



# Regent Pacific Group Limited

*(Incorporated in the Cayman Islands with Limited Liability)*

Stock Code: 0575

27 June 2008

## ANNOUNCEMENT

*This announcement is for information purposes only and does not constitute an offer or invitation to subscribe for or purchase any securities, nor is it calculated to invite any such offer or invitation.*

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### Discloseable Transaction Formation of Coal Mining JV in Relation to Coal Mining Interests in Indonesia Resumption of Trading

#### SUMMARY

This announcement is made by the Company in compliance with the disclosure requirements under Rule 13.09 and Chapter 14 of the Listing Rules.

The Transaction involves: (i) an acquisition by RPGI of a controlling (75 per cent.) interest in a Singapore incorporated JV Co, itself having contractual rights to economic benefits flowing from certain Indonesian coal mining concessions for US\$55.59 million (subject to adjustment); (ii) the provision of US\$11.25 million finance to JV Co both pre-Closing (as to US\$1.25 million) and post-Closing (as to US\$10 million); and (iii) the Put Option. The Total Consideration to be paid or delivered by RPGI shall comprise US\$18,077,000 in cash and US\$37,513,000 in cash or, upon agreement being reached between RPGI and Blue Pacific prior to Closing, a cash alternative.

RPGI will have the Call Option of purchasing a **further** 5 per cent. equity interest in JV Co. The Call Option is exercisable during the period from and including 1 April 2010 to and including 30 April 2010.





## GENERAL

A circular containing, among other things, further details of the Transaction, will be despatched to Shareholders as soon as possible.

## TRADING SUSPENSION AND RESUMPTION

The Shares were, at the Company's request, suspended from trading on the Stock Exchange with effect from 9.30 a.m. on 23 June 2008. The Company has made an application to the Stock Exchange for resumption of trading of its Shares with effect from 9.30 a.m. on 30 June 2008.

**As completion of the Transaction is subject to the fulfilment of a number of conditions, the Transaction may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## INTRODUCTION

The Board is pleased to announce that, on 27 June 2008, the Company, RPGI (a wholly-owned subsidiary of the Company), Blue Pacific, JV Co and the Guarantors entered into the Investment and Cooperation Agreement in relation to the Transaction, which amended and restated a prior agreement dated 23 June 2008.

Under the Listing Rules, the Transaction constitutes a discloseable transaction for the Company. The purpose of this announcement is to provide the Shareholders with information on the details of the Transaction in accordance with the Listing Rules. The Company will issue a circular containing further details of the Transaction for Shareholders' information.

## THE TRANSACTION

### The Investment and Cooperation Agreement

On 27 June 2008, the Company, RPGI, Blue Pacific, JV Co and the Guarantors entered into the Investment and Cooperation Agreement in relation to the Acquisition and the subsequent cooperation to carry on the Business through JV Co, which amended and restated a prior agreement dated 23 June 2008.

### Background to the Transaction

PT Mandiri, an Indonesian company, legally owns the PT Mandiri Exploration KP, a permit which authorises it to explore for coal in certain areas of Penajam Paser Utara in East Kalimantan, Indonesia (in respect of an area covering 5,000 hectares), as well as the Bulk Sampling Permit, which allows it to extract samples of coal found within part of the same area, up to a maximum of 100,000 tonnes.

PT Enermine, an Indonesian company, legally owns the PT Enermine Exploration KP, a permit which authorises it to explore for coal in certain areas of Penajam Paser Utara in East Kalimantan, Indonesia (in respect of an area covering 3,870 hectares).

The Company understands that PT Enermine and PT Mandiri are in the course of obtaining all necessary permits and approvals, including the Exploitation KPs and the Transportation and Sales KPs, which are required by each of PT Enermine and PT Mandiri in order for those companies to mine coal within their respective KP Areas.



Blue Water entered into Collaboration Agreements with PT Enermine and PT Mandiri that gave Blue Water the right to work with PT Mandiri and PT Enermine to develop their mining concessions. Charles Madhavan, a director and shareholder of Blue Pacific, owns the entire issued capital of Blue Water. The Collaboration Agreements have now been assigned, for no consideration, by Blue Water to JV Co.

The Company and Blue Pacific intend to jointly develop the KPs held by PT Mandiri and PT Enermine through JV Co. It is expected that the Collaboration Agreements will be terminated by JV Co on or before Closing, and that PT Enermine and PT Mandiri will enter into revised arrangements with JV Co's Indonesian subsidiary, PT Jimbaran.

PT Jimbaran intends to enter into exclusive arrangements with PT Enermine and PT Mandiri, whereby PT Jimbaran will provide or procure all services necessary and related to the extraction of coal for the life of the mines, or the term stipulated in the Exploitation KPs, on behalf of PT Mandiri and PT Enermine. Based on Blue Pacific's estimate of Coal Reserves of 22 million tonnes (assessed on a non-JORC code basis), the estimated life of the mine is 11.5 years. Furthermore, PT Mandiri and PT Enermine also intend to enter into contracts with JV Co to sell all coal produced from the mines to JV Co.

### **The Acquisition**

On Closing, RPGI will, pursuant to the Investment and Cooperation Agreement:

- (i) acquire shares in JV Co so that RPGI becomes the registered holder and beneficial owner of 75 per cent. of the fully diluted share capital of JV Co; and
- (ii) acquire shares in PT Jimbaran so that RPGI becomes the registered holder and beneficial owner of 1 per cent. of the fully diluted share capital of PT Jimbaran.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Blue Pacific and its respective beneficial owner(s) are third parties independent of the Company and are not connected persons of the Group.

### **Conduct of JV Co**

The business scope of JV Co will be confined to the Business.

JV Co shall have 5 directors. RPGI may appoint 3 directors (including one of the directors appointed by RPGI as the chairman of JV Co) and Blue Pacific may appoint 2 directors to the board of directors of JV Co. Upon Closing, JV Co will become a 75 per cent. owned subsidiary of the Company.

PT Jimbaran shall have 3 directors. RPGI may appoint 2 directors (including one of the directors appointed by RPGI as the President Director of PT Jimbaran) while Blue Pacific may appoint 1 director to the board of directors of PT Jimbaran. RPGI may also appoint the sole commissioner of PT Jimbaran.

### **The Mining Operation and Services Agreements**

Closing is conditional upon PT Jimbaran entering into the Mining Operation and Services Agreements with PT Enermine and PT Mandiri, pursuant to which PT Jimbaran will provide, or procure, all services necessary and related to the extraction of coal for the life of the mines, or the term stipulated in the Exploitation KPs, on behalf of PT Mandiri and PT Enermine.

PT Jimbaran will undertake all expenditure in relation to the mines and will recover its costs by charging PT Mandiri and/or PT Enermine a mining services fee which will represent the actual cost of mining plus a margin to ensure that PT Jimbaran is earning a reasonable rate of return on its invested capital.



## The Coal Sales Agreements

Closing is conditional upon JV Co entering into the Coal Sales Agreements with PT Enermine and PT Mandiri, pursuant to which PT Mandiri and PT Enermine will sell all coal produced from their respective mines to JV Co throughout the life of the mines, or for as long as PT Mandiri and/or PT Enermine hold all legal and valid permits and governmental authorisations necessary to allow PT Enermine and PT Mandiri to mine coal.

It is intended that the sale of coal by JV Co will be Free On Board from Indonesia and JV Co will thereafter arrange for on-sales of the coal in the international market. It is expected that cash payments under the Coal Sales Agreements will be made on a monthly basis.

## No Continuing Connected Transactions

As at the date of this announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, PT Enermine and PT Mandiri and their respective beneficial owner(s) are third parties independent of the Company, JV Co and PT Jimbaran (once incorporated) and are not and will not be connected persons of the Group following Closing.

Accordingly, neither the proposed Mining Operation and Services Agreements nor the Coal Sales Agreements to be entered into between JV Co, PT Jimbaran, PT Enermine and PT Mandiri (as the case may be) will be classified as continuing connected transactions under the Listing Rules.

## Total Consideration for the Acquisition

Subject to any pre-Closing adjustments that may be made, the Total Consideration for the Acquisition will be an aggregate of US\$55.59 million, comprising:

- (i) in respect of the entry into and the economic benefits expected to flow to the Group from the PT Mandiri Coal Sales Agreement and the PT Mandiri Operation and Services Agreement, US\$8,277,000 in cash and US\$19,313,000 in cash or, upon agreement being reached between RPGI and Blue Pacific prior to Closing, a cash alternative; and
- (ii) in respect of the entry into and the economic benefits expected to flow to the Group from the PT Enermine Coal Sales Agreement and the PT Enermine Operation and Services Agreement, US\$9,800,000 in cash and US\$18,200,000 in cash or, upon agreement being reached between RPGI and Blue Pacific prior to Closing, a cash alternative.

RPGI will also contribute US\$11.25 million in finance to JV Co with US\$250,000 having already been paid by RPGI before the execution of the Investment and Cooperation Agreement, and a further US\$1,000,000 payable within five Business Days of the execution of the Investment and Cooperation Agreement. Both the US\$250,000, already advanced, and the US\$11 million, yet to be provided, have been and will be advanced by RPGI in the form of unsecured shareholders loans (with the US\$1.25 million to be advanced before Closing to be redesignated as such at Closing) on commercial terms agreed with JV Co and will accrue interest (on the principal amount outstanding) at the rate of 3.5 per cent. above the average prime lending rate of a panel of banks in Singapore. RPGI will not demand repayment of such shareholder loans until after the second anniversary of the date of the Investment and Cooperation Agreement, following which the repayment of such loans shall take priority over other distributions that JV Co may otherwise make or look to make to its shareholders.



The Total Consideration to be paid or delivered by RPGI is subject to a pre-Closing adjustment to reflect the actual amount of Coal Reserves that RPGI determines to exist prior to Closing. Should the actual Coal Reserves determined by RPGI differ from Blue Pacific's estimated mineable Coal Reserves of 14 million tonnes, in respect of PT Mandiri, and 8 million tonnes, in respect of PT Enermine, the Total Consideration shall be increased or decreased by US\$3.00 per tonne of differential. In the event that there is a pre-Closing adjustment that increases the Total Consideration such that the Transaction will, for the purposes of Chapter 14 of the Listing Rules, become classified as a major transaction or above, the Transaction will be subject to Shareholders' approval and the other compliance requirements of the relevant Listing Rules. However, at this time, the Company does not expect that the Transaction will be reclassified as a major transaction or above.

The Total Consideration will be satisfied by the internal resources of the Group. The Total Consideration was negotiated by the parties on an arm's length basis based on the estimated potential of the Business. The Directors (including the independent non-executive Directors) consider that the Transaction is in the ordinary and usual course of the business of the Group and on normal commercial terms which are fair and reasonable having regard to the interests of the Company and the Shareholders as a whole.

### **The Call Option Consideration Shares, the Put Option Consideration Shares and the Lock-up Arrangements**

The Company may issue new Shares to Blue Pacific if (i) RPGI elects to exercise the Call Option to acquire a further 5 per cent. interest in JV Co; or (ii) Blue Pacific elects to exercise the Put Option requiring RPGI to acquire all Blue Pacific's interest in JV Co. For details, please refer to the paragraphs headed "Call Option" and "Put Option" below.

The Call Option Consideration Shares (if any) and the Put Option Consideration Shares (if any) will be issued free from all encumbrances and shall rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company at such time. An application will be made to the Stock Exchange at the appropriate time for the listing of and permission to deal in the Call Option Consideration Shares (if any) and the Put Option Consideration Shares (if any).

Subsequent issues (if any) of Call Option Consideration Shares and Put Option Consideration Shares shall be subject to compliance with Chapter 14A of the Listing Rules and, if and to the extent required, the Company obtaining a specific mandate from the Shareholders to issue the same.

The Call Option Consideration Shares (if any) and the Put Option Consideration Shares (if any) to be issued to Blue Pacific are subject to a lock-up of 6 months from the date of issue of such Shares.

### **Conditions Precedent for the Acquisition**

Completion of the Acquisition is conditional, amongst other things, upon:

- (i) Blue Pacific having obtained and delivered evidence satisfactory to RPGI (acting reasonably) to demonstrate that each of PT Mandiri and PT Enermine legally owns (i) the PT Mandiri Exploration KP and the PT Enermine Exploration KP (but only to the extent that such KPs survive PT Mandiri and PT Enermine (as the case may be) obtaining the KPs in (ii) and (iii)); (ii) KPs (exploitation); and (iii) KPs (transportation and sales), and that PT Mandiri legally owns a Bulk Sampling Permit (but only to the extent that such Bulk Sampling Permit survives PT Mandiri obtaining the KPs in (ii) and (iii)), in each case for an area and having a duration satisfactory to RPGI and that (a) any and all obligations contained in the relevant KPs or permits have been fully complied with in a timely



manner and (b) all licence/permit renewal or reissuance fees or dead rent fees or use fees in respect of the same have been paid (in full); without limitation, such evidence shall include a written legal opinion from Blue Pacific's Indonesian lawyers dated as at the Closing Date to the satisfaction of RPGI confirming that each of PT Mandiri and PT Enermine legally owns the relevant KPs or permits (as the case requires) and that each such KP and permit is valid and of full force and effect under Indonesian law;

- (ii) Blue Pacific having obtained and delivered evidence satisfactory to RPGI (acting reasonably) to demonstrate that AMDALs on terms satisfactory to RPGI have been made and approved by the relevant Governmental Authority covering activities in and relating to the KPs of each of PT Mandiri and PT Enermine, that all consents required (whether from Governmental Authorities or parties holding operating concessions that overlap with the KP Areas of PT Mandiri and PT Enermine) to use forest areas including production forest areas (if applicable) within the KP Areas have been obtained, and that there are no restrictions on the use of any part of the KP Areas for mining, including by reason of their status as a nature reserves, protected forest (except in respect of the 451 hectares forming part of the KP Area of the PT Enermine Exploration KP that are classified as protected forest), production forest or otherwise; without limitation, such evidence shall include a written legal opinion from Blue Pacific's Indonesian lawyers dated as at the Closing Date to the satisfaction of RPGI, confirming that the required AMDALs have been approved, all consents required to use forest areas including production forest areas (if applicable) within the KP Areas have been obtained, and that there are no restrictions on the use of any part of the KP Areas for mining under Indonesian law;
- (iii) Blue Pacific having obtained and delivered to RPGI a notarised copy of the licence to borrow and use (*izin Pinjim Pakai*) from the Minister of Forestry (reasonably satisfactory to RPGI) held by each of PT Mandiri and PT Enermine;
- (iv) the Coal Sales Agreements and the Mining Operation and Services Agreements having been entered into, in a form satisfactory to RPGI (acting reasonably), and RPGI having received a written legal opinion from Blue Pacific's Indonesian lawyers dated as at the Closing Date to the satisfaction of RPGI confirming that the Coal Sales Agreements and the Mining Operation and Services Agreements are valid and of full force and effect under Indonesian law;
- (v) Blue Pacific having obtained and delivered evidence reasonably satisfactory to RPGI to demonstrate that the Collaboration Agreements and any agreements or arrangements ancillary thereto have each been terminated by JV Co in accordance with Indonesian law and that no party to any such agreement or arrangement shall have any further obligations or liabilities thereunder; without limitation, such evidence shall include RPGI having received a written legal opinion from Blue Pacific's Indonesian lawyers dated as at the Closing Date to the satisfaction of RPGI confirming that the Collaboration Agreements and any agreements or arrangements ancillary thereto (as the case may require) have each been terminated in accordance with Indonesian law and that no party to any such agreement or arrangement has any further obligations or liabilities thereunder;
- (vi) Blue Pacific having obtained and delivered evidence reasonably satisfactory to RPGI to demonstrate that: (i) all regulatory approvals required to be obtained by Blue Pacific (if any) have been obtained; (ii) all such approvals remain in full force and effect as at the Closing Date; and (iii) if any such approval is subject to any condition which is required to be fulfilled prior to Closing, all



such conditions have been duly fulfilled as is necessary to allow Closing, save and except where the failure to obtain any such regulatory approval required to be obtained by Blue Pacific would not have or be likely to have a Material Adverse Effect;

- (vii) if, and to the extent, required under the Listing Rules or otherwise by the Stock Exchange, the Stock Exchange approving and/or the shareholders of the Company having passed a resolution or resolutions approving the entry into and performance of any other transactions or agreements contemplated in the Investment and Cooperation Agreement;
- (viii) Blue Pacific and JV Co having performed and complied, in all material respects, with all of the obligations, undertakings and covenants required to be performed or complied with by Blue Pacific and JV Co on or prior to Closing;
- (ix) from the date of the Investment and Cooperation Agreement to the Closing Date, no event, circumstance or development or combination of events, circumstances or developments having occurred that, individually or in the aggregate, has had or will have a Material Adverse Effect; and
- (x) the completion of any and all due diligence that RPGI may wish to undertake in relation to the transactions contemplated by the Investment and Cooperation Agreement, with the results of such due diligence being to the satisfaction of RPGI (acting reasonably).

## Closing

Closing shall take place on the later of: (i) 31 August 2008; and (ii) the second Business Day following the satisfaction or, where capable of being waived, waiver of the last of the Conditions Precedent in the Investment and Cooperation Agreement.

## Termination

In certain circumstances, the Investment and Cooperation Agreement provides for either RPGI or Blue Pacific to have the right to terminate before Closing if there has been a material breach of certain warranties and obligations set out in the Investment and Cooperation Agreement. Moreover, RPGI or Blue Pacific, absent a material breach by it of its representations, warranties and undertakings or obligations under the Investment and Cooperation Agreement, will have the right to terminate the Investment and Cooperation Agreement if any of the Conditions Precedent have not been or cease to be satisfied (or waived) on or before the Long Stop Date.

The Long Stop Date for the Acquisition is 31 December 2008 or such other date as may be agreed between RPGI and Blue Pacific.

Where the Investment and Cooperation Agreement is terminated prior to Closing (absent any fault of RPGI) following certain specific breaches of Blue Pacific, Blue Pacific undertakes to pay or procure the payment to RPGI (in lieu of all other rights or remedies available to RPGI in respect of specific breaches of the Investment and Cooperation Agreement) a reimbursement fee of up to US\$1.65 million to reimburse RPGI for its actual costs and expenses incurred in connection with the Transaction.

## Call Option

RPGI will have the Call Option (having no premium) of purchasing the Call Option Interest (i.e. such number of shares of JV Co owned by Blue Pacific equal to 5 per cent. equity interest in JV Co) in consideration of the issuance of the Call Option Consideration Shares. The number of Call Option Consideration Shares to be issued to Blue Pacific by the Company will be equal to the nearest number



of whole Shares derived by dividing the valuation of the Call Option Interest (such valuation to be made according to the Valuation Methodology) by the average closing price of the Shares on the Stock Exchange over the last 5 trading days immediately prior to (and including) the day falling on the third Business Day prior to the date on which the Call Option is exercised. The Call Option is exercisable in whole but not in part at any time during the period from and including 1 April 2010 to and including 30 April 2010.

The completion of the sale and purchase of the Call Option Interest will be subject to, and conditional upon, compliance with Chapters 14 and 14A of the Listing Rules.

Moreover, in the event that the Company does not have a general or specific mandate to issue the number of Call Option Consideration Shares determined according to the Investment and Cooperation Agreement, Blue Pacific will allow the Company:

- (i) three months from the date of exercise of the Call Option to obtain a specific mandate from the Shareholders for the issue of such number of Call Option Consideration Shares to be issued to Blue Pacific pursuant to the Investment and Cooperation Agreement; failing which
- (ii) to pay Blue Pacific the valuation of the Call Option Consideration Shares (such valuation to be made according to the Valuation Methodology) in cash or a combination of cash and Call Option Consideration Shares (if, and to the extent, permitted under the Listing Rules or otherwise by the Stock Exchange), with any apportionment between cash and Call Option Consideration Shares to be determined solely by the Company at its absolute discretion.

### **Put Option**

Blue Pacific will have the Put Option (having no premium) of requiring RPGL to acquire the Put Option Interest (i.e. all shares of JV Co owned by Blue Pacific) in consideration of the issuance of the Put Option Consideration Shares. The number of Put Option Consideration Shares to be issued to Blue Pacific by the Company will be equal to the nearest number of whole Shares derived by dividing the valuation of the Put Option Interest (such valuation to be made according to the Valuation Methodology) by the average closing price of the Shares on the Stock Exchange over the last 5 trading days immediately prior to (and including) the day falling on the third Business Day prior to the date on which the Put Option is exercised. The Put Option is exercisable in whole but not in part at any time during the period from and including 1 April 2010 to and including 30 April 2015.

If exercised today, the Company attributes a value to the Put Option and the Put Option Interest of approximately US\$18.53 million, calculated by reference to the multiplication of (x) the 22 million tonnes of Coal Reserves estimated by Blue Pacific to exist in the KP Areas covered by the PT Mandiri Exploration KP and the PT Enermine Exploration KP (assessed on a non-JORC Code basis); multiplied by (y) US\$3.37 per tonne of Coal Reserves (being the price negotiated and agreed between the parties on an arm's length basis); multiplied by (z) 0.25 (being the maximum potential percentage stake in JV Co represented by the Put Option Interest). However, this value is not fixed and is subject to a valuation to be made according to the Valuation Methodology at the relevant time.

The completion of the sale and purchase of the Put Option Interest will be subject to, and conditional upon, compliance with Chapters 14 and 14A of the Listing Rules. Moreover and without prejudice to the Company's other obligations under Chapters 14 and 14A of the Listing Rules, on the exercise or transfer of such Put Option, the Company will publish an announcement of such exercise or transfer in accordance with Rule 2.07C as soon as reasonably practicable thereafter.





Moreover, in the event that the Company does not have a mandate (whether a general mandate or a specific mandate) to issue the number of Put Option Consideration Shares, Blue Pacific will allow the Company:

- (i) three months from the date of exercise of the Put Option to obtain a specific mandate from the Shareholders for the issue of such number of Put Option Consideration Shares to be issued to Blue Pacific pursuant to the Investment and Cooperation Agreement; failing which
- (ii) to pay Blue Pacific the valuation of the Put Option Consideration Shares (such valuation to be made according to the Valuation Methodology) in cash or a combination of cash and Put Option Consideration Shares (if, and to the extent, permitted under the Listing Rules or otherwise by the Stock Exchange), with any apportionment between cash and Put Option Consideration Shares to be determined solely by RPGI at its absolute discretion.

### **Drag Along Rights**

If RPGI proposes to transfer all of the shares in JV Co held by it to any person who is an independent third party, RPGI may, by serving a compulsory purchase notice on Blue Pacific, require Blue Pacific to sell all their shares in JV Co to such person at the consideration equal to the the highest consideration received by RPGI for its shares in JV Co from such person.

### **The Guarantors**

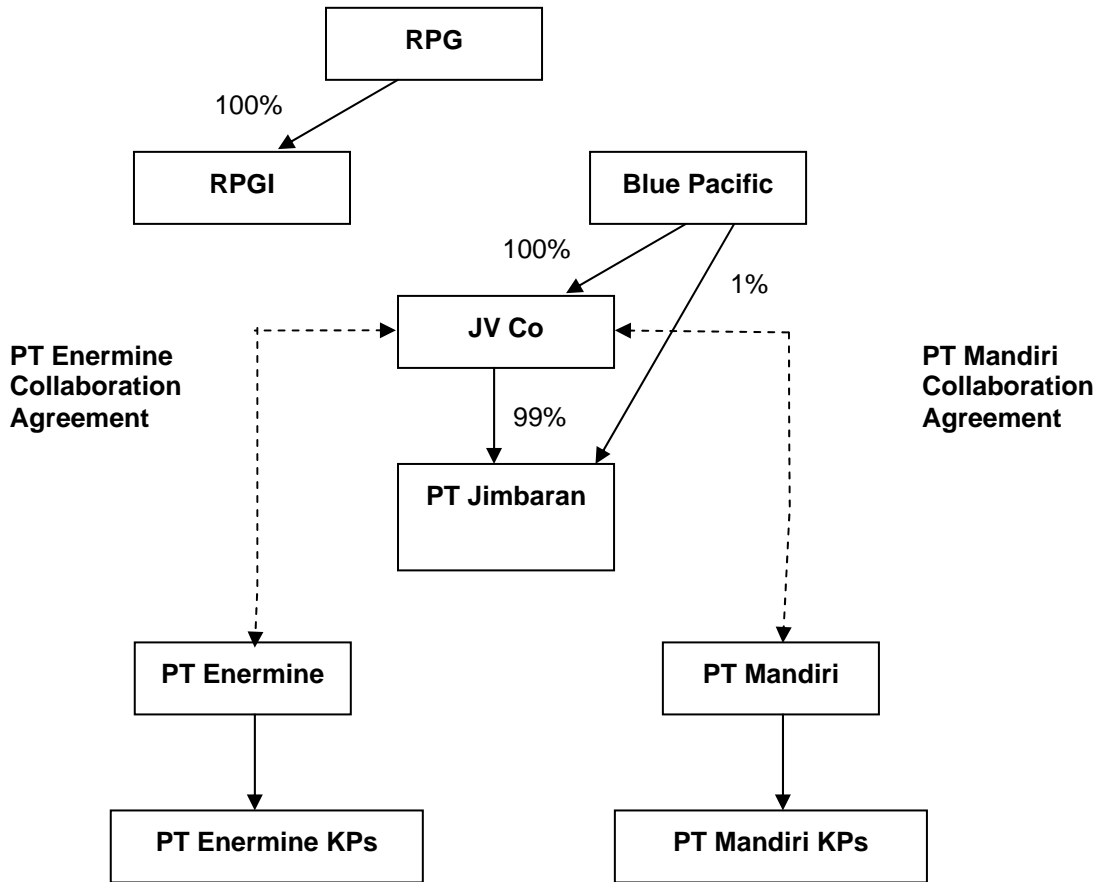
The Guarantors are each directors and shareholders of Blue Pacific. The Guarantors jointly and severally guarantee to RPGI and the Company the performance by Blue Pacific of its obligations under the Investment and Cooperation Agreement, and indemnify RPGI and the Company against all losses, liabilities, costs, charges, expenses, actions, proceedings, claims and demands which RPGI or the Company may suffer arising from any breach by Blue Pacific of its obligations under the Investment and Cooperation Agreement.

### **STRUCTURE OF THE TRANSACTION**

The structure of the Transaction is summarised as follows:

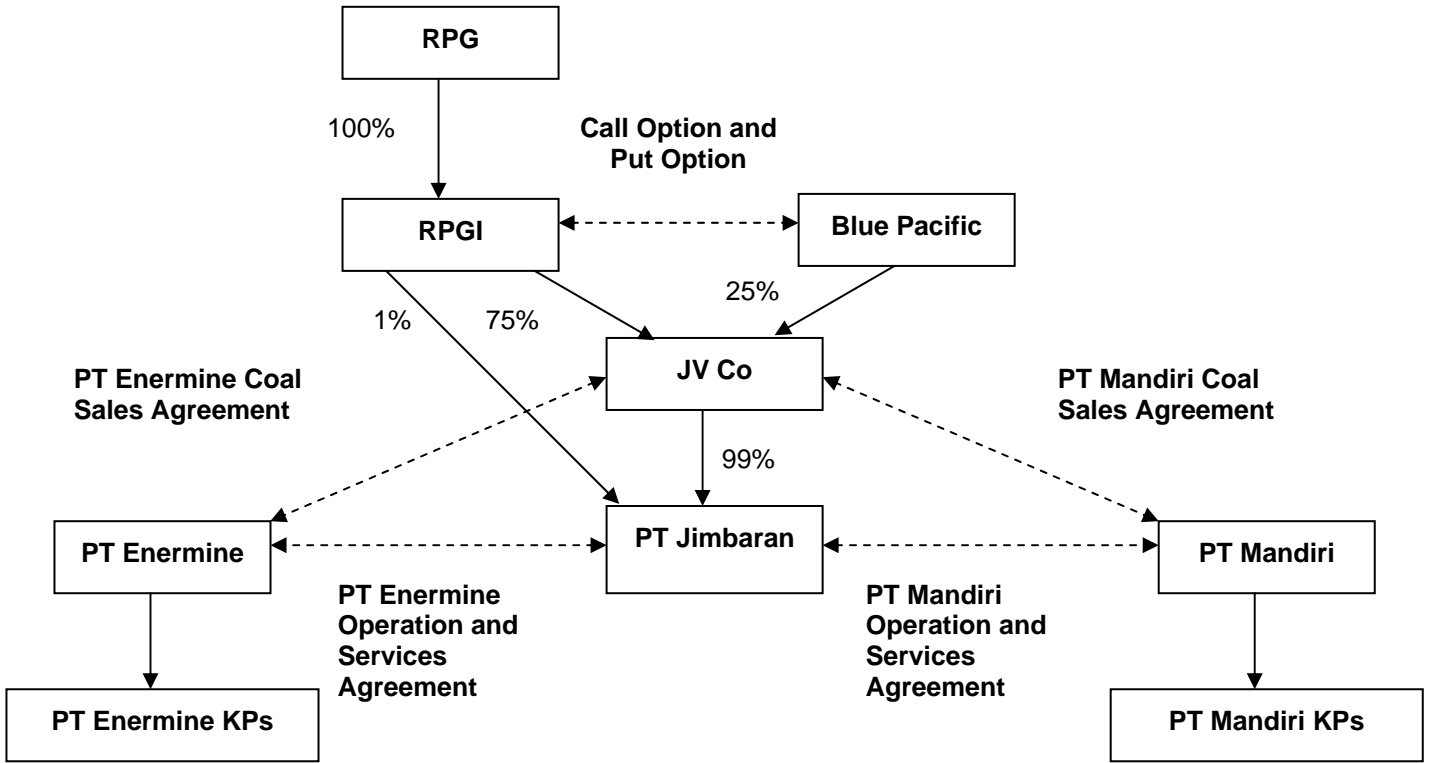


At the execution of the Investment and Cooperation Agreement





At Closing





## **DETAILS OF JV Co, PT JIMBARAN AND THE THERMAL COAL MINES**

JV Co is an investment holding company incorporated in Singapore on 30 May 2008. As at the date of this announcement, JV Co has not commenced trading and accordingly has no net profits or net assets. Blue Pacific is the registered holder and beneficial owner of all the shares of JV Co.

As at the date of this announcement, PT Jimbaran is yet to be incorporated. It is intended that PT Jimbaran be incorporated in Indonesia as a foreign capital investment (PMA) company with the approval of the capital investment coordinating board (BKPM) and its main line of business shall be the provision of general mining support services. Upon incorporation, JV Co will be the registered holder and beneficial owner of 99 per cent. and Blue Pacific will be the registered holder and beneficial owner of 1 per cent. of the issued share capital of PT Jimbaran.

On Closing of the Acquisition, RPGI will acquire the 1 per cent. interest in PT Jimbaran that is currently held by Blue Pacific, in addition to the shares in JV Co to be acquired pursuant to the Acquisition.

Based on information provided by Blue Pacific, the KP Areas covered by the PT Mandiri Exploration KP and the PT Enermine Exploration KP (assessed on a non-JORC Code basis) contain approximately 40 million tonnes of Coal Resources and 22 million tonnes of Coal Reserves. From end of June 2008, JV Co will embark on an extensive drilling programme in the KP Areas of PT Mandiri and PT Enermine to prove up the Coal Reserves and Coal Resources in accordance with the JORC Code.

From information provided by Blue Pacific, the previous owner of the PT Mandiri concession produced approximately 700,000 tonnes of coal from an open pit mining operation with appropriate infrastructure. The coal was hauled approximately 5.2 kilometres along an existing haul road to a coal handling plant that has a reported processing capacity of 250 tonnes per hour or in excess of 1.5 million tonnes per annum.

There is a thermal coal product (sub-bituminous in nature) comprising 5,800 kcal/kg on an air dried basis (ADB) or 4,650 kcal/kg on a net received basis (NAR).

## **REASONS FOR THE TRANSACTION**

The Company is a diversified mining group focused on the Asian region. The Company explores for and mines zinc, gold, silver, lead and coal. The Company is a dynamic and opportunistic investor with its focus on growing long term value for all stakeholders. The Company envisages being Hong Kong's next major mining house and acquisitive activities such as the Transaction are an essential part of its overall strategy for meeting this objective.

The Directors believe that the Transaction with Blue Pacific, a company focused on the exploration of Coal Resources in Indonesia, provides an opportunity for the Group to strengthen its position in the coal industry in the Asian region by extending its footprint in South East Asia.

The Directors consider the Transaction to be beneficial to its business and Shareholders for the following reasons:

### **Potential to produce thermal coal in 2008 in a strong international coal price environment**

Post Closing, the Company expects that coal production will begin in 2008 on the basis that there is an existing open pit with appropriate infrastructure in place such that production can commence once all necessary approvals have been obtained. Coal produced by PT Enermine and PT Mandiri will be sold to JV Co pursuant to the terms of the Coal Sales Agreements.



Based on information provided by Blue Pacific, it is estimated that the Coal Resources in the KP Areas of PT Enermine and PT Mandiri could support in excess of 2 million tonnes of thermal coal production per annum.

The KP Areas of PT Mandiri and PT Enermine are in a favourable geographical and geological location, and are strategically located, with only short transport distances required. The project is equipped with an existing barge jetty, which is located less than 10 kilometres from a loading point suitable to Panamax size (60,000DWT) vessels.

The Company will directly benefit from the current strong international spot price for coal. Since it is expected that the Company will export all the coal that it acquires pursuant to the Coal Sales Agreements, the strengthening international price for coal will benefit the Company directly.

### **Potential to increase the Company's resources**

Based on information provided by Blue Pacific, it is estimated that there are approximately 22 million tonnes of Coal Reserves and over 40 million tonnes of Coal Resources (assessed on a non-JORC Code compliant basis) within the KP Areas covered by the PT Enermine Exploration KP and the PT Mandiri Exploration KP. A substantial part of the KP Areas covered by the PT Enermine Exploration KP and the PT Mandiri Exploration KP have not been explored by geological mapping or drilling.

### **Diversification from the Chinese domestic market**

The Transaction allows the Company to diversify its production away from the domestic Chinese market and capture the strengthening international demand and price for coal, which is significantly higher than the coal price in the domestic Chinese market where the Company has its existing coal projects. Exposure to the strengthening international price for coal will lead to better margins for the Company on the coal it produces from East Kalimantan, Indonesia.

The Transaction also allows the Company to geographically diversify its production away from China where it might experience unknown changes to regulations governing foreign invested companies operating in the mining sector. This mitigates the risk of production disruption by such unforeseen events.

### **Strong partnership with Blue Pacific**

From the date of signing of the Investment and Cooperation Agreement, Blue Pacific must present any coal opportunity in Indonesia to the Company for consideration. Blue Pacific and the Company are actively pursuing further acquisitions of other coal mining operations in Indonesia. We believe that our strong partnership with Blue Pacific will assist the Company's objective of being a major Asian mining house.

### **GENERAL**

The Company is a limited liability company incorporated under the laws of the Cayman Islands whose Shares are listed on the Stock Exchange and are also traded on the OTC market (*Freiverkehr*) of the Frankfurt Stock Exchange. The Company is a diversified mining group focused on the Asian region and explores for and mines copper, zinc, gold, silver, lead and coal.

RPGI is an investment holding company incorporated in the Cayman Islands and is a wholly-owned subsidiary of the Company.

Blue Pacific is a mining company incorporated in the British Virgin Islands that is engaged in the exploration of Coal Resources in Indonesia. Save for the Collaboration Agreements (which have now



been assigned from Blue Water to JV Co), there is no relationship between Blue Pacific, PT Mandiri and PT Enermine. The current directors and shareholders of PT Mandiri and PT Enermine are third party Indonesian nationals.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries:

- (i) Blue Pacific and its beneficial owner(s) are third parties independent of the Company and are not connected persons of the Group; and
- (ii) PT Enermine and PT Mandiri and their respective beneficial owner(s) are third parties independent of the Company, JV Co and PT Jimbaran (once incorporated) and are not and will not be connected persons of the Group following Closing.

Under the Listing Rules, the Transaction constitutes a discloseable transaction for the Company. The purpose of this announcement is to provide the Shareholders with information on the details of the Transaction in accordance with the Listing Rules. The Company will issue a circular containing further details of the Transaction for Shareholders' information.

#### **TRADING SUSPENSION AND RESUMPTION**

The Shares were, at the Company's request, suspended from trading on the Stock Exchange with effect from 9.30 a.m. on 23 June 2008. The Company has made an application to the Stock Exchange for resumption of trading of its Shares with effect from 9.30 a.m. on 30 June 2008.

#### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Acquisition"	together (i) the acquisition of shares in JV Co by RPGI that will result in RPGI being the registered holder and beneficial owner of 75 per cent. of the fully diluted share capital of JV Co and (ii) the acquisition of 1 per cent. of the fully diluted share capital of PT Jimbaran, in both cases upon Closing and pursuant to the Investment and Cooperation Agreement.
"AMDAL"	the environmental impact assessment prescribed by Indonesian Law No 23 of 1997 on Environmental Management and related regulations.
"Blue Pacific"	Blue Pacific Advisors Ltd., a company incorporated in the British Virgin Islands.
"Blue Water"	Blue Water Consultants International Ltd, a company incorporated in Singapore.
"Board"	the board of Directors of the Company.
"Bulk Sampling Permit"	a bulk sampling permit permitting PT Mandiri to extract samples of coal mined within the area provided for under such permit, up to a maximum of 100,000 tonnes.



“Business”	the business of JV Co, being that of a joint venture for the commercial development of the KP Areas of PT Mandiri and PT Enermine in East Kalimantan, Indonesia including through the activities of its subsidiary, PT Jimbaran in Indonesia.
“Business Day”	generally a day which is not a Saturday or Sunday or a bank or public holiday in Singapore, and for the provisions in the Investment and Cooperation Agreement which require the fixing of the exchange rate between the US\$ and the HK\$, a day which is not a Saturday or Sunday or a bank or public holiday in Singapore and Hong Kong.
“Call Option”	the call option granted to RPGI under the Investment and Cooperation Agreement of purchasing the Call Option Interest.
“Call Option Consideration Shares”	the new Shares to be issued by the Company to Blue Pacific in satisfaction of the consideration for the exercise of the Call Option by RPGI.
“Call Option Interest”	such number of shares of JV Co owned by Blue Pacific equal to a 5 per cent. equity interest in JV Co.
“Closing”	the completion of the Acquisition.
“Closing Date”	the date on which Closing takes place which shall be the later of: (i) 31 August 2008; and (ii) the second Business Day following the satisfaction or, where capable of being waived, waiver of the last of the Conditions Precedent in the Investment and Cooperation Agreement.
“Coal Sales Agreements”	the PT Mandiri Coal Sales Agreement and the PT Enermine Coal Sales Agreement.
“Coal Reserves”	the economically mineable part of the measured and indicated Coal Resources and includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments are carried out (including consideration of metallurgical, economic, marketing, legal, environmental, social and governmental factors) to determine whether, at the time of such assessment, extraction is reasonably justifiable. Coal reserves are subdivided in order of increasing confidence into probable coal reserves and proven coal reserves (assessed by Blue Pacific on a non-JORC Code basis).
“Coal Resources”	a coal resources is that portion of a deposit in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of a coal resources are known, estimated or interpreted from specific geological evidence and knowledge. Coal resources are subdivided, in order of increasing



	geological confidence, into inferred, indicated and measured categories (assessed by Blue Pacific on a non-JORC Code basis).
“Collaboration Agreements”	the PT Mandiri Collaboration Agreement and the PT Enermine Collaboration Agreement.
“Company”	Regent Pacific Group Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Stock Exchange and are traded on the OTC market ( <i>Freiverkehr</i> ) of the Frankfurt Stock Exchange.
“Conditions Precedent”	the conditions precedent for the Acquisition, certain of which (but not all) are set out in the paragraph headed “Conditions Precedent for the Acquisition” in this announcement.
“connected persons”	has the meaning ascribed to it under the Listing Rules.
“Directors”	the directors of the Company.
“Exploitation KPs”	the PT Enermine Exploitation KP and the PT Mandiri Exploitation KP.
“Governmental Authority”	any government, state or political subdivision thereof, national or supranational body or any person or body exercising executive, legislative, judicial, regulatory or administrative functions on behalf of any of them and includes all relevant securities commissions, stock exchange authorities, foreign exchange authorities, foreign investment authorities and similar entities or authorities.
“Group”	the Company and its subsidiaries.
“Guarantors”	Eugene McCarthy, Charles Madhavan and Lee Chong Gim Daniel.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	Hong Kong Special Administrative Region of the PRC.
“Investment and Cooperation Agreement”	the investment and cooperation agreement dated 27 June 2008 entered into between the Company, RPGI, Blue Pacific, JV Co and the Guarantors in relation to the Transaction, which amended and restated a prior agreement dated 23 June 2008.
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004).
“JV Co”	Blue Pacific Coal Pte. Ltd., a company incorporated in Singapore which will be owned upon Closing as to 75 per cent. by RPGI and as to 25 per cent. by Blue Pacific.
kcal/kg	Kilocalories per kilogram.





“KP”	includes the PT Mandiri Exploration KP and the PT Enermine Exploration KP and means a mining authorisation (or <i>kuasa pertambangan</i> ) issued in accordance with applicable Indonesian laws authorising the exploration for, or the exploitation, of coal from a given area, or the processing, transporting or trading of coal produced as the case may be, and as denoted in the reference to the KP contained in the Investment and Cooperation Agreement.
“KP Area”	in relation to a given entity, the area covered by a KP held by that entity.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Long Stop Date”	31 December 2008 or such other date as may be agreed between RPGI and Blue Pacific.
“Material Adverse Effect”	any change or effect which has, or would reasonably be expected to have, a material and adverse effect on the business, assets, properties, prospects or condition (financial or otherwise) of JV Co, PT Mandiri, PT Enermine or any of their respective subsidiaries or which would reasonably be expected to have a significant effect on the price or value of the securities of JV Co, PT Mandiri, PT Enermine or any of their respective subsidiaries.
“Mining Operation and Services Agreements”	the PT Mandiri Operation and Services Agreement and the PT Enermine Operation and Services Agreement.
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan.
“PT Enermine”	PT Enermine, an Indonesian company.
“PT Enermine Coal Sales Agreement”	the coal sales agreement to be entered into at Closing between PT Enermine and JV Co.
“PT Enermine Collaboration Agreement”	the collaboration agreement entered into between Blue Water and PT Enermine dated 7 April 2008 (as amended on 4 June 2008) and subsequently assigned by Blue Water to JV Co for the development of the KP concessions legally owned by PT Enermine in East Kalimantan, Indonesia.
“PT Enermine Exploitation KP”	the mining authorisation (or <i>kuasa pertambangan</i> ) to be obtained by PT Enermine on or before Closing issued in relation to the exploitation phase of the mining of coal in the KP Area of the PT Enermine Exploration KP.
“PT Enermine Exploration KP”	the Decision of the Regent of Penajam Paser Utara No. 545/-Eksplorasi/EKONOMI/I/2008 dated 21 January 2008 on the



	Granting of a mining authorisation in relation to exploration of coal for an area covering 3,870 hectares ( <i>Surat Izin Usaha Pertambangan Batubara Eksplorasi</i> ).
“PT Enermine Operation and Services Agreement”	the operating and services agreement to be entered into at Closing between PT Jimbaran and PT Mandiri.
“PT Enermine Transportation and Sales KP”	the mining authorisation (or <i>kuasa pertambangan</i> ) to be obtained by PT Enermine on or before Closing issued in relation to the transportation and sales phase of the mining of coal in the KP Area of the PT Enermine Exploration KP.
“PT Jimbaran”	PT Jimbaran Borneo, a company to be incorporated in Indonesia with JV Co being the registered holder and beneficial owner of 99 per cent., and Blue Pacific being the registered holder and beneficial owner of 1 per cent. of the shares of PT Jimbaran.
“PT Mandiri”	PT Borneo Penajam Mandiri, an Indonesian company.
“PT Mandiri Coal Sales Agreement”	the coal sales agreement to be entered into at Closing between PT Mandiri and JV Co.
“PT Mandiri Collaboration Agreement”	the collaboration agreement entered into between Blue Water and PT Mandiri dated 7 April 2008 (as amended on 9 April 2008) and subsequently assigned by Blue Water to JV Co for the development of the KP concessions legally owned by PT Mandiri in East Kalimantan, Indonesia.
“PT Mandiri Exploitation KP”	the mining authorisation (or <i>kuasa pertambangan</i> ) to be obtained by PT Mandiri on or before Closing issued in relation to the exploitation phase of the mining of coal in the KP Area of the PT Mandiri Exploration KP.
“PT Mandiri Exploration KP”	means the Decision of the Regent of Penajam Paser Utara No. 545/027/PPU/EKONOMI/XII/2007 dated 20 December 2007 on the Granting of a mining authorisation in relation to exploration for coal for an area covering 5,000 hectares ( <i>Pemberian Kuasa Pertambangan Explorasi</i> ).
“PT Mandiri Operation and Services Agreement”	means the operating and services agreement to be entered into at Closing between PT Jimbaran and PT Mandiri.
“PT Mandiri Transportation and Sales KP”	the mining authorisation (or <i>kuasa pertambangan</i> ) to be obtained by PT Mandiri on or before Closing issued in relation to the transportation and sales phase of the mining of coal in the KP Area of the PT Mandiri Exploration KP.
“Put Option”	the put option granted to Blue Pacific under the Investment and Cooperation Agreement of requiring RPGL to purchase the Put Option Interest.



“Put Option Consideration Shares”	the new Shares to be issued by the Company to Blue Pacific in satisfaction of the consideration for the exercise of the Put Option by Blue Pacific.
“Put Option Interest”	all shares of JV Co owned by Blue Pacific.
“RPGI”	RPG Investments I Limited, a wholly-owned subsidiary of the Company incorporated in the Cayman Islands.
“Shareholders”	holders of the Shares.
“Shares”	ordinary share(s) of US\$0.01 each in the share capital of the Company.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Total Consideration”	US\$55.59 million, being the total consideration for the Acquisition, which is payable in cash (in respect of US\$18,077,000), and cash or a cash alternative upon agreement being reached between RPGI and Blue Pacific prior to Closing (in respect of US\$37,513,000).
“Transaction”	the Acquisition, the subsequent cooperation to carry on the Business through JV Co, the possible exercise of the Call Option, the grant of the Call Option, the possible exercise of the Put Option, the grant of the Put Option and any other related matters contemplated under the Investment and Cooperation Agreement.
“Transportation and Sales KPs”	the PT Enermine Transportation and Sales KP and the PT Mandiri Transportation and Sales KP.
“US\$”	US dollars, the lawful currency of the United States of America.
“Valuation Methodology”	the valuation of shares or assets of JV Co expressed in US\$ and (i) based on the net present value of the underlying value of the coal business of JV Co and its subsidiaries using a discounted cash flow model prepared by JV Co and (ii) reviewed and approved by an independent mining consultancy firm.

By Order of the Board  
**REGENT PACIFIC GROUP LIMITED**

**Jamie Gibson**  
*Executive Director*



**Directors of the Company:**

James Mellon (*Co-Chairman*)\*

Stephen Dattels (*Co-Chairman*)\*

Jamie Gibson (*Chief Executive Officer*)

Stephen Bywater\*

Clara Cheung

David Comba<sup>#</sup>

Julie Oates<sup>#</sup>

Mark Searle<sup>#</sup>

John Stalker\*

Jayne Sutcliffe\*

*\*Non-Executive Directors*

*#Independent Non-Executive Directors*

Hong Kong, 27 June 2008