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**REGENT PACIFIC GROUP LIMITED**

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

**(Stock code: 0575)**

**DISCLOSEABLE TRANSACTION RELATING TO  
THE ESTABLISHMENT OF A JOINT VENTURE ENTERPRISE,  
ALLOTMENT OF CONSIDERATION SHARES,  
PLACING OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES,  
CONNECTED TRANSACTION RELATING TO  
THE ISSUE OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES  
TO THE DIRECTORS OF THE COMPANY  
AND  
RESUMPTION OF TRADING**

The Board is pleased to announce that RML has entered into (a) the Joint Venture Contract with SSM and SLM relating to the establishment of a Sino-foreign co-operative joint venture enterprise to conduct exploration, mining and processing of copper and other multi-metal mineral resources in close proximity to the Dapingzhang Mine in the PRC subject to satisfaction of certain conditions; and (b) the Introduction Agreement with Stephen Dattels pursuant to which the Company agreed to issue and allot the Consideration Shares to Stephen Dattels in consideration of Stephen Dattels bringing to the Company the opportunity for it to invest in the Joint Venture Company. Based on the Consideration of US\$2,841,263 (approximately HK\$22,161,848), the Transactions constitute a discloseable transaction for the Company and are subject to the disclosure requirement under Chapter 18 of the Listing Rules. The Directors also propose to seek approval from the Shareholders at the EGM to issue the Consideration Shares in accordance with the terms and conditions of the Introduction Agreement.

In order to finance the Joint Venture Project and raise further working capital for the Group, on 31 August 2006, the Company entered into the Term Sheet with the Placees pursuant to which the Company will raise US\$6,250,000 (approximately HK\$48,750,000) by way of a placing of the Redeemable Convertible Preference Shares. The proposed issue and allotment of the Redeemable Convertible Preference Shares pursuant to the Placing and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the placees other than the Directors is conditional upon approval by the disinterested Shareholders at the EGM. The proposed issue and allotment of the Redeemable Convertible Preference Shares under the Placing and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Directors who are the Placees constitutes a connected transaction for the Company and is therefore conditional upon the approval of independent Shareholders by way of a poll vote at the EGM. In addition, to allow for the issuance of the Redeemable Convertible Preference Shares, the Company will need to amend its articles of association and a special resolution will be proposed at the EGM to amend the Company's articles of association. Any proposed amendments to the articles of association of the Company will comply with the requirements of Appendix 3 and Part B of Appendix 13 to the Listing Rules.

The Company will send a circular within 21 days after the publication of this announcement to Shareholders setting out further details of (a) the Joint Venture Agreement and the Introduction Agreement and the terms of the Consideration Shares; and (b) the Placing and the terms of the Redeemable Convertible Preference Shares, and containing, inter alia, (i) a technical report from Cube Consulting Pty Ltd. as required under Rule 18.09 of the Listing Rules; (ii) a letter from the independent board committee setting out its advice to independent Shareholders as to whether, insofar as the Company and the independent Shareholders are concerned, the terms and conditions of the Term Sheets and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole; (iii) a letter from the independent financial advisor setting out its recommendation to the independent board committee of the Company as to whether, insofar as the Company and the independent Shareholders are concerned, the terms and conditions of the Term Sheets and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole; and (iv) a notice of EGM for Shareholders to consider and, if thought fit, approve the issue of the Consideration Shares in accordance with the terms and conditions of the Introduction Agreement, the Term Sheet, the Placing and the transactions contemplated.

At the request of the Company, trading in the Shares was suspended on the HK Stock Exchange from 9:30 a.m. on 1 September 2006 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8 September 2006.

## **INTRODUCTION**

The Board is pleased to announce that on 30 August 2006, RML entered into the Joint Venture Contract with SSM and SLM relating to the establishment of a Sino-foreign co-operative joint venture enterprise to conduct exploration, mining and processing of copper and other multi-metal mineral resources in close proximity to the Dapingzhang Mine in the PRC subject to satisfaction of certain conditions. On 4 September 2006, the Company entered into the Introduction Agreement with Stephen Dattels pursuant to which the Company agreed to issue and allot the Consideration Shares to Stephen Dattels in consideration of Stephen Dattels bringing to the Company the opportunity for it to invest in the Joint Venture Company.

## **THE JOINT VENTURE CONTRACT**

### **Date**

30 August 2006

### **Parties**

RML, SSM and SLM.

### **The Joint Venture Company**

#### ***Establishment***

A Sino-foreign co-operative joint venture enterprise will be established to conduct exploration, mining and processing of copper and other multi-metal minerals in the PRC pursuant to the Joint Venture Contract. The Joint Venture Company shall be a limited liability company to be established under the laws of the PRC. The Joint Venture Company shall have a term of 50 years commencing from the date on which its business licence is issued, and may be extended if RML, SSM and SLM elect to do so. It is anticipated that the Joint Venture Company will be established by 31 December 2006 once the business licence of the Joint Venture Company has been issued by the relevant PRC governmental authority and the foreign exchange account of the Joint Venture Company has been opened.

#### ***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 Yinzishan Mine in order to achieve economic returns for the parties to the maximum extent.

#### ***Capital commitment and co-operation conditions***

The maximum investment amount of the Joint Venture Company shall be US\$2,000,000 (approximately HK\$15,600,000) and its registered capital shall be US\$1,400,000 (approximately HK\$10,920,000), which shall be provided by RML in two installments. The

first installment of US\$210,000 (approximately HK\$1,638,000) shall be contributed within 60 days after the establishment of the Joint Venture Company and the remaining amount of US\$1,190,000 (approximately HK\$9,282,000) shall be contributed within 2 years after the establishment of the Joint Venture Company.

SSM and SLM shall provide co-operation conditions by way of transfer to the Joint Venture Company of the Exploration Rights and the Mining Rights, respectively, by entering into the Exploration Rights Transfer Agreement and the Mining Rights Transfer Agreement, respectively, with the Joint Venture Company and submitting the application documents to the relevant government authority in the PRC for approval within 30 days of the establishment of the Joint Venture Company.

The equity interests in the Joint Venture Company shall be held in the following proportions:-

- 90.5% by RML;
- 9.0% by SSM; and
- 0.5% by SLM.

The liability of each party to the Joint Venture Company shall be limited to its ratio of equity interest in the Joint Venture Company, and no party shall have any liability to the Joint Venture Company or any third party jointly or severally in excess of such equity interests.

The difference between the maximum investment amount and the registered capital of the Joint Venture Company in the sum of US\$600,000 (approximately HK\$4,680,000) shall be financed by way of shareholder's loan from RML to the Joint Venture Company. Interest will accrue on the outstanding shareholder's loan and be calculated using the higher of the Bank of China lending rate for RMB and the LIBOR for US\$ deposits of a 12 month period, plus three per cent. or such other rate as agreed between RML and the Joint Venture Company.

The registered capital of the Joint Venture Company may be increased from time to time to match later investment requirements with unanimous approval of the board of the Joint Venture Company and the approval of the relevant government authority in the PRC. If SSM and SLM do not wish to contribute their pro rata share of such increased investment in cash, the proportions of the equity interest of the parties shall be adjusted to reflect the amount of increased investment made by RML.

#### **Conditions precedent to the provision of co-operation conditions and payment of registered capital of the Company**

Payment of the registered capital of the Joint Venture Company by RML and the provision of the co-operation conditions by SSM and SLM are conditional upon the fulfillment of the following conditions:-

1. the Joint Venture Contract and the articles of association of the Joint Venture Company having been approved by the relevant government authority in the PRC;

2. the business licence of the Joint Venture Company having been issued by the administration authority for industry and commerce; and
3. 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.

### **Major responsibilities of RML**

In addition to the payment of the registered capital of the Joint Venture Company and the shareholder's loan as set out above, pursuant to the Joint Venture Contract, RML shall also:-

1. provide technology (including management and services) on exploration, mining and processing;
2. assist the Joint Venture Company in conducting a feasibility study, including metallurgical testing;
3. assist the Joint Venture Company in supplying management and professional staff;
4. assist the Joint Venture Company in formulating the procedures and standards on employment of senior management personnel;
5. assist the Joint Venture Company in conducting technology and management training; and
6. assist with other matters reasonably required by the Joint Venture Company or SSM and/or SLM.

### **Major responsibilities of SSM**

In addition to the fulfillment of the co-operation conditions as set out above, pursuant to the Joint Venture Contract, SSM shall also:-

1. assist the Joint Venture Company in purchasing new mining rights and mining assets;
2. provide all necessary assistance for the establishment, and due registration with the relevant government authority in the PRC, of the Joint Venture Company; and
3. assist the Joint Venture Company in obtaining in its own name any new exploration permits and/or mining permits and all necessary consents, permits and licences so as to allow the Joint Venture Company to undertake the Joint Venture Project.

## Profit distribution

The proportions of profits to be distributed to RML, SSM and SLM within the term of the Joint Venture Company shall be as follows:-

	<u>RML</u>	<u>SSM</u>	<u>SLM</u>	<u>Total</u>
for the first 15 years:	100%	0%	0%	100%
for the second 15 years:	95.25%	4.5%	0.25%	100%
thereafter:	90.5%	9%	0.5%	100%

## Other relevant terms

1. The board of directors of the Joint Venture Company shall consist of three directors, of which RML shall have the right to appoint two directors and SSM shall have the right to appoint one director. A director appointed by RML shall serve as the chairman of the board of directors and be the legal representative of the Joint Venture Company.
2. As referred to in the Joint Venture Contract, after its establishment, SSM will assist the Joint Venture Company in acquiring additional mining rights and mining assets for the purpose of the Joint Venture Project.
3. Prior to the completion of the transfer of the Exploration Rights and Mining Rights, SSM and SLM will grant to the Joint Venture Company the right to use the Exploration Rights and the Mining Rights, respectively, on a royalty-free basis to conduct exploration, mining and processing activities.
4. The profits shall, after making allowance for sufficient working capital including any external commitments, be distributed annually, unless the board of directors of the Joint Venture Company agrees to distribute the profits semi-annually. The board of directors of the Joint Venture Company shall determine the amount of each distribution.
5. The Joint Venture Company shall initially carry out any mining activities at the Yinzishan Mine that are currently carried out by SLM and at the same time conduct supplementary exploration within the Permitted Area in addition to the exploration currently undertaken by SSM. If, upon completion of the supplementary exploration and the Feasibility Study, the Yinzishan Mine is determined to have potential mining value, the Joint Venture Company will enlarge the scale of production subject to the approval of the board of directors of the Joint Venture Company.
6. The Joint Venture Contract contains pre-emption rights in relation to the transfer of equity interests in the Joint Venture Company.
7. 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.
8. The Joint Venture Contract is written in both Chinese and English and both versions are equally binding.

9. The Joint Venture Company may be terminated or dissolved upon the occurrence of any of the following events:-
- (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 having resolved to terminate the Joint Venture Company;
  - (d) if a party breaches the Joint Venture Contract and fails to rectify the breach within 60 days, the non-defaulting party has the right to apply to the relevant government authority in the PRC to discharge the Joint Venture Contract and to dissolve the Joint Venture Company;
  - (e) if the agreements in respect of the transfer of the Exploration Rights and Mining Rights have not been approved by the relevant government authority in the PRC, or are revoked or terminated for any reason;
  - (f) the occurrence of a force majeure event which makes the Joint Venture Company unable to continue its operations; or
  - (g) a party fails to pay its capital contribution or provide its co-operation conditions, as the case may be, in accordance with the agreed time limit and the defaulting party is not able to rectify the default within 60 days after receiving written notification, whereby the non-defaulting party may request for termination of the Joint Venture Contract and the dissolution of the Joint Venture Company.

## **THE EXPLORATION RIGHTS TRANSFER AGREEMENT**

### **Date**

The Exploration Rights Transfer Agreement is to be entered into by the Joint Venture Company and SSM within 30 days of the establishment of the Joint Venture Company.

### **Parties**

SSM and the Joint Venture Company

## **Exploration Rights to be transferred**

SSM shall transfer to the Joint Venture Company the Exploration Rights under the following exploration permits issued by the Land and Resources Bureau of Yunnan Province, the PRC and currently owned by SSM:-

<b>Exploration Permit No.</b>	<b>Geographical location</b>	<b>Exploration area</b>	<b>Period of validity</b>
1. 5300000511513	Liangshuijing Mine, Cuiyun District, Simao City, Yunnan Province	36.41 km <sup>2</sup>	from 15 November 2005 to 14 November 2006
2. 5300000521795	Yinzishan Mine, Simao City, Yunnan Province	1.5 km <sup>2</sup>	from 31 December 2005 to 30 December 2007
3. 5300000521798	Yinzishan-Tianfang Mine, Simao City, Yunnan Province	19.23 km <sup>2</sup>	from 31 December 2005 to 30 December 2007

Subject to approval and other procedures stipulated in the relevant laws and regulations in the PRC, these exploration permits confer the following rights to the holders thereof:-

1. to conduct exploration work within the areas, duration and objectives stipulated in the exploration permit;
2. to install power supply lines, water supply pipelines and telecommunications lines in the exploration areas and adjacent areas;
3. to access and pass through exploration areas and adjacent areas;
4. to use land temporarily according to project requirements;
5. to have priority in obtaining the right to explore newly discovered types of minerals within the exploration areas and the right to mine mineral resources within the exploration areas; and
6. to sell mineral products recovered during exploration according to the approved project.

The Company understands that the Joint Venture Company will apply for renewal of such exploration permits before their expiry once it has acquired these exploration permits.

## **Consideration**

In consideration for SSM transferring the exploration permits as its co-operation condition to the Joint Venture Company, SSM shall acquire a 9% equity interest in the Joint Venture Company.

## **Conditions**

The Exploration Rights Transfer Agreement is unconditional and shall be effective on the date of signing.



## **Other principal terms**

1. Upon signing the Exploration Rights Transfer Agreement, SSM shall immediately prepare and file the application for the transfer of the Exploration Rights with the necessary approval authority in the PRC so as complete the formalities relating to the transfer of the Exploration Rights as soon as possible.
2. SSM agrees that the Joint Venture Company shall have the right to carry out any exploration activity within the areas covered by the Exploration Rights after execution of the Exploration Rights Transfer Agreement and prior to the completion of the transfer of the Exploration Rights for the purposes of performing its obligations pursuant to the terms and conditions of the Joint Venture Contract.
3. If the Joint Venture Contract is terminated prior to completion of the transfer of the Exploration Rights, the Exploration Rights Transfer Agreement shall be terminated automatically.

## **THE MINING RIGHTS TRANSFER AGREEMENT**

### **Date**

The Mining Rights Transfer Agreement is to be entered into by the Joint Venture Company and SLM within 30 days of the establishment of the Joint Venture Company.

### **Parties**

SLM and the Joint Venture Company

### **Mining Rights to be transferred**

SLM shall transfer to the Joint Venture Company the Mining Rights under the following mining permit currently owned by SLM:-

<b>Mining Permit No.</b>	<b>Mine name</b>	<b>Mining area</b>	<b>Period of validity</b>
5327010110012	Simao Manzitian Copper Mine	1 km <sup>2</sup>	from December 2005 to December 2011

Subject to approval and other procedures stipulated in the relevant laws and regulations in the PRC, the mining permit confers the following rights to the holder thereof:-

1. to conduct mining activities in accordance with the mining scope and duration as stipulated in the mining permit;
2. to sell mineral products;
3. to construct facilities for production and subsistence within the mining area as required for mining;

4. to legally obtain land use rights in accordance with production and construction requirements; and
5. other rights as stipulated by laws and statutory regulations.

### **Consideration**

In consideration for SLM transferring the mining permit as its co-operation condition to the Joint Venture Company, SLM shall acquire a 0.5% equity interest in the Joint Venture Company.

### **Conditions**

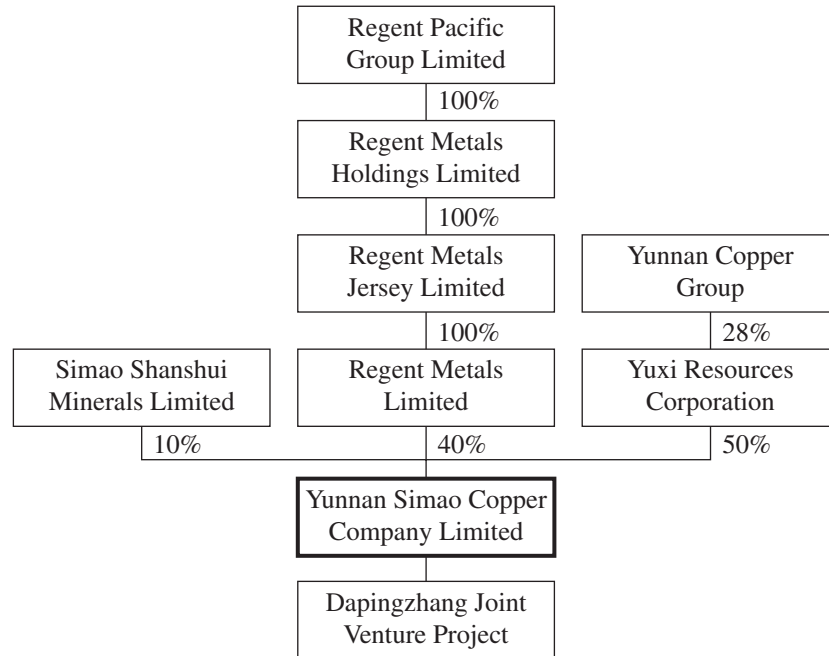
The Mining Rights Transfer Agreement is unconditional and shall be effective on the date of signing.

### **Other principal terms**

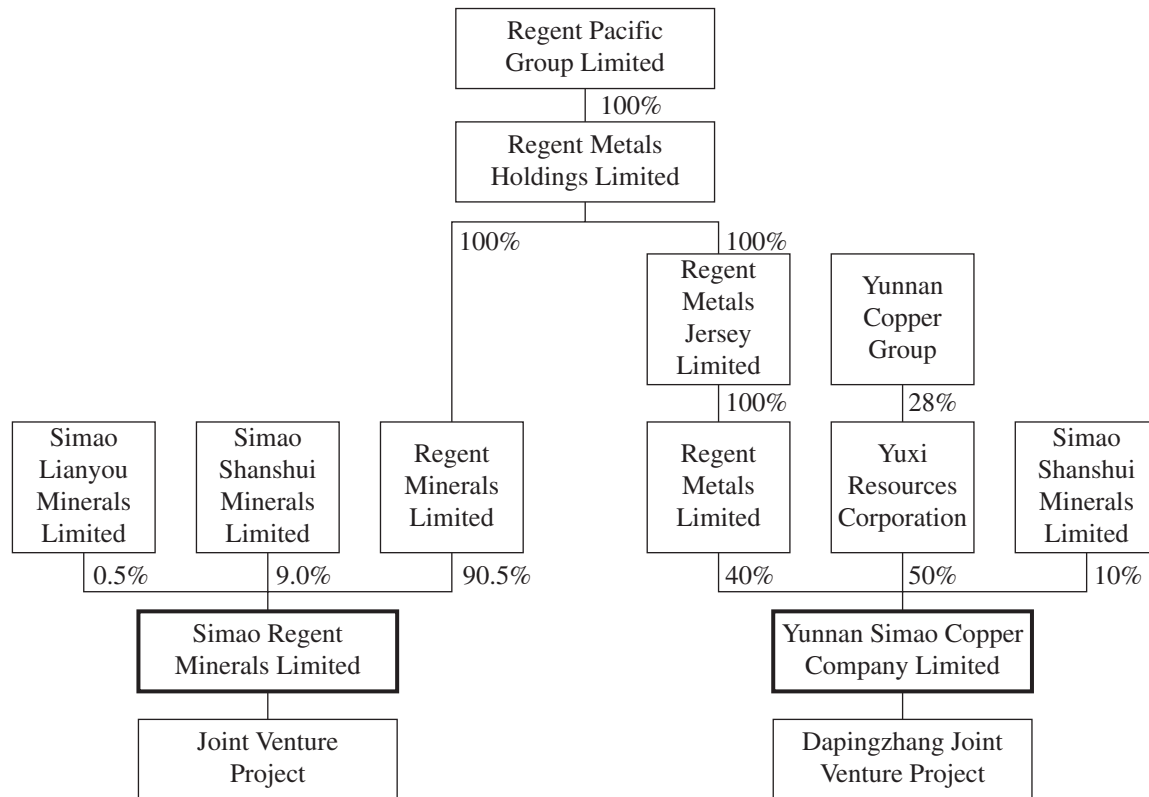
4. Upon signing the Mining Rights Transfer Agreement, SLM shall immediately prepare and file the application for the transfer of the Mining Rights with the necessary approval authority in the PRC so as complete the formalities relating to the transfer of the Mining Rights as soon as possible.
5. SLM agrees that, for the purposes of performing its obligations pursuant to the terms and conditions of the Joint Venture Contract, after execution of the Mining Rights Transfer Agreement and prior to the completion of the transfer of the Mining Rights, the Joint Venture Company shall have the right to carry out all mining activities within the area covered by the Mining Rights without paying any fee to SLM.
6. If the Joint Venture Contract is terminated prior to completion of the transfer of the Mining Rights, the Mining Rights Transfer Agreement shall be terminated automatically.

## EQUITY STRUCTURE OF THE JOINT VENTURE COMPANY

Prior to the establishment of the Joint Venture Company, the equity interest of the Company in the Dapingzhang Joint Venture Company is as follows:



Following the establishment of the Joint Venture Company, the equity interests of the Company in the Joint Venture Company and in the Dapingzhang Joint Venture Company will be as follows:-



Following the establishment of the Joint Venture Company, the Company will have an indirect interest of 90.5% in the Joint Venture Company and therefore the Joint Venture Company will become an indirect non wholly-owned subsidiary of the Company and accordingly its financial results and assets and liabilities will be consolidated by the Company.

## SOURCES OF FUNDS

The Group will satisfy the funding requirement and capital commitment of RML of US\$2,000,000 (approximately HK\$15,600,000) under the Joint Venture Contract by its internal resources and the funding to be raised from the Placing.

## THE INTRODUCTION AGREEMENT

### Date

4 September 2006

### Parties

The Company and Stephen Dattels

To the best knowledge of the Directors having made reasonable enquiry, Stephen Dattels is independent of and not connected with SSM, SLM and the Company and its connected persons.

### **Obligations of Stephen Dattels**

Stephen Dattels shall procure that all licences and permits contemplated under the Joint Venture Contract, the Exploration Rights Transfer Agreement and the Mining Rights Transfer Agreements be transferred to, or issued to, the Joint Venture Company in accordance with the terms of the Joint Venture Contract, the Exploration Rights Transfer Agreement and the Mining Rights Transfer Agreements.

### **Consideration**

In consideration for Stephen Dattels performing its obligations under the Introduction Agreement as set out in the preceding paragraph, the Company will issue and allot the Consideration Shares to Stephen Dattels (or to the person who it may otherwise direct) on the date of completion of the Introduction Agreement, being the third Business Day immediately after the date upon which the last of the conditions precedent for the completion of the Introduction Agreement shall have been satisfied or waived or such other date as the Company and Stephen Dattels shall otherwise agree in writing.

Based on the 21,514,256 Consideration Shares to be issued under the Introduction Agreement and the closing price of the Shares of HK\$0.305 as quoted on the HK Stock Exchange on 31 August 2006 (being the last trading day immediately prior to suspension of trading in the Shares on 1 September 2006), the total amount of consideration payable to Stephen Dattels is HK\$6,561,848 (approximately US\$841,263). The total amount of consideration was arrived at after arm's length negotiations between the Company and Stephen Dattels, taking into account, among other things, the business potential of the Joint Venture Company. Such consideration will be satisfied by the issue of the Consideration Shares only and in no event will the Company be liable to satisfy such consideration in cash or otherwise.

### **Conditions precedent**

Completion of the Introduction Agreement is conditional upon fulfillment of the following conditions:-

1. the business licence of the Joint Venture Company having been issued and the RMB and USD bank accounts of the Joint Venture Company having been opened;
2. approval of the Board having been obtained;
3. approval by the Shareholders for the allotment and issue of the Consideration Shares having been obtained;
4. all necessary consents and authorizations, if any, having been obtained to enable Stephen Dattels and/or the person to whom he may otherwise direct to be issued and allotted the Consideration Shares;

5. compliance with the Listing Rules, including without limitation, obtaining any approvals required by Chapters 14 and 14A of the Listing Rules;
6. there being no breach of representations, warranties and undertakings set out in the Introduction Agreement; and
7. the Listing Committee of the HK Stock Exchange having granted the listing of and permission to deal in the Consideration Shares.

If the conditions set out above are not satisfied within 180 Business Days after the date of the Introduction Agreement or, to the extent possible or appropriate, waived by the Company, the Company shall be entitled to terminate the Introduction Agreement whereupon all the liabilities of the parties shall cease.

### **Termination of the Introduction Agreement**

The Introduction Agreement shall be terminated upon occurrence of any of the following events:-

1. termination of the Introduction Agreement upon Completion;
2. termination of the Introduction Agreement if the conditions precedent for the completion of the Introduction Agreement are not fulfilled;
3. termination of the Joint Venture Contract;
4. the parties agreeing to terminate the Introduction Agreement in writing; or
5. a party is in material breach of any terms and conditions of the Introduction Agreement and/or if there is a material breach of any terms and conditions of the Joint Venture Contract and, in the case of a breach capable of being remedied, fails to remedy the breach within 14 days of a written request to remedy the same.

### **Approvals by the Shareholders**

Following the entering into of the Introduction Agreement, the Directors propose to seek approval from the Shareholders at the EGM to issue the Consideration Shares in accordance with the terms and conditions of the Introduction Agreement. An ordinary resolution will be proposed at the EGM to approve the issue of the Consideration Shares to Stephen Dattels on which no Shareholders will be required to abstain from voting under the Listing Rules.

Completion of the Joint Venture Contract is not conditional upon the completion of the Introduction Agreement. Therefore, the Joint Venture Project will proceed even if the issue of the Consideration Shares to Stephen Dattels is not approved by the Shareholders at the EGM,

As at the date of this announcement, the Company has 1,466,697,324 Shares in issue. The 21,514,256 Consideration Shares therefore represent approximately 1.47% of the existing issued voting share capital of the Company and approximately 1.45% of the enlarged issued

voting share capital of the Company, assuming that (a) none of the outstanding options of the Company to subscribe for 108,158,000 new Shares under the share option scheme of the Company adopted by the Shareholders on 15 November 2002 is exercised; (b) none of the outstanding Convertible Bonds of the Company convertible into 503,880,250 new Shares is converted; and (c) no Shares are repurchased by the Company.

### **Change of shareholdings in the Company**

As at the date of this announcement:-

1. the Company has 1,466,697,324 voting Shares in issue;
2. there are outstanding options to subscribe for an aggregate of 108,158,000 Shares under the share option scheme of the Company adopted by the Shareholders on 15 November 2002;
3. there are outstanding Convertible Bonds with, in aggregate, a principal amount of US\$16,890,000 convertible into an aggregate of 503,880,250 Shares. The initial issue amount of the Convertible Bonds was US\$20,000,000; and
4. the combined voting rights of the Company held by the Concert Party Group are 464,989,090 Shares, representing approximately 31.70% of the existing issued voting share capital of the Company and approximately 31.24% of the enlarged issued voting share capital of the Company following completion of the issue of the Consideration Shares (being 21,514,256 Shares), assuming that (a) none of the outstanding options of the Company to subscribe for 108,158,000 new Shares is exercised; (b) none of the outstanding Convertible Bonds of the Company convertible into 503,880,250 new Shares is converted; and (c) no Shares are repurchased by the Company.

Following completion of the issue of the Consideration Shares (assuming that none of the outstanding options has been exercised and that none of the outstanding Convertible Bonds has been converted and taking no account of the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares), the shareholdings in the Company would be as follows:-

<b>Name of Shareholder</b>	<b>Number of Shares currently held</b>	<b>Approximate percentage shareholding</b>	<b>Number of Shares after completion of the issue of the Consideration Shares</b>	<b>Approximate percentage shareholding</b>
<b>Concert Party Group</b>				
James Mellon	414,037,311	28.23%	414,037,311	27.82%
Jayne Sutcliffe	45,125,691	3.08%	45,125,691	3.03%
Anderson Whamond	5,826,088	0.39%	5,826,088	0.39%
	<u>464,989,090</u>	<u>31.70%</u>	<u>464,989,090</u>	<u>31.24%</u>
Other Directors	4,244,444	0.29%	4,244,444	0.29%
Stephen Dattels	—	—	21,514,256	1.45%
Public	<u>997,463,790</u>	<u>68.01%</u>	<u>997,463,790</u>	<u>67.02%</u>
Total	<u>1,466,697,324</u>	<u>100.00%</u>	<u>1,488,211,580</u>	<u>100.00%</u>

#### **Listing approval for the Consideration Shares**

Application will be made to the Listing Committee of the HK Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

#### **FINANCIAL EFFECTS OF THE TRANSACTIONS ON THE GROUP**

The Directors do not expect that the Transactions will have any material adverse effect on the consolidated results or the net assets of the Group.

#### **REASONS FOR, AND BENEFITS OF, THE TRANSACTIONS**

At present, the Company holds a 40% interest in the Dapingzhang Joint Venture Project. The Company is of the view that by entering into the Joint Venture Contract and the Introduction Agreement, it will be able to further strengthen its existing investment in the minerals processing industry in the PRC. The three exploration permits to be acquired by and transferred to the Joint Venture Company under the Exploration Rights Transfer Agreement and under which the Exploration Rights are granted will confer upon the Joint Venture Company an exclusive right to explore the areas for mineral occurrences before the expiration of such permits on 14 November 2006, 30 December 2007 and 30 December 2007, respectively. In addition, the mining permit to be acquired by and transferred to the Joint Venture Company pursuant to the Mining Rights Transfer Agreement and under which the Mining Right is granted will allow the holder thereof to extract any minerals contained or found in the Permitted Area up to December 2011.



The maximum investment amount payable by the Joint Venture Company under the Joint Venture Contract and the total amount of consideration represented by the Consideration Shares to be issued by the Company pursuant to the Introduction Agreement were determined after arm's length negotiations between the Company on the one side, and SSM, SLM and Stephen Dattels (as the case may be) on the other. The Directors believe that the terms of the Joint Venture Contract and the Introduction Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will satisfy the funding requirement for the Transactions from its internal resources and from the funding to be raised from the Placing. In the event that the Placing to the independent third parties and the Placing to the Directors who are the Placees are not approved by the disinterested Shareholders and the independent Shareholders, respectively, at the EGM, the Transactions will not proceed. On the other hand, if the Placing to the independent third parties is approved by the disinterested Shareholders at the EGM but the Placing to the Directors who are the Placees is not approved by the independent Shareholders at the EGM, the Transaction will proceed because the aggregate amount of funds to be raised from the Placing to the independent third parties of US\$2,500,000 will be sufficient to fund the maximum investment amount of US\$2,000 000 of the Joint Venture Project.

#### **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.

RML is a limited liability company, which was incorporated under the laws of Barbados on 27 April 2006 and is an indirect wholly-owned subsidiary of the Company. It is engaged principally in seeking investment opportunities in businesses that are engaged in the exploration, processing and mining of natural resources.

#### **INFORMATION ON SSM AND SLM**

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.

SLM 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that SSM has a 10% equity interest in the Dapingzhang Joint Venture Company in which the Company has an indirect 40% interest, SSM, SLM 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.

## **INFORMATION ON THE YINZISHAN MINE**

The Yinzishan Mine comprises the areas covered by the exploration permits and the mining permit to be acquired by the Joint Venture Company from SSM and SLM, respectively, which are located near Simao City in Yunnan Province in the PRC. The exploration permits to be acquired by the Joint Venture Company from SSM under the Joint Venture Contract cover over an aggregate of 57 km<sup>2</sup>, whilst the mining permit to be acquired by the Joint Venture Company from SLM under the Joint Venture Contract covers 1 km<sup>2</sup>. The areas covered by these exploration and mining permits are in close proximity to the Dapingzhang Mine. The Directors believe that such areas overlie the same favourable regional geological belt as found at the Dapingzhang Mine.

The Directors understand that within the area covered by one of the exploration permits to be acquired by the Joint Venture Company from SLM under the Exploration Rights Transfer Agreement, an independent third party (which is not connected with SSM, SLM and the Company and its connected persons) is now holding a separate mining permit over a small area (100 meters x 100 meters) and has constructed a small underground mine and a 100 tonne per day mill producing a copper concentrate. The Directors further understand that this independent third party is mining ore from two parallel zones with a grade and characteristics similar to the ore mined at the Dapingzhang Mine. The mining permit held by this independent third party does not form part of the mining permit to be acquired by the Company under the Mining Rights Transfer Agreement. However, the Company understands that the Joint Venture Company, following its establishment, intends to acquire from this independent third party such mining permit together with the related mining assets. It is anticipated that the cost of such acquisition will be covered by the total investment amount of the Joint Venture Company.

## **INFORMATION ON THE DAPINGZHANG JOINT VENTURE PROJECT AND DAPINGZHANG JOINT VENTURE COMPANY**

The Dapingzhang Joint Venture Project is a joint venture between Regent Metals Limited, SSM and Yuxi Resources Corporation in relation to the exploration, mining and processing of copper and other multi-metal minerals in the PRC through the Dapingzhang Joint Venture Company. As disclosed in the Company's announcement dated 22 November 2005 and in its annual report for the financial year ended 31 March 2006, the Company, through Regent Metals Limited an indirect wholly-owned subsidiary of the Company, acquired a 40% equity interest in the Dapingzhang Joint Venture Company, a Sino-foreign equity joint venture enterprise which is currently producing bulk copper, zinc, lead concentrate with recoverable gold and silver values at the Dapingzhang copper mine located near Simao City, Yunnan Province, the PRC.

The Dapingzhang Joint Venture Company commenced operations in April 2006 after receiving its business licence in March 2006 and is accounted for as an associated company of the Company through the equity method of accounting.

## **PLACING OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES**

In order to finance the Joint Venture Project and raise further working capital for the Group, on 31 August 2006, the Company entered into the Term Sheet with the Placees pursuant to which, subject to the conclusion of the Subscription Agreement, the Company will raise US\$6,250,000 (approximately HK\$48,750,000) by way of a placing of the Redeemable Convertible Preference Shares. The Directors propose to seek approval (a) from the disinterested Shareholders at the EGM to issue to the placees other than the Directors the Redeemable Convertible Preference Shares pursuant to the Placing and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares for an aggregate amount of US\$2,500,000 (approximately HK\$19,500,000); and (b) from the independent Shareholders at the EGM to issue to the Directors who are the Placees the Redeemable Convertible Preference Shares pursuant to the Placing and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares for an aggregate amount of US\$3,750,000 (approximately HK\$29,250,000) on the terms and conditions of the Term Sheet. Details of the Placing are as follows:-

### **THE TERM SHEET**

#### **Date**

31 August 2006

#### **Parties**

##### *Issuer*

The Company

## *Placees*

<b>Name of the Placees</b>	<b>Amount of subscription for the Redeemable Convertible Preference Shares</b>
1. Libra Fund LP (or its designated affiliates)	US\$1,620,000
2. Libra Offshore Limited (or its designated affiliates)	US\$380,000
3. MLP Investments (Caymans), Ltd. (or its designated affiliates)	US\$500,000
Members of the Concert Party Group comprising:-	
4. James Mellon (Non-executive Director)	US\$2,750,000
5. Jayne Sutcliffe (Non-executive Director)	US\$250,000
6. Anderson Whamond (Non-executive Director)	US\$250,000
Other Directors:-	
7. Jamie Gibson (Executive Director)	US\$250,000
8. Mark Searle (Independent non-executive Director)	US\$100,000
9. Julie Oates (Independent non-executive Director)	US\$100,000
10. David Comba (Independent non-executive Director)	US\$50,000

As at the date of this announcement, MLP Investments (Caymans), Ltd. was interested in 59,666,539 fully-paid Shares (representing approximately 4.07% of the existing issued share capital of the Company) and US\$10,000,000 of the Convertible Bonds convertible into 298,330,695 Shares.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placees (other than the Directors) 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.

### **Amount to be raised**

US\$6,250,000 (approximately HK\$48,750,000).

### **Consideration**

The Placees shall pay the Company in cash on the date of issue of the Redeemable Convertible Preference Shares the aggregate sum of US\$6,250,000 (approximately HK\$48,750,000), being 100% of the issued amount of the Redeemable Convertible Preference Shares.

### **Issue amount**

US\$1,000 for each Redeemable Convertible Preference Share, comprising the par value of US\$0.01 and a premium of US\$999.99.

## **Conditions**

Completion of the Placing is conditional upon fulfillment of certain conditions, including, among others:

1. a Cayman Islands legal opinion having been obtained regarding due authorization and validity of the Redeemable Convertible Preference Shares and the rights attached thereto not being inconsistent with the laws of the Cayman Islands;
2. approval by the disinterested Shareholders and by the independent Shareholders for the allotment and issue of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the placees other than the Directors and to the Directors who are the Placees, respectively, having been obtained; and
3. the Listing Committee of the HK Stock Exchange having granted approval in principle of the listing of and permission to deal in the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares.

Completion of the Placing is not conditional upon the completion of the Joint Venture Contract and the Introduction Agreement.

## **Issue of the Redeemable Convertible Preference Shares**

It is intended that the Company and the Placees shall enter into the Subscription Agreement on or about 8 September 2006. The Redeemable Convertible Preference Shares shall be issued on or after 12 October 2006 as agreed between the Company and the Placees, pending satisfaction of the conditions precedent but in any event shall not be later than 31 December 2006.

## **Undertaking**

The Company will undertake that neither it nor any of its subsidiaries or affiliates over which it exercises management or voting control nor any person acting on its or their behalf will, for a period from (and including) the date of the execution of the Subscription Agreement up to (and including) the day which is 90 days after the date of issue of the Redeemable Convertible Preference Shares, without the prior written consent of each Placee, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such transaction in relation to) any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by the delivery of Shares or such other securities, in cash or otherwise) save for (a) Shares issued pursuant to the conversion provisions of the Redeemable Convertible Preference Shares, (b) Shares issued pursuant to the conversion of the Convertible Bonds, and (c) the issue of options, and the exercise of any options under, the Company's employee share option scheme.

## **PRINCIPAL TERMS OF THE REDEEMABLE CONVERTIBLE PREFERENCE SHARES**

### **Maturity Date**

12 October 2011

### **Redemption**

Unless previously redeemed, converted or purchased and cancelled, the Company will, subject to the relevant legal requirements, redeem each Redeemable Convertible Preference Share at 100% of its issue amount on the Maturity Date.

Subject to the Company being permitted, as a matter of law, to fund such redemption, the Redeemable Convertible Preference Shares will upon notice from the holder thereof become immediately due for redemption by the Company upon occurrence of any of the following triggering events:-

1. full revocation by any PRC governmental or regulatory authority of the mining permits 5300000520208 or 5327010110012 issued to SSM and SLM, respectively; and
2. expropriation by any PRC governmental or regulatory authority of more than half of the assets, property and economic interests of the Dapingzhang Joint Venture Company and/or the Joint Venture Company.

### **Conversion**

#### ***Conversion price***

The Initial Conversion Price is HK\$0.290 per Share, subject to usual anti-dilution adjustments upon the occurrence of certain events, the details of which will be set out in the circular to be despatched to the Shareholders. The Initial Conversion Price of HK\$0.290 per Share represents:-

1. the average of the closing prices per Share as quoted on the HK Stock Exchange for the five consecutive trading days ending on 30 August 2006, being the trading day immediately preceding the date of the Term Sheet;
2. a discount of approximately 4.92% over the closing price per Share as quoted on the HK Stock Exchange of HK\$0.305 on 31 August 2006, being the last closing price per Share immediately prior to suspension of trading in the Shares on 1 September 2006 which was the day of signing of the Term Sheet; and
3. a discount of approximately 0.34% over the average of the closing prices per Share as quoted on the HK Stock Exchange of HK\$0.291 for the ten consecutive trading days ending on 30 August 2006, being the trading day immediately preceding the date of the Term Sheet.

The Initial Conversion Price shall be deemed to be fully paid by the holders of the Redeemable Convertible Preference Shares to the Company upon the serving of a written notice of conversion by such holders to the Company and no extra payment shall be made by the holders for each conversion.

### ***Conversion period***

The period during which the Redeemable Convertible Preference Shares may be converted at the option of the holders thereof shall commence on or after the date being the latter of (a) the date when approval of the Shareholders has been obtained; and (b) the date when the HK Stock Exchange has approved in principle the listing of and permission to deal in the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares, and shall continue until the close of business on 5 October 2011 (or the close of business on such earlier date which is 7 Business Days before any date fixed for redemption of the Redeemable Convertible Preference Shares by the Company).

### ***Conversion Shares***

Redeemable Convertible Preference Shares may be converted in whole or in part. The number of Shares falling to be issued upon conversion of each Redeemable Convertible Preference Share will be calculated in accordance with the following formula:-

$$A = \frac{B}{C}$$

A = number of Shares to be issued on conversion of the Redeemable Convertible Preference Shares

B = issue amount of the Redeemable Convertible Preference Share (expressed in Hong Kong dollars at the fixed exchange rate) to be converted

C = the Initial Conversion Price of HK\$0.290 per Share (subject to adjustment, if any)

The Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares will be credited as fully paid Shares, will be unencumbered and will rank *pari passu* in all respects with the fully paid Shares then in issue.

Upon the conversion of the Redeemable Convertible Preference Shares in full and assuming that there is no adjustment, the Company will have to issue and allot an aggregate of 168,103,449 Shares, representing approximately 11.46% of the existing issued share capital of the Company and approximately 10.28% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares only, assuming that (a) none of the outstanding options of the Company to subscribe for 108,158,000 new Shares under the share option scheme of the Company adopted by the Shareholders on 15 November 2002 is exercised; (b) none of the outstanding Convertible Bonds of the Company convertible into 503,880,250 new Shares is converted; and (c) no Shares are repurchased by the Company.



## **Optional redemption or conversion by the Company**

The Company may at any time on or after 31 March 2008, upon the giving of not less than 14 days notice in writing to the holders of the Redeemable Convertible Preference Shares, either (a) redeem all but not some only of the Redeemable Convertible Preference Shares then outstanding at their issue amount together with all dividends accrued to the date fixed for such redemption; or (b) subject to proviso (2) below, compulsorily convert the Redeemable Convertible Preference Shares at the then prevailing conversion price into new Shares, provided that:-

1. in either case, within a period of 30 consecutive trading days ending within 5 trading days prior to the date on which the relevant notice of redemption or conversion is given to the holders of the Redeemable Convertible Preference Shares, the closing price of the Shares on the HK Stock Exchange for 20 trading days shall have been at least 150% of the conversion price in effect on each of such trading days; and
2. if the Company reasonably believes that a notice to compulsorily convert all of the Redeemable Convertible Preference Shares could result in the Concert Party Group (and/or other persons with whom the Concert Party Group might then be acting in concert) incurring a mandatory offer obligation under the Takeovers Code, the Company may exclude all or part of the Redeemable Convertible Preference Shares held by the Concert Party Group (and/or other persons with whom the Concert Party Group might then be acting in concert) from the compulsory purchase notice so that no such mandatory offer obligation will result. Such excluded Redeemable Convertible Preference Shares may instead be made the subject of a redemption notice or left outstanding (and, if left outstanding, may be made the subject of notices to redeem or compulsorily convert at such date or dates thereafter as the Company may at its discretion determine, provided that any such future notice may only be given if proviso (1) above is satisfied at the relevant time).

## **Dividend**

Holders of the Redeemable Convertible Preference Shares shall be entitled to a fixed dividend of 8.5% per annum, calculated on the issue amount of the Redeemable Convertible Preference Shares and, subject to the relevant legal requirements, payable in two equal installments semi-annually. If dividends cannot be paid owing to compliance with the relevant legal requirements, unpaid dividends will be cumulative and payable as and when the Company may be permitted to do so under the relevant legal requirements.

## **Status of the Redeemable Convertible Preference Shares**

The obligations represented by the Redeemable Convertible Preference Shares will rank *pari passu* without any preference or priority among themselves and rank at least *pari passu* with all other preference shares of the Company and ahead of the Shares. The Redeemable Convertible Preference Shares are non-voting.



## **Transferability**

Save as the restrictions set out in the Term Sheet which are applicable to the Placees, the Redeemable Convertible Preference Shares are freely transferable.

## **CHANGE OF SHAREHOLDINGS IN THE COMPANY**

Upon the conversion of the Redeemable Convertible Preference Shares in full and assuming that there is no adjustment, the Company will have to issue and allot an aggregate of 168,103,449 Shares, representing approximately 11.46% of the existing issued voting share capital of the Company and approximately 10.28% of the enlarged issued voting share capital of the Company following completion of the issue of the Redeemable Convertible Preference Shares, comprising (a) an aggregate of 87,413,793 Shares to the members of the Concert Party Group; (b) an aggregate of 13,448,276 Shares to the Directors who are the Placees; and (c) an aggregate of 67,241,380 Shares to the Placees other than the members of the Concert Party Group and the other Directors.

Members of the Concert Party Group have in a letter dated 1 September 2006 undertaken to the Company that they will only exercise their rights to convert the Redeemable Convertible Preference Shares to be issued to and subscribed for by them into Shares to the extent that, for so long as they are capable of doing so, the combined percentage voting rights of the Company held by them as a result of the acquisition of additional voting rights of the Company following such conversion would, when taken together with the combined voting rights of other parties (actual or deemed, if any) acting in concert with them from time to time, not trigger a mandatory offer obligation under the Takeovers Code.

On this basis, assuming that (i) none of the outstanding options and the outstanding Convertible Bonds have been exercised or converted (as the case may be); (ii) all the Placees other than members of the Concert Party Group have exercised their rights to convert the Redeemable Convertible Preference Shares into Shares in full; and (iii) members of the Concert Party Group only exercise their rights to convert the Redeemable Convertible Preference Shares into Shares to the extent that, for so long as they are capable of doing so, the combined percentage voting rights of the Company held by them, when taken together with the combined voting rights of other parties (actual or deemed, if any) acting in concert with them from time to time, would not exceed 35% of the enlarged issued voting share capital of the Company, the impact of the Placing on the resulting shareholdings in the Company would be as set out (a) in columns (4) and (5) of the table below immediately after the Placing but before the issue of the Consideration Shares; and (b) in columns (6) and (7) below immediately after the Placing and after the issue of the Consideration Shares.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Name of Shareholder	Number of Shares currently held	Approximate percentage shareholding	Number of Shares after the Placing but before the issue of the Consideration Shares	Approximate percentage shareholding	Number of Shares after the Placing and after the issue of the Consideration Shares	Approximate percentage shareholding
<b>Concert Party Group</b>						
James Mellon	414,037,311	28.23%	488,002,828	29.85%	488,002,828	29.46%
Jayne Sutcliffe	45,125,691	3.08%	51,849,829	3.17%	51,849,829	3.13%
Anderson Whamond	<u>5,826,088</u>	<u>0.39%</u>	<u>12,550,226</u>	<u>0.77%</u>	<u>12,550,226</u>	<u>0.76%</u>
Sub-total:	464,989,090	31.70%	552,402,883	33.79%	552,402,883	33.35%
<b>Other Directors</b>						
Jamie Gibson	—	—	6,724,138	0.41%	6,724,138	0.41%
Mark Searle	4,244,444	0.29%	6,934,099	0.42%	6,934,099	0.42%
Julie Oates	—	—	2,689,655	0.16%	2,689,655	0.16%
David Comba	<u>—</u>	<u>—</u>	<u>1,344,828</u>	<u>0.08%</u>	<u>1,344,828</u>	<u>0.08%</u>
<b>Sub-total:</b>	4,244,444	0.29%	17,692,720	1.07%	17,692,720	1.07%
Libra Fund LP	—	—	43,572,414	2.67%	43,572,414	2.63%
Libra Offshore Limited	—	—	10,220,690	0.63%	10,220,690	0.62%
MLP Investments (Caymans), Ltd.	59,666,539	4.07%	73,114,815	4.47%	73,114,815	4.41%
Stephen Dattels	—	—	—	—	21,514,256	1.30%
Public	<u>937,797,251</u>	<u>63.94%</u>	<u>937,797,251</u>	<u>57.37%</u>	<u>937,797,251</u>	<u>56.62%</u>
Total	<u>1,466,697,324</u>	<u>100%</u>	<u>1,634,800,773</u>	<u>100.00%</u>	<u>1,656,315,029</u>	<u>100.00%</u>

## REASONS FOR, AND BENEFITS OF, THE PLACING AND USE OF PROCEEDS

Taking into account the costs and the lead time required for other forms of fund raising exercises, the Company takes the view that the Placing is a more expedient and cost-effective means for the Company to raise further capital from the market, and that it will enable the Company to raise capital within a shorter time and at a lower cost to meet the funding requirements for the Joint Venture Project.

The proceeds of the Placing of approximately US\$6,250,000 (approximately HK\$48,750,000) will be used by the Group for the following purposes:-

1. US\$2,000,000 (approximately HK\$15,600,000) for the Joint Venture Project;
2. approximately US\$2,040,000 (approximately HK\$15,912,000) for financing part of the interest coupon on the outstanding Convertible Bonds;
3. approximately US\$532,000 (approximately HK\$4,149,600) for financing part of the dividend on the Redeemable Convertible Preference Shares to be issued by the Company pursuant to the Placing; and
4. the balance of US\$1,678,000 (approximately HK\$13,088,400) for general working capital of the Group.

## **FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS**

Save for the issue of the Convertible Bonds to raise US\$20,000,000 (approximately HK\$156,000,000) as announced by the Company on 30 March 2006, the Company has not undertaken any fund raising exercise by way of the issue of equity securities of the Company during the past 12 months immediately preceding the date of this announcement.

As disclosed in the circular to the Shareholders dated 25 May 2006, the Company intended to apply the net proceeds of approximately US\$18,400,000 (approximately HK\$143,520,000) through the issue of the Convertible Bonds for the following purposes:-

1. US\$17,000,000 (approximately HK\$132,600,000) for funding the remainder of the Group's capital commitment under the Dapingzhang Joint Venture Project; and
2. the balance of US\$1,400,000 (approximately HK\$10,920,000) for paying costs and expenses incurred in connection with the issue of the Convertible Bonds and for general working capital of the Group.

The net proceeds through the issue of the Convertible Bonds were fully utilized in accordance with the purposes set out above.

## **APPROVALS BY THE SHAREHOLDERS**

The proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Placees other than the Directors is conditional upon approval by the disinterested Shareholders at the EGM. An ordinary resolution will be proposed at the EGM for approval by the disinterested Shareholders, by way of a poll vote, of the issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the placees other than the Directors in accordance with the terms and conditions set out in the Term Sheet, pursuant to the Listing Rules, MLP Investments (Caymans) Ltd. and its associates, having a material interest in the transaction, will be required to abstain from voting on such resolution.

The proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Directors who are the Placees constitutes a connected transaction for the Company and is subject to independent shareholders' approval requirement under the Listing Rules. An ordinary resolution will be proposed at the EGM for approval by the independent Shareholders, by way of a poll vote, of the issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Directors in accordance with the terms and conditions set out in the Term Sheet. Pursuant to the Listing Rules, the Directors who are the placees and their associates will be required to abstain from voting on such resolution.

In addition, to allow for the issuance of the Redeemable Convertible Preference Shares, the Company will need to amend its articles of association and a special resolution will be proposed at the EGM to approve the amendments to the Company's articles of association. Any proposed amendments to the articles of association of the Company will comply with the requirements of Appendix 3 and Part B of Appendix 13 to the Listing Rules.

### **LISTING APPROVAL FOR THE SHARES TO BE ISSUED PURSUANT TO THE PLACING**

No application will be made to the Listing Committee of the HK Stock Exchange or any other stock exchange for the listing of, and permission to deal in, the Redeemable Convertible Preference Shares to be issued pursuant to the Placing. However, the Company will apply to the Listing Committee of the HK Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Redeemable Convertible Preference Shares to be issued pursuant to the Placing.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the consideration ratio is 5% or more but less than 25%, the Transactions constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. The Joint Venture Contract is therefore not subject to shareholders' approval requirement under the Listing Rules. In addition, the Transactions are subject to the disclosure requirement under Chapter 18 of the Listing Rules. In this regard, the Company has engaged Cube Consulting Pty Ltd., an independent mining consultant, to perform a technical review on the Yinzishan Mine and to prepare a technical report as required under Rule 18.09 of the Listing Rules, which will be included in the circular to be despatched to the Shareholders.

The proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing to the Directors who are the Placees constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to independent shareholders' approval requirement under the Listing Rules. The proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing to the Directors who are the Placees is therefore conditional upon the approval of independent Shareholders by way of a poll vote at the EGM. Pursuant to the Listing Rules, the Directors who are the placees and their associates will be required to abstain from voting upon such resolution at the EGM. The Company will establish an independent board committee consisting only of the independent non-executive Director who does not have a material interest in the transaction to advise independent Shareholders and will appoint Altus Capital Limited as an independent financial advisor to make recommendations to the independent board committee of the Company on the transaction contemplated herein.

The Company will send a circular within 21 days after the publication of this announcement to Shareholders setting out further details of (a) the Joint Venture Agreement and the Introduction Agreement and the terms of the Consideration Shares; and (b) the Placing, the terms of the Redeemable Convertible Preference Shares and the proposed amendments to the Company's articles of association, and containing, *inter alia*, (i) a technical report from Cube

Consulting Pty Ltd. as required under Rule 18.09 of the Listing Rules; (ii) a letter from the independent board committee of the Company setting out its advice to independent Shareholders as to whether, insofar as the Company and the independent Shareholders are concerned, the terms and conditions of the Term Sheets and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole; (iii) a letter from the independent financial adviser setting out its recommendation to the independent board committee of the Company as to whether, insofar as the Company and the independent Shareholders are concerned, the terms and conditions of the Term Sheets and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole; and (iv) a notice of the EGM for Shareholders to consider and, if thought fit, approve the issue of the Consideration Shares in accordance with the terms and conditions of the Introduction Agreement, the Term Sheet, the Placing, the proposed amendments to the Company's articles of association and the transactions contemplated thereunder.

The terms and conditions of the Term Sheet and the principal terms of the Redeemable Convertible Preference Shares were determined after arm's length negotiations between the Company and the Placees. The Directors (other than the independent non-executive Director who does not have a material interest in the transaction contemplated under the Term Sheet) believe that the terms and conditions of the Term Sheet and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the entering into of the Term Sheet and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The independent non-executive Director who does not have a material interest in the transaction contemplated under the Term Sheet would not be able to form the view whether the terms and conditions of the Term Sheet and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the entering into of the Term Sheet and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole so far as the Company and the independent Shareholders are concerned unless and until he has discussed with the independent financial advisor and reviewed its letter of advice.

## **GENERAL**

At the request of the Company, trading in the Shares was suspended on the HK Stock Exchange from 9:30 a.m. on 1 September 2006 pending release of this announcement. An application has been made to the HK Stock Exchange for resumption of trading in the Shares on the HK Stock Exchange with effect from 9:30 a.m. on 8 September 2006.

## **DEFINITIONS**

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

- |                            |   |
|----------------------------|---|
| <b>“acting in concert”</b> | has the meaning ascribed to it in the Takeovers Code; |
| <b>“associate”</b>         | has the meaning ascribed to it in the Listing Rules;  |

<b>“Board”</b>	the board of directors of the Company;
<b>“Business Days”</b>	any day (excluding a Saturday) on which banks generally open for business in Hong Kong;
<b>“Company”</b>	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;
<b>“connected person”</b>	has the meaning ascribed to it in the Listing Rules;
<b>“Concert Party Group”</b>	certain Directors comprising James Mellon, Jayne Sutcliffe and Anderson Whamond who are regarded as acting in concert for the purpose of the Takeovers Code and have registered the combined voting rights of the Company held by them (being 464,989,090 Shares in aggregate) with the SFC under the transitional provisions in Rule 26.6 of the Takeovers Code;
<b>“Consideration”</b>	US\$2,841,263 (approximately HK\$22,161,848), being the sum of (a) the total investment amount of US\$2,000,000 (approximately HK\$15,600,000) payable by the Joint Venture Company under the Joint Venture Contract; and (b) the aggregate value of the Consideration Shares in the sum HK\$6,561,848 (approximately US\$841,263), based on the 21,514,256 Consideration Shares and the closing price of the Shares as quoted on the HK Stock Exchange of HK\$0.305 on 31 August 2006, being the last trading day immediately prior to suspension of trading in the Shares on 1 September 2006;
<b>“Consideration Shares”</b>	21,514,256 Shares to be issued and credited as fully paid Shares by the Company to Stephen Dattels or to such person as it may otherwise direct on the date of completion of the Introduction Agreement, as consideration under the Introduction Agreement;
<b>“Convertible Bonds”</b>	the US\$20,000,000 12% guaranteed convertible bonds due 2009 issued by the Company for the purpose of raising US\$20,000,000, as announced by the Company on 30 March 2006;
<b>“Dapingzhang Joint Venture Company”</b>	雲南思茅山水銅業有限公司 (Yunnan Simao Copper Company Limited), a Sino-foreign equity joint venture enterprise established by Regent Metals Limited, an indirect wholly-owned subsidiary of the Company, SSM and Yuxi Resources Corporation pursuant to the Dapingzhang Joint Venture Project;

<b>“Dapingzhang Joint Venture Project”</b>	the joint venture project between Regent Metals Limited, an indirect wholly-owned subsidiary of the Company, SSM and Yuxi Resources Corporation in relation to the exploration, mining and processing of copper and other multi-metal minerals at the Dapingzhang copper mine located near Simao City, Yunnan Province, the PRC, as announced by the Company dated 22 November 2005;
<b>“Dapingzhang Mine”</b>	the mine in which the Dapingzhang Joint Venture Project is now undertaken;
<b>“Director(s)”</b>	the directors of the Company;
<b>“EGM”</b>	an extraordinary general meeting of the Company to be convened by the Directors for the purpose of approving the matters contemplated hereunder;
<b>“Exploration Rights”</b>	all the rights under the exploration permits to be acquired by the Joint Venture Company from SSM;
<b>“Exploration Rights Transfer Agreement”</b>	an agreement to be entered into by the Joint Venture Company and SSM pursuant to which the Joint Venture Company shall acquire the Exploration Rights from SSM;
<b>“Feasibility Study”</b>	a technical, economic and commercial 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 in the Permitted Area in conjunction with a reputable independent mining consultancy company;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollar(s), the lawful currency of Hong Kong;
<b>“HK Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“Initial Conversion Price”</b>	the initial conversion price at which the Redeemable Convertible Preference Shares are to be converted into full-paid Shares, being HK\$0.290 per Share, subject to adjustment upon the occurrence of certain events;
<b>“Introduction Agreement”</b>	the introduction agreement dated 4 September 2006 entered into by the Company and Stephen Dattels;



<b>“Joint Venture Company”</b>	思茅勵晶礦業有限公司 (Simao Regent Minerals Limited), the co-operative joint venture enterprise in the PRC to be established pursuant to the Joint Venture Contract;
<b>“Joint Venture Contract”</b>	the co-operative joint venture contract dated 30 August 2006 entered into by RML, SSM and SLM in relation to the co-operation for the establishment of the Joint Venture Company;
<b>“Joint Venture Project”</b>	the exploration, mining and processing of copper and other multi-metal minerals in the Permitted Area, Simao City, Yunnan Province, the PRC, to be conducted by the Joint Venture Company;
<b>“km<sup>2</sup>”</b>	square kilometers;
<b>“LIBOR”</b>	London Interbank Offered Rate;
<b>“Listing Rules”</b>	Rules Governing the Listing of Securities on the HK Stock Exchange, as amended from time to time;
<b>“Mining Rights”</b>	all the rights under the mining permit to be acquired by the Joint Venture Company from SLM in connection with the Joint Venture Project;
<b>“Mining Rights Transfer Agreement”</b>	an agreement to be entered into by the Joint Venture Company and SLM pursuant to which the Joint Venture Company shall acquire the Mining Rights from SLM;
<b>“Permitted Area”</b>	the areas covered by the exploration or mining permits permitting the Joint Venture Company to conduct exploration, mining and processing in such area, which includes the areas covered by the exploration and mining permits to be acquired by the Joint Venture Company from SSM and SLM, as more particularly set out in the sections headed “Exploration Rights Transfer Agreement” and “Mining Rights Transfer Agreement” of this announcement;
<b>“Placees”</b>	Libra Fund LP, Libra Offshore Limited, MLP Investments (Caymans), Ltd. or any of their respective designated affiliates and certain Directors;
<b>“Placing”</b>	the proposed issue and allotment of the Redeemable Convertible Preference Shares by the Directors for the purpose of raising US\$6,250,000 (approximately HK\$48,750,000), to be approved by Shareholders at the EGM;
<b>“PRC”</b>	People’s Republic of China;



<b>“Redeemable Convertible Preference Shares”</b>	the dividend bearing non-voting redeemable convertible preference shares of US\$0.01 each in the share capital of the Company, to be issued and allotted pursuant to the Placing on the terms and conditions of the Term Sheet;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“RML”</b>	Regent Minerals Limited, a company incorporated under the law of Barbados and an indirect wholly-owned subsidiary of the Company;
<b>“SFC”</b>	Securities and Futures Commission of Hong Kong;
<b>“Shares”</b>	ordinary shares of US\$0.01 each in the capital of the Company;
<b>“Shareholders”</b>	holders of Shares;
<b>“SLM”</b>	思茅市聯友礦業有限公司 (Simao Lianyou Minerals Limited), a Chinese enterprise legal person with independent legal person status established under the laws of the PRC;
<b>“SSM”</b>	思茅市山水礦業有限公司 (Simao Shanshui Minerals Limited), a Chinese enterprise legal person with independent legal person status established under the laws of the PRC;
<b>“Subscription Agreement”</b>	a definitive subscription agreement to be entered into by the Company and the Placees relating to the issue by the Company of, and the subscription by the Placees for, the Redeemable Convertible Preference Shares which incorporates the terms and conditions of, and supercedes, the Term Sheet;
<b>“substantial shareholders”</b>	has the meaning ascribed to it in the Listing Rules;
<b>“Takeovers Code”</b>	Hong Kong Code on Takeovers and Mergers, as amended from time to time;
<b>“Term Sheet”</b>	the term sheet dated 31 August 2006 entered into between the Company as issuer and the Placees as subscribers pursuant to which the Company shall issue and allot the Redeemable Convertible Preference Shares to the Placees for the purpose of raising US\$6,250,000 (approximately HK\$48,750,000);

<b>“Transactions”</b>	the transactions contemplated under the Joint Venture Contract and the Introduction Agreement, including the establishment of the Joint Venture Company to carry out the Joint Venture Project and the allotment and issue of the Consideration Shares by the Company to Stephen Dattels;
<b>“US\$”</b>	United States dollar(s), the lawful currency of the United States of America; and
<b>“Yinzishan Mine”</b>	the Permitted Area.

*In this announcement, unless otherwise specified, amounts denominated in RMB and HK\$ have been translated, for the purpose of illustration only, into US\$ using the rate of US\$1 = RMB8 and US\$1 = HK\$7.8. No representation is made that any amount in US\$, HK\$ or RMB could have been or could be converted at the above rates or at any other rates at all.*

For and on behalf of the Board of  
**Regent Pacific Group Limited**

**Jamie Gibson**  
*Director*

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, 7 September 2006

Please also refer to the published version of this announcement in The Standard.