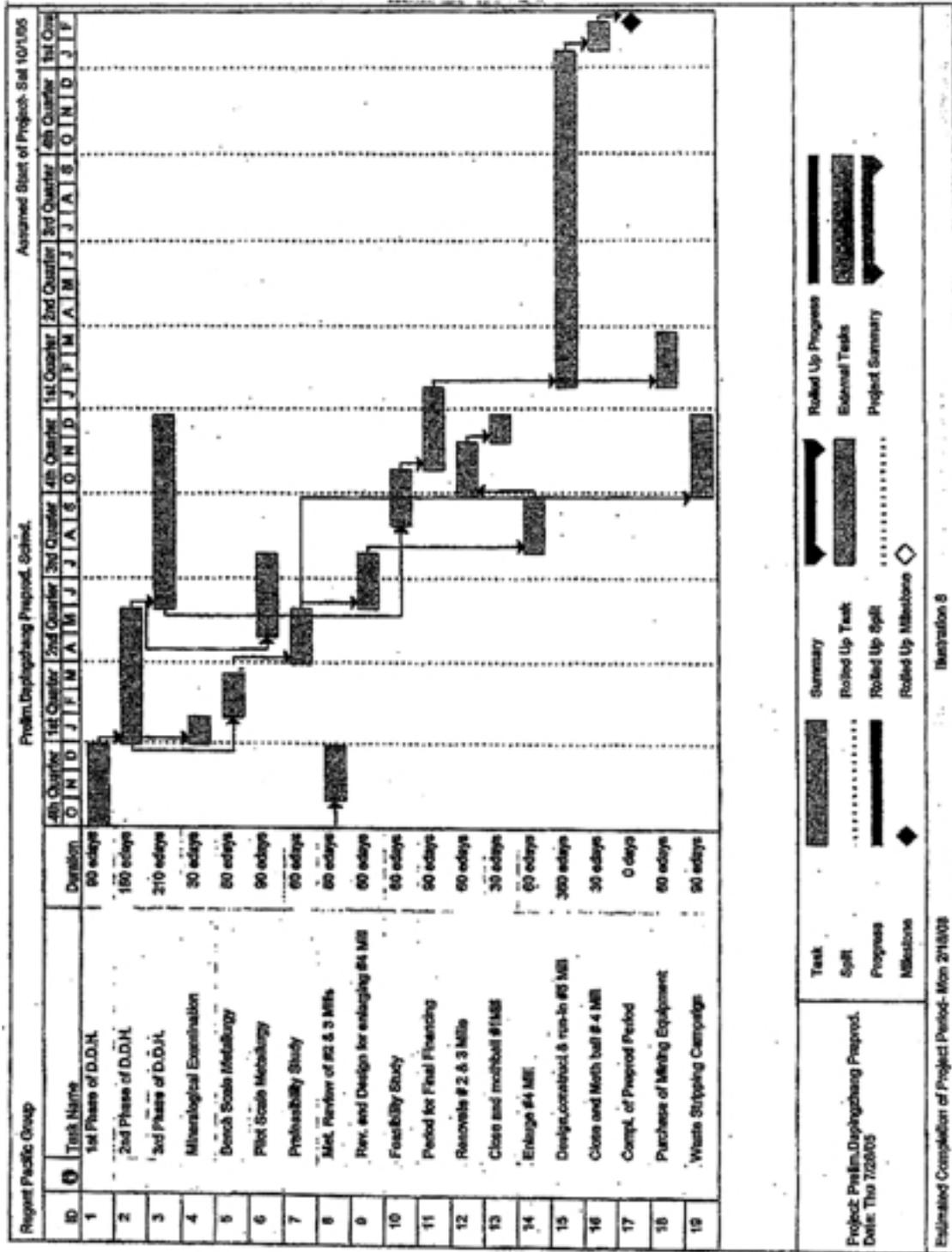


Illustration 8



1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading in any material respect; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors of the Company had the following beneficial interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company or of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code:

1. Securities of the Company

a. Ordinary shares of US\$0.01 each

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % of holding**
James Mellon		Beneficial owner	Long position	43,216,180	3.56%
	A	Beneficiary of a trust	Long position	274,134,249	22.56%
Jamie Gibson		—	—	—	—
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Patrick Reid		—	—	—	—
Mark Searle		Beneficial owner	Long position	4,194,444	0.35%
	B	Beneficiary of a trust	Long position	50,000	0.00%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	1.41%
	C	Beneficiary of a trust	Long position	27,965,226	2.30%
Anderson Whamond	D	Beneficiary of a trust	Long position	5,826,088	0.48%

* These numbers do not include the numbers of deferred shares in the issued capital of the Company and the ordinary shares to be issued upon exercise of the outstanding options under the Company's share option scheme held by the Directors, which are disclosed in sub-paragraphs (b) and (c) respectively below.

** The total issued ordinary share capital of the Company as at the Latest Practicable Date consisted of 1,215,218,512 ordinary shares.

b. Deferred shares of US\$0.01 each

Indigo Securities Limited, a private company indirectly and wholly owned by the trustee of a settlement of which James Mellon is a beneficiary, holds 86,728,147 non-voting convertible deferred shares of US\$0.01 each in issue in the capital of the Company.

c. Options of the Company

The Company's Share Option Scheme (2002) was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002 and shall continue in force until the tenth anniversary of its commencement date, which will be 15 November 2012.

As at the Latest Practicable Date, the following Directors of the Company had personal interests in options granted under the Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US\$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

Name of Director	Date of grant	Total number of shares subject to the option#	Subscription price per share (HK\$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK\$)
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 - 8 September 2014	3,666,666	10.00
Clara Cheung	9 September 2004	3,500,000	0.266	9 September 2005 - 8 September 2014	1,166,666	10.00

The options entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of grant. All entitlements then remain unexercised will lapse.

2. Securities of associated corporations

a. Ordinary shares of US\$0.01 of AstroEast.com Limited (note E)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % of holding
James Mellon	—	—	—	—	—
Jamie Gibson	—	Beneficial owner	Long position	225,000	0.80%
Clara Cheung	—	—	—	—	—
David Comba	—	—	—	—	—
Julie Oates	—	—	—	—	—
Patrick Reid	—	—	—	—	—
Mark Searle	—	—	—	—	—
Jayne Sutcliffe	—	Beneficial owner	Long position	150,000	0.54%
Anderson Whamond	—	Beneficial owner	Long position	150,000	0.54%

b. Ordinary shares of US\$0.01 of bigsave Holdings plc (note E)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % of holding
James Mellon	—	—	—	—	—
Jamie Gibson	—	Beneficial owner	Long position	131,579	0.33%
Clara Cheung	—	—	—	—	—
David Comba	—	—	—	—	—
Julie Oates	—	—	—	—	—
Patrick Reid	—	—	—	—	—
Mark Searle	—	—	—	—	—
Jayne Sutcliffe	C	Beneficiary of a trust	Long position	350,000	0.88%
Anderson Whamond	—	Beneficial owner	Long position	350,000	0.88%

Notes:

- A. The 274,134,249 shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.
- B. The 50,000 shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.
- C. The 27,965,226 shares in the Company and the 350,000 shares in bigsave Holdings plc are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.
- D. The 5,826,088 shares in the Company are held by a pension fund, of which Anderson Whamond is the sole beneficiary.
- E. AstroEast.com Limited and bigsave Holdings plc are indirect 51% and 64.3% owned subsidiaries of the Company respectively. The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the Company's financial statements.

Save as disclosed herein, as at the Latest Practicable Date none of the Directors (or their associates) had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the following persons (other than James Mellon, whose interests are set out in detail under the section headed "Directors' Disclosure of Interests") had the following beneficial interests in the shares of the Company, which were recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO):

Name of shareholder	Class of shares	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % of holding**
Peter Devas Everington	Ordinary shares	Beneficial owner	Long position	19,377,000	1.59%
	Ordinary shares	Family interests	Long position	24,450,000	2.01%
	Ordinary shares	Beneficiary of a trust	Long position	21,841,210	1.80%
The Gladiator Fund	Ordinary shares	Beneficial owner	Long position	56,681,000	4.66%
The State of Wisconsin Investment Board	Ordinary shares	Beneficial owner	Long position	82,567,940	6.80%

** The total issued ordinary share capital of the Company as at the Latest Practicable Date consisted of 1,215,218,512 ordinary shares.

Save for such interests, the Directors are not aware of any other persons who, as at the Latest Practicable Date, had beneficial interests and short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests and short positions which they were deemed or taken to have under such provisions of the SFO).

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors has any existing or proposed service agreement with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

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

6. DIRECTORS' INTEREST IN CONTRACTS

The following is a summary of connected transactions (as defined in Chapter 14A of the Listing Rules) of the Company and significant contracts (as referred to in Paragraph 15 of Appendix 16 to the Listing Rules), which subsisted as at the Latest Practicable Date, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company is/are or was/were materially interested, either directly or indirectly.

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

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

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

As at the date of the loan agreement, James Mellon was a director of AstroEast. In addition, each of Jayne Sutcliffe, Anderson Whamond and Jamie Gibson held an interest of less than 1% of its total issued share capital. James Mellon resigned as a director of AstroEast on 3 June 2003 but was re-appointed on 5 February 2004.

As at the Latest Practicable Date, an amount of US\$51,436.44 (approximately HK\$401,204), inclusive of accrued interest, was outstanding under the loan agreement.

The loan agreement is, however, not a connected transaction of the Company under the new Chapter 14A of the Listing Rules, which took effect on 31 March 2004.

- (2) Six facilities agreements dated 24 January 2002, 6 February 2002, 24 April 2002, 23 July 2002, 29 July 2002 and 1 November 2002 respectively were entered into between (a) bigsave Holdings plc (“**bigsave**”), an indirect 64.3% owned subsidiary of the Company, as borrower and (b) Burnbrae Limited as lender, pursuant to which Burnbrae Limited agreed to advance unsecured interest-bearing loan facilities of maximum amounts of GBP80,000 (approximately US\$141,420), GBP300,000 (approximately US\$530,340), GBP75,000 (approximately US\$132,590), GBP25,000 (approximately US\$44,200), GBP75,000 (approximately US\$132,590) and GBP150,000 (approximately US\$265,170) respectively to bigsave.

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

Burnbrae Limited is a private company wholly-owned by a trust, of which James Mellon is a beneficiary. At the time of the facilities agreements, Anderson Whamond was a director of Burnbrae Limited, and James Mellon was a director of bigsave. Each of Jamie Gibson, Jayne Sutcliffe and Anderson Whamond was interested in less than 1% of the issued share capital of bigsave.

As at the Latest Practicable Date, an amount of GBP987,042.50 (approximately US\$1,744,890 or HK\$13,610,140), inclusive of accrued interest, was outstanding under the facilities agreements.

The facilities agreements are connected transactions of the Company under the new Chapter 14A of the Listing Rules, which took effect on 31 March 2004, but are not subject to any disclosure or shareholders’ approval requirements as connected transactions in accordance with the new Rule 14A.65(4).

The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the financial statements.

Save for the above, no connected transactions (as defined in Chapter 14A of the Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the Listing Rules) of the Company, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company has/had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

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

As at the Latest Practicable Date, none of the Directors of the Company owed any outstanding amount on any relevant transactions (including loans, quasi-loans and credit transactions) as required to be disclosed under Paragraph 28(8) of Appendix 16 to the Listing Rules and Section 161B of the Companies Ordinance of Hong Kong.

Save as disclosed in this circular, none of the Directors has, since 31 March 2005, being the date to which the latest published audited consolidated financial statements of the Group have been made up, any direct or indirect interest in any assets acquired or disposed of by or leased or proposed to be acquired or disposed of by or leased to any member of the Group.

7. EXPERTS

The following are the qualifications of the expert who has given his opinion or advice which is contained in this circular:

Name	Qualifications
Peter H. Cowdery	MBA P.Eng., registered member of the Association of Professional Engineers of Ontario and a member of the British Columbia Association of Professional Engineers
PricewaterhouseCoopers	Certified Public Accountants

- a. Both of Mr. Peter H. Cowdery and PricewaterhouseCoopers have confirmed that none of them has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- b. Each of Mr. Peter H. Cowdery and PricewaterhouseCoopers has given and has not withdrawn his/its written consent to the issue of this circular with the inclusion of his report/its letter and references to his/its name in the form and context in which they are included.
- c. The report prepared by Mr. Peter H. Cowdery was dated 14 September 2005 and was given for incorporation in this circular.
- d. Mr. Peter H. Cowdery has no interest in any assets which have been within 2 years immediately preceding the date of this circular acquired or disposed of by or leased to any member of the Group.

8. LITIGATION

There are no litigations or claims of material importance pending or threatened against the Company or any subsidiary of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within 2 years preceding the date of this circular:

- (a) An acquisition agreement dated 14 February 2005 and other documents in connection with the transactions contemplated by the acquisition agreement (collectively the “**Acquisition Agreement**”) were entered into among (i) KoreaOnline (Labuan) Limited, RPG (L) Ltd and SWKOL (Labuan) Limited (collectively the “**BIH Subsidiaries**”); (ii) RPCA (L) Limited (“**RPCA**”); and (iii) the State of Wisconsin Investment Board (“**SWIB**” and collectively with the BIH Subsidiaries and RPCA, the “**Sellers**”); and (iv) Leading Investment and Securities Co., Ltd (“**Leading**”) as buyer for the disposal of the Sellers’ entire shareholding of common shares in Bridge Securities Co., Ltd (“**Bridge**”), equal to an amount of 62,341,329 common shares. Pursuant to the Acquisition Agreement, the BIH Subsidiaries agreed to dispose of its 77.75% shareholding in Bridge and RPCA and SWIB agreed to dispose of their respective 0.47% and 8.64% interests in Bridge to Leading for a total cash consideration of KRW 131 billion (US\$127.8 million or HK\$996.8 million), to be shared among the Sellers on a pro rata basis according to their respective shareholding interests. Completion of the Acquisition Agreement was conditional upon, inter alia, the execution and completion of a merger agreement (the “**Merger Agreement**”) between Bridge and Leading with respect to the merger of Bridge with Leading (the “**Merger**”). The Merger Agreement was entered into on 31 March 2005, which was conditional upon, inter alia, (i) the completion of the Acquisition Agreement and (ii) the granting of approval by the Financial Supervisory Commission of Korea (the “**FSC**”) to the acquisition by Leading and the Merger. The FSC did not approve the Merger at its meeting on 27 May 2005.
- (b) A cooperation agreement dated 23 June 2005 (the “**Cooperation Agreement**”) was entered into among (i) the Company; (ii) RMHL; (iii) the RMHL Shareholder; and (iv) the beneficial owner of the share interests held by the RMHL Shareholder in RMHL for, inter alia, the conditional acquisition of 10,000 issued shares in RMHL, being all the issued share capital in RMHL then held by the RMHL Shareholder (the “**Acquisition**”), for a total consideration of US\$4.805 million (HK\$37.479 million), to be paid, subject to the satisfaction of certain conditions, in instalments, such consideration comprising US\$3.5 million (HK\$27.3 million) by way of cash, and the remaining US\$1.305 million (HK\$10.179 million) by way of the issue by the Company of 158,128,584 Ordinary Restricted Shares to the RMHL Shareholder upon Further Completion. Pursuant to the Cooperation Agreement, an aggregate of US\$3.5 million (HK\$27.3 million) in cash was paid by the Company in tranches to acquire 80% of the total issued share capital of RMHL on 8 July 2005. (Note: The Cooperation Agreement was amended by a side letter dated 28 September 2005 referred to in (e) below).
- (c) A call option agreement dated 24 June 2005 (the “**Call Option Agreement**”) was entered into among the Sellers, Bridge and Golden Bridge Co., Ltd (the “**Option Holder**”), pursuant to which the Sellers agreed to grant a call option (the “**Call Option**”) over the 62,341,329 shares then held by the Sellers in Bridge to the Option Holder, which was

exercisable at an aggregate consideration of KRW 38.13 billion (US\$37.72 million or HK\$294.22 million) in cash (less the Korean securities transaction tax (“STT”) of approximately KRW 0.17 billion (US\$0.17 million or HK\$1.33 million) which the Option Holder must pay to the relevant Korean tax authority). The Call Option Agreement was replaced by the Share Sale Option Agreement referred to in (d) below.

- (d) A share sale option agreement (the “**Share Sale Option Agreement**”) dated 13 July 2005 was entered into among the Sellers, Bridge and Golden Bridge Co., Ltd (the “**Purchaser**”, which was the Option Holder referred to in the Call Option Agreement in (c) above). Pursuant to the Share Sale Option Agreement, which replaced the Call Option Agreement, the Sellers agreed to sell to the Purchaser the 62,341,329 shares (the “**Sale Shares**”) then held by the Sellers in Bridge (such shares will be reduced by 41.2231177%, representing the number of shares purchased by Bridge pursuant to a KRW 100 billion mandatory capital reduction of Bridge as approved at its extraordinary general meeting held on 4 August 2005 and completed on 20 September 2005), at a total consideration of KRW 38.13 billion (US\$37.72 million or HK\$294.22 million) in cash (less STT of approximately KRW 0.17 billion (US\$0.17 million or HK\$1.33 million) which the Purchaser must pay to the Korean relevant tax authority), provided, however, that in the event the relevant Korean tax authority requires the Purchaser to pay STT on the consideration paid on the grant of the Call Option on the basis that STT shall be paid on the whole amount of the purchase price, the Purchaser shall be entitled to further deduct STT of KRW 19.07 million (US\$19,000 or HK\$148,000) from the closing payment. The Share Sale Option Agreement was completed on 30 September 2005.
- (e) A side letter dated 28 September 2005 was entered into among the parties to the Cooperation Agreement (as referred to in (b) above), pursuant to which the Cooperation Agreement was amended, inter alia, in the following manner:
- (i) The number of consideration shares to be issued by the Company to the RMHL Shareholder upon Further Completion has been reduced to 70,653,197 Ordinary Restricted Shares (representing 6.4% of the Company’s then issued ordinary share capital and 6% of the Company’s enlarged ordinary share capital upon conversion), at US\$0.0125 (HK\$0.0975) per share. Accordingly, the total consideration for the Acquisition, inclusive of the cash consideration of US\$3.5 million (HK\$27.3 million) paid, is now US\$4.385 million (HK\$34.203 million).
- (ii) The date for satisfaction of the conditions of the Further Completion has been amended to 31 March 2006.
- (f) Non-binding heads of agreement dated 17 September 2005 were entered into by RMHL with two PRC parties, which outline the principal terms and conditions with respect to the establishment of a Sino-foreign equity joint venture enterprise to co-explore and co-develop a copper base metal deposit which is currently in production in the PRC. Such heads of agreement replaced the

earlier heads of agreement dated 2 June 2005 in respect of the proposed cooperative joint venture enterprise (which was entered into by RMHL prior to the Cooperation Agreement referred to in (b) above), pursuant to which RMHL had previously expected to acquire up to an 80% interest shareholding for a cash investment of up to US\$27 million (HK\$210.6 million).

- (g) A loan agreement dated 22 September 2005 was entered into between (i) the Company and (ii) Red Dragon Minerals Corporation (“**RDMC**”), pursuant to which the Company advanced a sum of US\$200,000 (HK\$1,560,000) (the “**Loan**”) to RDMC. The aggregate principal amount of the Loan together with all interest accrued thereon shall be repaid by RDMC in full to the Company on the date falling six months after the drawdown date. The Company shall have the option to convert the Loan (and all interest accrued thereon) into shares in RDMC so that, immediately after conversion, it becomes beneficially interested in 3% of the issued share capital of RDMC. A charge given by all the shareholders of RDMC in favour of the Company in respect of their shares in RDMC as security for the Loan.
- (h) A subscription agreement dated 18 October 2005 (the “**Subscription Agreement**”) was entered into between (i) Interman Holdings Limited (“**Interman**”) and (ii) Red Dragon Resources Corp. (“**RDRC Ontario**”). Pursuant to the Subscription Agreement, Interman subscribed (the “**Subscription**”) for 2,000,000 equity units (“**Units**”), each Unit comprised of one common share (“**Common Share**”) in the authorised capital of RDRC Ontario and one-half of one Common Share Purchase Warrant (the “**Warrants**”) at a price of Canadian Dollar (“**Cdn.\$**”) 0.60 per Unit. Each whole Warrant will entitle the holder thereof to purchase one Common Share for a period of twelve months from the closing of the offering of the Units at a price of Cdn.\$0.75 per share. The total amount of consideration paid by Interman for the Subscription was Cdn.\$1,200,000 (HK\$7,907,000). The Subscription Agreement formed part of a private placement of RDRC Ontario (the “**Private Placement**”), pursuant to which RDRC Ontario issued and allotted an aggregate of 5,009,999 new Common Shares. The Subscription Agreement was completed on 31 October 2005.

Immediately following the completion of the Subscription Agreement and the Private Placement, the total number of Common Shares through which the Group is entitled to exercise or control the exercise of the voting power at general meetings of RDRC Ontario is 4,361,454 Common Shares, representing approximately 11.56% of the enlarged total number of Common Shares of RDRC Ontario.

- (i) The Commitment Agreement referred to in this circular.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and principal place of business is Suite 1401, Henley Building, 5 Queen’s Road Central, Hong Kong. The Company’s Hong Kong branch share registrar and transfer office is Tengis Limited at Level 25, Three Pacific Place, 1 Queen’s Road East, Hong Kong.

- (b) The Company Secretary is Ms Fung Yuk Bing (Stella), who is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries.
- (c) The Finance Director of the Company is Ms Cheung Mei-Chu, Clara, who is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom, as required under Rule 3.24 of the Listing Rules.
- (d) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong up to the date of the EGM and at the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Group for the two financial years ended 31 March 2004 and 31 March 2005 and the unaudited interim financial statements of the Group for the six months ended 30 September 2005;
- (c) a copy of the Commitment Agreement;
- (d) a copy of the Joint Venture Contract;
- (e) a copy of the rules of the Target Company Scheme;
- (f) the material contracts referred to under the paragraph "Material Contracts" in this appendix;
- (g) the contracts referred to under the paragraph "Directors' interest in Contracts" in this appendix;
- (h) a copy of the Preliminary Evaluation Report;
- (i) a copy of the letter from PricewaterhouseCoopers, Certified Public Accountants, the text of which is set in Appendix II of this circular; and
- (j) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules which has been issued since the date of the latest published audited accounts.

Set out below is a summary of the rules of the Target Company Scheme:

1. PURPOSE OF THE TARGET COMPANY SCHEME

The purpose of the Target Company Scheme is to provide the Target Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Participants or for such other purposes as the Target Company Directors may approve from time to time, subject to any necessary consent or approval being obtained (i) from the Target Company Shareholders; or (ii) for so long as the Target Company remains a subsidiary of the Company, from the Shareholders and/or the independent non-executive Directors; and (iii) from the HK Stock Exchange or any other securities commission, stock exchange or any other relevant regulatory body where such consent or approval is required by Articles of Association or other constitutional documents of the Target Company or any applicable law or regulatory requirement (including, for the avoidance of doubt, Chapter 17 of the Listing Rules). The Target Company Scheme may, at the discretion of the Target Company Directors, be used in conjunction with any cash based compensation, incentive compensation or bonus plan.

2. ELIGIBLE PARTICIPANTS AND THE BASIS OF DETERMINING THEIR ELIGIBILITY

Eligible Participants include directors (including executive, non-executive and independent directors), executives, employees, consultants and service providers (as the Target Company Directors may think fit with reference to their respective contribution to the Target Company Group) of the Target Company or of any holding company or of any subsidiary of the Target Company, who is entitled to own Target Company Shares under the Target Company Scheme in accordance with any consent and permission issued under any applicable law or regulatory requirement.

3. TOTAL NUMBER OF TARGET COMPANY SHARES AVAILABLE FOR GRANT OF OPTIONS UNDER THE TARGET COMPANY SCHEME

The aggregate number of Target Company Shares which may be issued upon exercise of all Options to be granted under the Target Company Scheme, when aggregated with any Target Company Shares which may be issued upon the exercise of options to be granted under any other schemes of the Target Company, shall not exceed 10 per cent (10%) of the Target Company shares in issue as at the date of the EGM and the Target Company EGM or otherwise any date on which the Target Company Scheme is adopted by the Shareholders and the Target Company Shareholders, respectively, whichever is later (the “**Commencement Date**”) (or such proportion of the issued share capital of the Target Company as from time to time specified in the Listing Rules) (the “**Scheme Mandate Limit**”). For the avoidance of doubt, Options lapsed in accordance with the terms of the Target Company Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Target Company may seek approval at a general meeting of the Target Company Shareholders and, for so long as the Target Company remains a subsidiary of the Company, at a general meeting of the Shareholders, for “refreshing” the Scheme Mandate Limit so that the maximum number of Target Company Shares which may be issued upon exercise of all Options to be granted under the

Target Company Scheme, when aggregated with any Target Company Shares which may be issued upon the exercise of options to be granted under any other schemes of the Target Company, shall be 10 per cent (10%) of the total issued share capital of the Target Company as at the date of the approval to refresh the Scheme Mandate Limit. Options previously granted under the schemes (including those outstanding, cancelled or lapsed in accordance with the Target Company Scheme or exercised Options) prior to the approval of such refreshment will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”. Subject to applicable legislation and regulatory requirements, the Target Company may also seek separate approval at a general meeting by the Target Company Shareholders and, for so long as the Target Company remains a subsidiary of the Company, at a general meeting of the Shareholders, for granting Options beyond the Scheme Mandate Limit provided the Options in excess of the Scheme Mandate Limit are granted only to participants specifically identified by the Target Company before such approval is sought. In either case where approval by the Shareholders is required, a Shareholders’ circular will be issued and despatched by the Company. In any circumstances, the aggregate limit on the number of Target Company Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Target Company Scheme and any other such schemes of the Target Company must not exceed 30 per cent (30%) of the Target Company Shares in issue from time to time (or such proportion of the issued share capital of the Target Company as from time to time specified in the Listing Rules). No Options may be granted under the Target Company Scheme if such grant would result in this 30% limit being exceeded.

4. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT UNDER THE TARGET COMPANY SCHEME

The aggregate number of Target Company Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant under the Target Company Scheme (including both exercised and outstanding Options) in any 12-month period shall not exceed 1 per cent (1%) of the Target Company Shares in issue (or any proportion of the issued share capital of the Target Company as from time to time specified in the Listing Rules) (the “**Individual’s Limit**”), subject to the restrictions on grants to the directors, chief executive or substantial shareholders of the Company set out in paragraph 5 below.

Where any further grant of Options to an Eligible Participant would result in the Target Company Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant in aggregate exceeding the Individual’s Limit, such further grant must be separately approved at a general meeting by the Target Company Shareholders and, for so long as the Target Company remains a subsidiary of the Company, at a general meeting of the Shareholders, with such Eligible Participant and his associates (“**associate**” has the meaning ascribed to it in Rule 1.01 of the Listing Rules in relation to any director, chief executive or substantial shareholder (being an individual)) abstaining from voting. In the case where approval by the Shareholders is required, a Shareholders’ circular will be issued and despatched by the Company.

5. GRANT OF OPTIONS TO CONNECTED PERSONS

For so long the Target Company remains a subsidiary of the Company, each grant of Options to any of the directors, chief executive or substantial shareholders of the Company, or any of their respective associates, under the Target Company Scheme must be approved by the Company's independent non-executive directors (excluding the independent non-executive director of the Company who is the grantee of the Options). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Target Company Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date on which the Eligible Participant is offered:

- (a) representing in aggregate over 0.1 per cent (0.1%) of the Target Company Shares in issue (or such proportion of the issued share capital of the Target Company as from time to time specified in the Listing Rules); and
- (b) (in the event that the Target Company Shares are listed on the HK Stock Exchange or on another stock exchange), having an aggregate value, based on the closing price of the Target Company Shares at the date of each grant, in excess of HK\$5 million or its equivalent in another currency (or such amount as from time to time specified in the Listing Rules),

such further grant of Options must be approved by the Shareholders at a general meeting. All connected persons ("**Connected Persons**", as defined in the Listing Rules) of the Company must abstain from voting at such general meeting, except that any Connected Person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the Shareholders' circular issued by the Company for the purpose of approving such further grant of Options. Any vote taken at the meeting to approve such further grant of Options must be taken on a poll or in that manner as from time to time required in the Listing Rules.

6. EXERCISE PERIOD

Options granted under the Target Company Scheme may be exercised at any time after the first anniversary date of the date of grant of the respective Options but within 10 years from that date of grant. Within such exercise period, the Option Holder is entitled to exercise one-third of the Options at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of grant. All entitlements of the Options that remain unexercised at the tenth anniversary date of the date of grant will lapse.

**7. PERFORMANCE TARGETS THAT MUST BE ACHIEVED BEFORE OPTIONS CAN
BE EXERCISED**

The Target Company Directors may specify that any exercise date of any Options may be subject to certain performance targets being achieved by the Target Company. Such performance targets, if specified, will be set out in the option certificate issued upon grant of the relevant Options.

8. CONSIDERATION FOR GRANT OF OPTIONS

An offer of the grant of an Option shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days inclusive of and from the date on which such offer is made to that Eligible Participant (the “**Offer Date**”) or such shorter period as the Target Company Directors may in their absolute discretion determine.

An offer which remains capable of acceptance shall be deemed to have been accepted upon the date when the duly completed and signed form of acceptance and a remittance for US\$1.00, being the consideration for the grant thereof, are received by the Target Company. The Option shall, following such acceptance, be deemed to have been granted and to have taken effect on the Offer Date.

9. EXERCISE PRICE

Exercise price of Options shall be the price per Target Company Share at which the Option Holder may subscribe for Target Company Shares on the exercise of an Option, as the Target Company Directors may at their absolute discretion determine, subject to such price not being less than the par value of such Shares.

**10. SUBSCRIPTION OF THE TARGET COMPANY SHARES UPON EXERCISE OF
OPTIONS**

Options may be exercised in whole or in part. The subscription monies in relation to the exercise of an Option, being an amount equal to the exercise price multiplied by the number of Target Company Shares in respect of which the Option is being exercised, shall be paid in full upon exercise of such Option.

**11. RIGHTS OF THE TARGET COMPANY SHARES ISSUED UNDER THE TARGET
COMPANY SCHEME**

Target Company Shares issued and allotted upon the exercise of an Option under the Target Company Scheme shall, once the Option Holder is duly registered as a Target Company Shareholder, rank *pari passu* in all respects with the Target Company Shares in issue on the date of such allotment and will be subject to all the provisions of the Articles of Association or other constitutional documents of the Target Company for the time being in force.

12. DURATION OF THE TARGET COMPANY SCHEME

The Target Company Scheme shall continue in force until the tenth anniversary of the Commencement Date. No offer of a grant of an Option shall be made which is capable of or open for acceptance after the expiry of the tenth anniversary of the Commencement Date, but in all other respects the provisions of the Target Company Scheme shall remain in force.

13. RIGHTS ON CEASING TO BE AN ELIGIBLE PARTICIPANT

Options shall lapse and determine if the Option Holder ceases to be an Eligible Participant:

- (a) by reason of ill-health, injury, disability or death (in each case evidenced to the satisfaction of the Target Company Directors) or on retirement in accordance with his contract of employment or otherwise by agreement with his employing company, then he or (as the case may be) his personal representative(s) may exercise all or any of his Options as he shall be entitled at the date when he so ceases to be an Eligible Participant (in whole or in part in accordance with the vesting schedule for the grant of his Option) at any time within the earlier of six months after he ceases to be an Eligible Participant and the date on which the Option, but for these circumstances, would cease to be exercisable, and any Option or Options not so exercised shall lapse and determine at the end of such period unless the Target Company Directors in their absolute discretion, and whether generally or specifically, determine that all or any of such Options shall not so lapse;
- (b) by reason of his resignation, whether or not in accordance with the provisions of his contract of employment, then all of his Options shall lapse and determine on the date upon which such resignation is received by his employing company; or
- (c) for any reason other than as described in sub-paragraphs (a) or (b) above, then all his Options shall lapse and determine on the date he so ceases (to the extent not already exercised) unless the Target Company Directors determine that his Options should be treated in accordance with sub-paragraph (a) above.

In no circumstances shall a person ceasing to be an Eligible Participant for any reason be entitled to any compensation for or in respect of any consequential loss or diminution in the value or extinction of his rights or benefits (actual or prospective) under any Options then held by him or otherwise in connection with the Target Company Scheme or any other scheme operated by the Group.

14. EFFECTS ON TAKEOVER OFFERS, LIQUIDATION, RECONSTRUCTION AND LISTING

- (A) If, in consequence of any general offer made to the Target Company Shareholders (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Target Company) or otherwise, any person shall have obtained control of the Target Company, then the Target Company Directors shall as soon as practicable thereafter notify every Option Holder accordingly and each Option Holder (or where permitted his personal representative(s)) shall be entitled at any time within the period of twenty-one days (or such other period as the Target Company Directors may determine) after such notification to exercise all or any of his Options (which, for the avoidance of doubt, shall include any and/or all of the Options which have not yet been vested but for this provision) in whole or in part to the extent that they have not been exercised. Any Option shall upon the expiry of such period lapse and determine, provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of

Target Company Shares pursuant to the applicable laws of the place of incorporation of the Target Company and gives notice in writing to any Target Company Shareholders that he intends to exercise such rights, the Options shall be and will remain exercisable (but only to the extent set out herein) until one month from the date of such notice and, to the extent that they have not been exercised, shall thereupon lapse and determine provided that, in any particular case, the Target Company Directors may in their absolute discretion, and whether generally or specifically, determine that all or any Options which could otherwise lapse shall not so lapse and shall be exercisable in full or in part. If the Target Company Directors exercise such discretion, they may impose such conditions, if any, as they consider appropriate regarding the exercise of such Options.

- (B) If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Target Company, each Option Holder (or where permitted his personal representative(s)) shall be entitled at any time thereafter until the proposed resolution is passed or rejected, or the meeting concluded or adjourned indefinitely, whichever shall first occur, to exercise all or any of his Options (which, for the avoidance of doubt, shall include any of the Options which have not been vested but for this provision) in whole or in part to the extent that they have not been exercised (but so that any exercise hereunder shall only be valid if, at the time such proposed resolution is duly passed, the Options shall not have lapsed and determined in accordance with the provisions of the Target Company Scheme). If such proposed resolution is duly passed all Options shall, to the extent that they have not been exercised, thereupon lapse and determine.
- (C) If under the applicable laws of the place of incorporation of the Target Company a compromise or arrangement between the Target Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Target Company or its amalgamation with any other company or companies, the Target Company shall give notice thereof to all Option Holders (together with a notice of the existence of the provision of this paragraph) on the same date as it despatches to each member or creditor of the Target Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Option Holder (or where permitted his personal representative(s)) shall be entitled at any time prior to 12 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement to exercise all or any of his Options (which, for the avoidance of doubt, shall include any of the Options which have not been vested but for this provision) in whole or in part to the extent that they have not been exercised.

With effect from the date of such meeting, the rights of all Option Holders to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall to the extent that they have not been exercised thereupon lapse and determine. The Target Company Directors shall endeavour to procure that the Target Company Shares issued as a result of the exercise of Options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of the Target Company on the effective date thereof and that such Target

Company Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Option Holders to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Target Company Scheme) as if such compromise or arrangement had not been proposed by the Target Company and no claim shall lie against the Target Company or any of its officers for any loss or damage sustained by any Option Holder as a result of the aforesaid suspension provided that, in any particular case, the Target Company Directors may in their absolute discretion and, whether generally or specifically, determine that all or any Options which could otherwise lapse shall not so lapse and shall be exercisable in full or in part. If the Target Company Directors exercise such discretion, they may impose such conditions, if any, as they consider appropriate regarding the exercise of such Options.

- (D) If the Target Company or any of its holding companies (apart from the Company, being the ultimate holding company of the Target Company) has resolved to list its shares on the HK Stock Exchange or an overseas stock exchange, then the Target Company Directors may determine whether or not to give a notice requiring all Options to be exercised prior to such listing (“**Pre-Listing Exercise**”). In the event that the Target Company Directors decide that there shall be a Pre-Listing Exercise, they shall as soon as practicable thereafter notify every Option Holder accordingly and each Option Holder (or where permitted his personal representative(s)) shall be entitled, at any time prior to the listing date of the Target Company or of such holding company, to exercise all or any of his Options (which, for the avoidance of doubt, shall include any of the Options which have not been vested but for this provision) in whole or in part to the extent that they have not been exercised (but so that any exercise hereunder shall only be valid if, at the time when the Target Company or such holding company resolves to list its shares on the HK Stock Exchange or an overseas stock exchange, the Options shall not have lapsed and determined in accordance with the provisions of the Target Company Scheme). If a Pre-Listing Exercise is invoked by the Target Company Directors pursuant to this sub-paragraph, then all Options shall, to the extent that they have not been exercised, thereupon lapse and determine on the listing date of the Target Company or of such holding company.

15. ADJUSTMENTS OF EXERCISE PRICE OR NUMBER OF TARGET COMPANY SHARES SUBJECT TO OPTIONS ALREADY GRANTED AND TO THE TARGET COMPANY SCHEME

- (A) Upon the occurrence of a capitalisation issue, rights issue, sub-division or consolidation of the Target Company Shares or reduction of capital of the Target Company (the “**Relevant Event**”), the number or nominal amount of Target Company Shares comprised in each Option granted under the Target Company Scheme (so far as unexercised) and/or the option price thereunder and/or the total number of Target Company Shares issued or issuable or which may be issued under the Target Company Scheme (as referred to in paragraph 3

above) may be adjusted in such manner as the Target Company Directors may deem appropriate subject to the receipt by them of a statement in writing from the auditors of the Target Company (acting as experts and not as arbitrators) that in their opinion the adjustments proposed are fair and reasonable, provided always:

- (a) that no increase shall be made in the aggregate subscription price payable on the exercise of any Option in respect of the total number of Target Company Shares then comprised therein; and
- (b) that no adjustment shall be made if the same would result in an Eligible Participant not being given the same rights over the same proportion (or as near thereto as is reasonably practicable) of the issued share capital of the Target Company as that to which he was previously entitled, but no such adjustments may be made to the extent that a Target Company Share would be issued at less than its nominal value; and
- (c) that reference herein to Options shall include Options that have been exercised prior to the occurrence of the Relevant Event in respect of Target Company Shares which shall not have been allotted until after the occurrence of the Relevant Event.

The issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or the auditors of the Target Company must confirm to the Target Company Directors in writing that the adjustments satisfy the requirements set out in the Listing Rules.

- (B) In the event that the Company has resolved to seek a separate listing of the Target Company on the HK Stock Exchange or an overseas stock exchange, the option price in respect of any Options granted after the Company has resolved to seek a separate listing of the Target Company on the HK Stock Exchange or an overseas stock exchange and up to the listing date of the Target Company shall not be lower than the new issue price (if any) of the securities of the Target Company to be listed. Notwithstanding the foregoing, the option price in respect of any Options granted during the period commencing six months before the lodgement of Form A1 (or its equivalent for listing on the Growth Enterprise Market of the HK Stock Exchange or the overseas stock exchange) up to the listing date of the Target Company shall be adjusted so that it is equivalent to such new issue price.

16. CANCELLATION OF OPTIONS GRANTED BUT NOT EXERCISED

The Target Company Directors may at any time when they think fit cancel any outstanding Options under the Target Company Scheme. Unless the Option Holder otherwise agrees, the Target Company Directors may only cancel an Option if, at the election of the Target Company Directors:

- (a) the Target Company pays to the Option Holder an amount equal to the fair market value of the Option at the date of cancellation as determined by the Target Company Directors, after consultation with the auditors of the Target Company or an independent financial adviser appointed by the Target Company Directors; or

- (b) the Target Company Directors offer to grant to the Option Holder replacement Options (or options under any other scheme) of equivalent value to the Options to be cancelled; or
- (c) the Target Company Directors make such arrangements as the Option Holder may agree to compensate him for the loss of the Option.

Options so cancelled will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed” under paragraph 3 above but shall be counted for the purpose of calculating (i) the number of Target Company Shares issued and to be issued upon exercise of all Options already granted and to be granted to any director, chief executive or substantial shareholder of the Target Company in the 12-month period under paragraph 5 above; and (ii) the Individual’s Limit as “refreshed” under paragraph 4 above.

Where the Target Company cancels Options and issues new Options to the same Option Holder, the issue of such new Options may only be made under the Target Company Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

17. TERMINATION OF THE OPERATION OF THE TARGET COMPANY SCHEME

The Target Company by resolution at a general meeting or the Target Company Directors may at any time terminate the operation of the Target Company Scheme and in such event no further offer will be made to grant Options but in all other respects the provisions of the Target Company Scheme shall remain in force and all Options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

18. TRANSFERABILITY OF OPTIONS

Options granted under the Target Company Scheme shall be personal to the respective Option Holders and shall not be assignable, and no Option Holders shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to the whole or any of an Option.

19. ALTERATION OF THE TARGET COMPANY SCHEME RULES

The Target Company Directors may from time to time in their absolute discretion waive or amend such of the provisions of the Target Company Scheme as they deem desirable, provided that, except with the prior sanction of the Target Company Shareholders and, for so long as the Target Company remains a subsidiary of the Company, by the Shareholders, at a general meeting, the Target Company Directors may not amend any of the provisions of the Target Company Scheme to the advantage of the Option Holders (present or future) relating to the matters set out in Rule 17.03 of the Listing Rules.

No such amendments shall be made which would have the effect of varying or abrogating adversely any of the subsisting rights of Option Holders except with such consent on their part as would be required under the provisions of the Articles of Association or other constitutional documents of the Target Company if the Options constituted a separate class of share capital and if

such provisions applied mutatis mutandis thereto provided that this restriction should not apply to any amendment made by the Target Company Directors at the request of the HK Stock Exchange for the purpose of ensuring that the Target Company Scheme complies with the requirements of the Listing Rules.

As the shares of the Company are listed on the HK Stock Exchange, any share option schemes of the Company's subsidiaries are subject to Chapter 17 of the Listing Rules. For so long as the Target Company remains a subsidiary of the Company, the amended terms of the Target Company Scheme or the Options must comply with the relevant requirements in the Listing Rules from time to time in force, and any amendments which are of a material nature and any change to the terms of the Options granted shall be subject to the approval of the Target Company Shareholders and the Shareholders at a general meeting, save where the alterations take effect automatically under the existing terms of the Target Company Scheme.

Any change to the authority of the Target Company Directors or the administrators of the Target Company Scheme in relation to any alteration to the terms of the Target Company Scheme must be approved by the Target Company Shareholders and, for so long as the Target Company remains a subsidiary of the Company, by the Shareholders, at a general meeting.

20. ADMINISTRATION

The Target Company Directors or a duly constituted committee of the Target Company Directors will have responsibility for administering the Target Company Scheme. There are no trustees appointed for the purposes of the Target Company Scheme.

21. RESTRICTION ON THE TIME OF GRANT OF OPTIONS

For so long as the Target Company remains a subsidiary of the Company, a grant of Options may not be made after a price sensitive event concerning the Company and its subsidiaries has occurred or a price sensitive matter concerning the Company and its subsidiaries has been the subject of a decision until such price sensitive information has been published in the newspapers and/or the Company's website in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (a) the date of the board meeting of the Company (as such date is first notified to the HK Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement (or such longer or shorter period as from time to time specified in the Listing Rules), no Options may be granted.

For the avoidance of doubt, the period during which no Options may be granted will cover any period of delay in the publication of a results announcement of the Company.

22. COMPLIANCE WITH SECURITIES LAWS AND EXCHANGE CONTROL

All Options and Target Company Shares issued pursuant to the Target Company Scheme shall be issued in compliance with all applicable securities laws, rules and regulations of any governmental body, and the requirements of the HK Stock Exchange or any other stock exchange or automated quotation system, upon which the Target Company Shares may then be listed or quoted, as they are in effect on the date of grant of the Option and also on the date of exercise.

**REGENT PACIFIC GROUP LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0575)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the Company will be held at The Lagoon Ballroom, The Landmark Macau*, 555 Avenida da Amizade, Macau on Wednesday, 8 February 2006 at 11:00 am to consider and, if thought fit, pass (with or without amendments) the following resolutions (*Shuttle buses of The Landmark Macau will depart from the New Macau Maritime Ferry Terminal at 10:15 am and 10:45 am):

AS AN ORDINARY RESOLUTION

1. “(a) **THAT** the Transaction as defined in the circular dated 20 January 2006 issued by the Company (the “**Circular**”) (a copy of which, accompanied by the executed copy of the Commitment Agreement and an initialled copy of the Joint Venture Contract as referred to in the Circular, are produced at the meeting marked “A”, “B” and “C” respectively and signed by the chairman of the meeting for the purpose of identification) be and is hereby approved, subject to approval of the Joint Venture Contract by the relevant governmental authorities in the People’s Republic of China **AND THAT** any two directors of Regent Metals Limited (“**RML**”) be and are hereby authorised on behalf of RML at any time(s) to agree, complete, and sign such document(s) effecting such amendment(s) to any provision of the Joint Venture Contract as required by the relevant authorities in the People’s Republic of China as such directors may approve as being necessary or desirable and in the interests of RML, such approval to be conclusively evidenced by any such directors’ signing of the same **AND THAT** the Company procure RML to enter into all agreements and/or documents incidental or ancillary to the Transaction; and
- (b) **THAT** there be granted to the directors of the Company a specific mandate to issue, allot and otherwise deal with 70,653,197 Ordinary Shares upon Further Completion of the Cooperation Agreement (as defined in the Circular).”

AS AN ORDINARY RESOLUTION

2. “**THAT** conditional upon (a) the passing of Resolution No. 3 below; and (b) the shareholders of the Target Company (as defined in Resolution No. 3 below) approving at a general meeting the adoption of a new share option scheme, namely the Share Option Scheme (2006) (the “**Target Company Scheme**”, a copy of the rules of which has been produced at the meeting marked “D” and signed by the chairman of the meeting for the purpose of identification), and subject to such amendments to the Target Company Scheme as The Stock Exchange of Hong Kong Limited may

request, the Target Company Scheme be and is hereby approved for adoption by the Target Company as a new share option scheme of the Target Company **AND THAT** the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Target Company Scheme, notwithstanding that they or any of them may be interested in the same.”

AS AN ORDINARY RESOLUTION

3. “**THAT** the disposal (whether by way of allotment or transfer) by the Company of an interest (the “**Disposal**”) in a wholly-owned subsidiary (the “**Target Company**”) of Regent Metals Holdings Limited, a subsidiary of the Company, as the directors of the Company may in their absolute discretion determine, to any person(s) who is/are independent of (a) the Company and its subsidiaries (the “**Group**”), (b) any director, chief executive or substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) of the Group or any of their respective associates (as defined in the Listing Rules), or (c) any connected person (as defined in the Listing Rules) of the Company, of such number of securities of the Target Company (including without limitation preferred equity, common equity or convertible debt or equity securities of the Target Company) at such price, on such terms and at such time or times as the directors of the Company think fit in order to raise US\$20,000,000 (approximately HK\$156,000,000), provided that (i) the Target Company shall be valued at not less than US\$40,000,000 (approximately HK\$312,000,000); (ii) the Target Company shall remain a subsidiary of the Company following the Disposal; and (iii) the Disposal shall be completed within twelve months from the date of this resolution be and is hereby approved, **AND THAT** the directors of the Company be and are hereby authorised to do any act or execute any document so as to give effect to and implement the Disposal as they may in their absolute discretion consider desirable and in the interest of the Company.”

By Order of the Board of
Regent Pacific Group Limited
Stella Fung
Company Secretary

Directors of the Company:

James Mellon (*Chairman*)*
Jamie Gibson (*Chief Executive Officer*)
Clara Cheung
David Comba#
Julie Oates#
Patrick Reid#
Mark Searle#
Jayne Sutcliffe*
Anderson Whamond*

* *Non-Executive Directors*

Independent Non-Executive Directors

Hong Kong, 20 January 2006

Notes:

1. Shareholders are recommended to read the shareholders' circular dated 20 January 2006 issued by the Company, which contains detailed information concerning the resolutions proposed for the meeting being convened by this notice.
2. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting if he so wishes.
3. In order for it to be valid, the form of proxy, accompanied by the power of attorney (if applicable) or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited with the Company Secretary at the Company's principal place of business in Hong Kong at Suite 1401, Henley Building, 5 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the meeting or its adjourned meeting.
4. In the case of joint registered holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names of the holders stand in the Register of Members of the Company in respect of such joint holding.
5. In the case of a conflict between the English text of this notice and its Chinese translation, the English text will prevail.