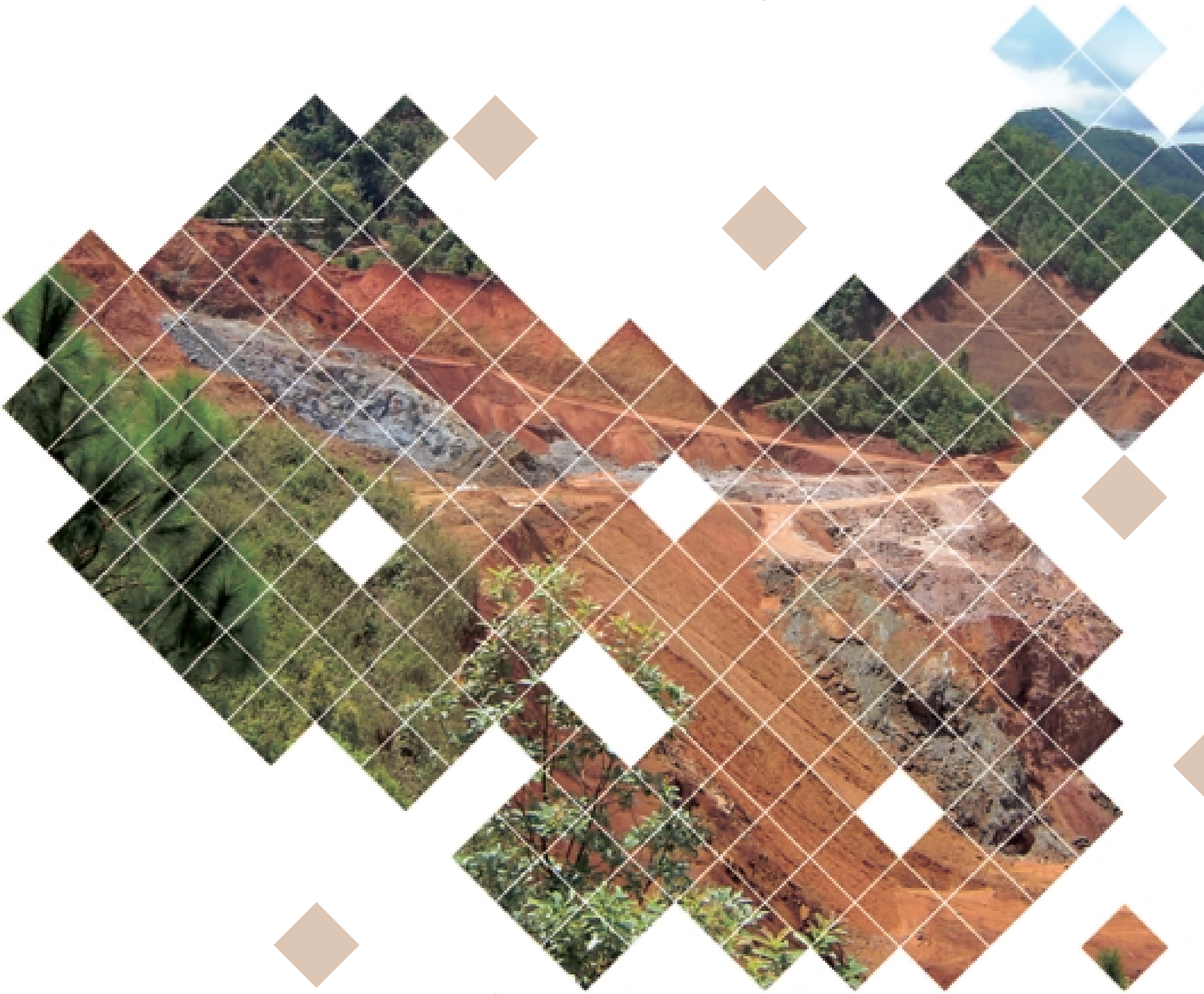
Annual Report 2005 2006



Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575


安全生产 预防为主

Contents

Key Highlights

Finance

- Profit after tax of US$8.1 million
- Paid a dividend of US$33.9 million or 22 HK cents per share
- Successfully issued US$20 million of the Convertible Bonds

Corporate

- Share price increased by 133% since paying dividend
- Strengthened management team to oversee the Dapingzhang JV
- Successful realisation of the Group's investment in Bridge Investment Holding Limited

The Dapingzhang JV

- Acquired 40% equity interest in the Dapingzhang JV, a mine that produces a bulk copper, zinc, lead concentrate with recoverable gold and silver credits
- Effected a smooth ownership transition
- Stated production is 3,200 tonnes ore per day, but currently processing 2,500 tonnes ore per day while implementing the optimisation programme
- Completed 21,433 meters of diamond drilling in 109 holes
- Acquired four additional exploration licences with total exploration area covering 94 square kilometers
- Completed three year mine plan of current open pit area: estimated at 4.5 million tonnes at a copper grade of 0.65% copper/tonne
- Completed metallurgical test work on the stringer-style mineralisation (V2)
- Mine is producing copper grade of 22-25% with a recovery over 92%

Key Highlights

Highway Mine

- Entered into a joint venture where the Group will acquire an 80% equity interest by investing US$2 million
- Exploration area covering over 57 square kilometers
- Mining licence area of 1 square kilometer
- Licenses in close proximity to the Dapingzhang JV and overlay same favourable geological belt as occurs at Dapingzhang
- Mine has a mill processing 100 tonnes ore per day

Chairman's Statement

The Group returned to profitability this year which was largely due to the share of profit derived from Bridge Investment Holding Limited ("**BIH**"). In 2005 we were successful in realising our investment in BIH and the Group received a final dividend of US$37.7 million from BIH out of which US$33.9 million was paid out to shareholders. This brings an end to the Group's investment in BIH. Our realisation of our Korean investment actually returned over US$74 million in cash to our shareholders against a total cash cost of approximately US$36 million. Admittedly, although ultimately profitable, this was a very difficult investment, a not uncommon experience shared by other foreign investors in Korea.

In March 2006, the Group raised US$20 million from three investors through the issuance of US$20 million principal amount of 12% guaranteed convertible bonds due March 2009. These funds were used to acquire the Group's 40% interest in Yunnan Simao Shanshui Copper Company Limited (the "**Dapingzhang JV**"), a Sino-foreign equity joint venture enterprise engaged in mining, which comprises the Group, a company in the Yunnan Copper Group and the former owner of the mining business and assets.

In last year's report we referred to the exciting prospects of the Group's investment in a mining operation in the People's Republic of China (the "**PRC**" or "**China**") The Group now holds a 40% equity interest in the Dapingzhang JV, that is currently producing a bulk copper, zinc, lead concentrate with recoverable gold and silver values at the Dapingzhang Mine ("**DPZ**") in Yunnan Province, the PRC. The transition from the former owner proceeded smoothly and a new organisational structure has been implemented which has reduced the workforce to 204 from over 260. The Dapingzhang JV commenced operations in April 2006 and the new management team, which is provided by the three partners, is focused on pushing through the optimisation program of the existing facilities. In this respect, the metallurgical test work on the copper-rich stringer-type mineralisation (V2) has been implemented by the Dapingzhang JV's metallurgical consultants in conjunction with mill management at DPZ during May of this year. As a result of this test work, DPZ is now producing at much improved levels with a copper grade of 22-25% and with a recovery over 92% - both of which are in line with international standards.

The Dapingzhang JV's management's efforts are now focused on bringing throughput capacity at DPZ into line with the mine's stated daily production of 3,200 tonnes per day and on completing the balance of the optimisation program. These efforts are expected to yield very positive economic results.

Chairman's Statement

Continuing exploration of the DPZ licence has identified 4.5 million tonnes of stringer-style mineralisation (V2) at an overall grade of 0.65% copper/tonne, which can sustain production beneath the current open pit mine for the next 4 years at current throughput rates. There exists good potential to locate additional stringer-style and some higher value but metallurgically more complex copper/zinc/lead/silver/gold-bearing massive sulphide mineralisation (V1) within the current open pit area. In addition, exploration drilling has expanded the limits of the K1 and K2 massive sulphide lenses which were initially discovered by the Group in its due diligence drilling program. These massive sulphide lenses are located in close proximity to the existing open pit mine, the northern and eastern limits of these lenses remain open and they are located at depths of ~ 150-200 meters below surface. In addition, exploration drilling has located a possible new massive sulphide lens, known as K3. This K3 lens is located at shallow depths, in close proximity to the north west edge of the existing open pit mine and is readily amenable to extraction by open pit mining. The northern and western limits of the K3 lens remain open and the full extent of this lens is unknown.

High grade copper and zinc values have been intersected in the K1, K2 and K3 lenses. There is also increasing evidence of additional earlier formed, copper-rich massive sulphide lenses and associated stringer zones which occur beneath K1 and K2. We believe that the best is yet come from our exploration drilling.

The Group's acquisition of its 40% interest in the Dapingzhang JV has the potential to add significant value to the Group — and for modest initial outlay. Already, it has provided us with a new skilled management team focused on investments in the mining sector and should significantly enhance our profitability for many years to come.

By the end of the first quarter of 2007, we should see the completion of the optimisation program at DPZ, including completion of first pass drilling within the mining licence area and commencement of work on at least one adjoining exploration permit area. We will also continue to source value adding opportunities in the mining sector, principally in China.

Recently, we have strengthened our management team in China with the addition of Jian Ding who joins us from SGS MinnovEx as Chief Metallurgist. Initially Jian will be seconded to the Dapingzhang JV and will be responsible for implementing all metallurgical and mill efficiency improvements, including overseeing the construction of the central filter plant. We expect to continue to strengthen on-the-ground management going forward.

We continue on a growth plan and are positioned for further significant progress in 2006. In this respect, the Group has entered into a joint venture with two PRC partners in relation to another mining project investment in the PRC, where the Group will acquire an 80% equity interest by investing US$2 million. The PRC partners will transfer three exploration licences covering over 57 square kilometers and a mining licence covering 1 square kilometer for their 20% stake. These licences are in close proximity to DPZ and we believe that they overlay the same favourable regional geological belt as occurs at DPZ.

Chairman's Statement

While the prices of copper, zinc, gold, silver and lead were recently experiencing new highs, prices have retreated by over 20% as I write this report, but are still up around 50% since the end of 2005. We expect continued price volatility for base metals but looking ahead we continue to see strong copper and zinc markets for the balance of 2006 and 2007 as warehouse inventories continue to decline. Much of this decline in inventories has been driven by the high levels of demand growth from China. Notwithstanding an economic slowdown, Chinese demand for base metals will continue to be strong and the economic viability of the investment in the Dapingzhang JV is sound, even with copper and zinc prices much lower than current levels.

Our corporate governance standards remain in line with The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") recommended guidelines for good corporate governance. The Board is also focused on ensuring the Group manages its risk profile particularly with the acquisition of the 40% interest in the Dapingzhang JV. Careful attention is paid to reporting, accounting and control aspects of this venture.

The market has begun to recognise the merits of the Dapingzhang JV with a substantial increase in our share price since we declared our BIH dividend. With a full year of production ahead of us at DPZ and with metals prices still at relatively high levels compared with 2005, the outlook for this current financial year and beyond are exciting.

I welcome David Comba and Patrick Reid to the Board, who both bring a wealth of technical, commercial and governance experience. David's experience with volcanogenic massive sulphide deposits has been reassuring and contributions of my fellow Directors have been invaluable.

It is the efforts of our employees combined with the support of our shareholders that will enable the Group to manage its investments in a prudent manner with the focus on delivering shareholder value. I wish to thank our employees and shareholders for their continued support.

James Mellon
Chairman

18 July 2006

CEO's Report

The Group was successful in achieving its two main objectives for the financial year ended 31 March 2006. Our first objective was the completion of the successful realisation of the Group's investment in Bridge Investment Holding Limited ("**BIH**") and the return of 90% of the realisation proceeds to shareholders. The other objective was the re-shaping of the Group towards our vision of being a company focused on the acquisition, exploration and development of base metal mining properties principally in the People's Republic of China (the "**PRC**" or "**China**"). To date, the Group has a 40% equity interest in the Yunnan Simao Shanshui Copper Company Limited (the "**Dapingzhang JV**"), which is an active producing property and is seeking to acquire an 80% equity interest through the investment of US$2 million in another mining project in the PRC containing a small producing property (the "Highway Mine").

First Objective – Realisation of BIH

The Group received US$37.7 million from BIH in October 2005 and declared a special interim dividend of 22 HK cents with an option to receive the dividend in whole or in part by way of new shares in the Company in December 2005. Consequently, the Company distributed US$31.8 million in cash to shareholders in December 2005, with US$2.1 million new shares in the Company issued. The BIH group has now been placed into voluntary liquidation and it is expected that no further distributions will be made to shareholders.

Second Objective – Reshaping the Group focused on base metal properties in China

Investment in the Dapingzhang JV

The Group's key goal this year was the acquisition of a 40% interest in the Dapingzhang JV (which owns the Dapingzhang Mine ("**DPZ**")) together with securing the requisite funding for purchasing this stake. DPZ currently produces a bulk concentrate of copper, zinc and lead that contain significant recoverable gold and silver credits.

The Dapingzhang JV has also acquired four additional exploration licences covering over 83 square kilometers for RMB 40 million (approximately US$5 million). These licences border the Dapingzhang JV property and bring the total exploration area of the Dapingzhang JV to 94 square kilometers.

The Dapingzhang JV commenced operations in April 2006 after receiving its business licence in March 2006 and opening the necessary bank accounts. The partners in the Dapingzhang JV moved quickly with the implementation of a new management structure in April, which involved an initial reduction in employment levels to 204 from over 260. The new management team of the Dapingzhang JV has been tasked with the implementation of the optimisation program with a targeted completion by the end of the first quarter of 2007. This program consists of the following main items:

- In-fill and exploration drilling of the remainder of the mining licence area and commencement of drilling on an adjoining exploration licence
- Implementation of a three year short-range mine plan and production schedule, based upon the initial resource estimate for the current open pit mine area

CEO's Report

Second Objective – Reshaping the Group focused on base metal properties in China (Continued)

Investment in the Dapingzhang JV (Continued)

- Optimisation of plant throughput
- Metallurgical testing on the two mineralisation types present, namely: (a) massive sulphide (V1) and (b) disseminated and stringer-type sulphides (V2)
- Improved mill and flotation control methods, including future improvements for flotation cells for massive sulphide ore flotation
- Construction of a central filter plant, return water system and relocation of the mine camp, among others
- Implementing international standard health and safety procedures, where practicable
- Addressing environmental impact of operations and implementing international environmental protection policies and procedures, where practicable

The Dapingzhang JV property demonstrates all the classic characteristics of a volcanogenic massive sulphide ("**VMS**") system: felsic volcanics, a stratigraphic marker unit, massive sulphide mounds and underlying alternation 'pipes' of disseminated and stringer sulphides. The mounds exhibit classic metal zonation patterns between copper-rich core and zinc-rich distal or fringe areas. To-date, sulphide mounds have been discovered at four successive horizons or vertical intervals - such 'stacking' is also a characteristic of this deposit type. Since these horizons built up over time, 'stacking' is indicative of a robust and relatively long-lived mineralising system through which metal-bearing solutions passed.

Given these results to-date, we believe that the Dapingzhang JV property has the potential to be a world class VMS deposit, which will be the main driver of the Group's growth over the next three to five years.

The aim of the 2005-2006 exploration and in-fill drilling programs is to locate sufficient metal-bearing material to sustain production in the short-term (approximately the next three years) while undertaking aggressive exploration and in-fill drilling campaigns on the remainder of the current mining licence area to search for the presence of larger mineralised bodies that may support the expansion of the current plant capacity. The drilling programs completed to-date have demonstrated the quality of the DPZ deposit and have also highlighted the potential of the DPZ area to yield further VMS discoveries. As at 17 July 2006, the drilling program had completed 21,433 meters from 109 holes. An additional 20,000 meters of in-fill drilling is planned to be completed over the mine licence area with the primary focus on drill-testing known favourable stratigraphy - see Figure 1. In short, there remains much untested favourable stratigraphy along the strike to the northwest, the down dip and at four or more horizons,

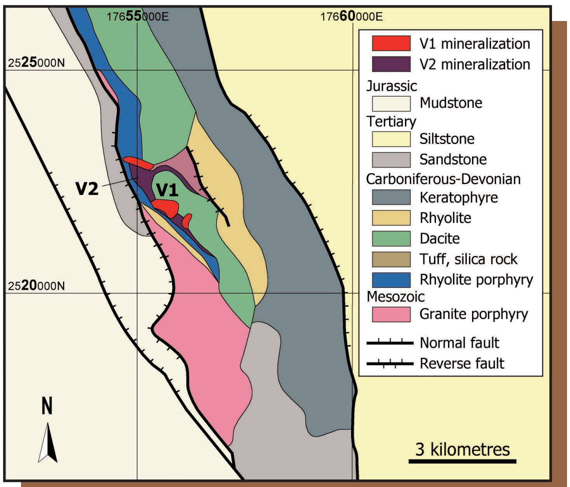


Figure 1 - General geology of Dapingzhang area

CEO's Report

Second Objective – Reshaping the Group focused on base metal properties in China (Continued)

Investment in the Dapingzhang JV (Continued)

all of which will afford excellent exploration potential and could enhance the value of the DPZ project and the Group's investment. The exploration team has the necessary financial resources to complete its current drilling program and I am pleased to say that the Company's exploration team is leading the exploration initiative at DPZ.

The aim of the 2006-2007 exploration drilling is to facilitate the identification of significant additional resources and define an initial reserve within the mine licence area. For further information on the exploration at DPZ, see the section entitled "Dapingzhang Exploration".

Micon International ("**Micon**"), a Canadian-based mining consultancy firm, has completed the initial three year short-range mine plan, which is subject to completion of more in-fill drilling in certain "high risk" areas. The resource for the current open pit area is estimated at 4.5 million tonnes of material at a copper grade of 0.65% copper/tonne. The current resources indicate a mine life of more than four years at a production rate of 3,200 tonnes per day with an overall strip ratio of 4.3:1.

Micon's recommended V2 open pit cut-off grade is 0.25% copper. In computing the cut-off grade, it has been assumed that (i) the costs of mining, milling and general & administration is US$6.81 per tonne, (ii) the copper price is US$2.25 per lb in 2006, US$2.00 per lb in 2007 and US$1.50 per lb in 2008, (iii) the payable metal (copper only) is 71% of assumed copper price and (iv) the metallurgical recovery is 90%. Since Micon completed its cut-off grade, the contracted payable metal (copper) has increased to 74% from 1 July 2006.

The Dapingzhang JV management team is now in the process of implementing the final open pit design with an accredited Chinese design institute, which will be reviewed by an internationally qualified mine engineering firm.

SGS-Lakefield ("**SGS**"), metallurgical consultants, has completed the metallurgical test work on the stringer type mineralisation (V2). SGS was able to achieve a good copper concentrate of >24% copper with over 93% recovery at its laboratory in Lakefield, Canada. SGS began implementation of the recommended improvements at DPZ in May 2006 and the mills are currently producing copper grades of 22-25% and recoveries over 92% from the V2 mineralisation – all results are much improved over the previous operational levels.

SGS is currently completing its metallurgical test work on the massive sulphide mineralisation (V1) with the objective of producing separate copper and zinc concentrates. Currently, SGS's test work demonstrates that separate copper and zinc concentrates can be made at reasonable recovery. For example, to date the best test results show a copper concentrate grade of 20% and recovery of 79% and a zinc concentrate grade of 53% and recovery of 73%. Once SGS has completed its test work, it will implement the necessary changes at DPZ, among other things, through the addition of new improved flotation cells. Completion of SGS's metallurgical test work is scheduled for the end of the first quarter of 2007, which should significantly increase the Dapingzhang JV's profitability. Overall, the aim is to ensure that recoveries of all economic metals are maximised.

CEO's Report

Second Objective – Reshaping the Group focused on base metal properties in China (Continued)

Investment in the Dapingzhang JV (Continued)

SGS is working with the Dapingzhang JV management on increasing current throughput capacity to 3,200 tonnes per day (rated mill capacity) from 2,500 tonnes per day, with completion targeted for the first quarter of 2007.

Construction of a central filter plant, return water system and relocation of the mine camp, among others is slated for the first quarter of 2007 and it is expected that this will be funded by internal resources of the Dapingzhang JV.

Currently, the DPZ environmental and health and safety standards are far below international levels and requirements. Dapingzhang JV management is currently reviewing Klohn Crippen Berger's ("**KCB**") recommendations for strengthening the tailings dam for seismic stability, designing a stable waste dump and sediment control from the existing and future waste dumps to minimise the impact on the downstream rivers and compiling a comprehensive environmental management system. KCB's recommendations will require the support and co-operation of the local partners of the Dapingzhang JV, management and operating personnel.

The approach for health and safety issues will be similar to the environmental plan, namely international standards of policies and procedures, where applicable. Since April 2006 there have been no "lost time" injuries at DPZ. The focus will be on training the workforce in adopting and complying with appropriate safety procedures to international standards.

The Company's focus is on working with its local joint venture partners and management to develop and operate the mine in a manner that controls and minimises pollution and its impact on the local environment while taking into account the local cultural sensitivities and community expectations.

At DPZ, community initiatives are centered on land compensation and training locals in the skills required for employment at the mine. Land compensation is and will continue to be integral to building trust with the local communities.

Highway Mine – Preparation for exploration

The Group has entered into a joint venture with two local Chinese private companies in which the Group will acquire an 80% equity interest by investing US$2 million. The local Chinese partners will transfer to the joint venture their interests in three exploration licences covering over 57 square kilometers and one mining licence covering 1 square kilometer for their 20% stake. These licences are in close proximity to DPZ and we believe that they overlay the same favourable regional geological belt as is found at DPZ. However, the joint venture arrangements have not yet been finalised and the parties are negotiating potential modifications to the arrangements. The Group anticipates that these negotiations will result in the Group's equity interest in the joint venture being revised to more than 90% when the joint venture is formed. In this connection, the Group will publish an announcement as and when required under The Rules Governing the Listing of Securities of the Hong Kong Stock Exchange in due course.

Currently, a local Chinese private company has a small (100 meter x 100 meter) mining licence within the mine licence of the Highway Mine. We understand that this company has constructed a small underground mine and a 100 tonne per day mill that is producing a copper concentrate. We further understand that the company is mining from two parallel zones ore of a grade and with characteristics similar to that mined at DPZ.

CEO's Report

Second Objective – Reshaping the Group focused on base metal properties in China (Continued)

Highway Mine – Preparation for exploration (Continued)

The Company's exploration team is now finalising the exploration program for the Highway Mine, where efforts will focus initially on finding extensions of the two mineralised zones currently being mined by the local Chinese private company. Thereafter, efforts will focus on first pass drilling away from any extensions (if identified) and completion of geophysical surveys, including the use of an electromagnetic airborne survey (if permitted). If the 2006-2007 program confirms the potential for the Highway Mine property, then this may become the Group's next mine, as it is located near excellent infrastructure and has no likely impediments to mining.

2006 – 2007 Objectives

The main objective of the Group is to work with our partners of the Dapingzhang JV in establishing DPZ as a major copper-zinc-lead mine with significant recoverable gold and silver credits. Our other objectives for this financial year 2006-2007 are to:

- Complete the ongoing optimisation program to increase the productivity, efficiency and effectiveness of DPZ's operations
- Increase investment in overall exploration
- Advance mine exploration and development to increase resources, both quantitatively and qualitatively
- Define an initial mineral resource compliant with international standards (likely the JORC Code)
- Maximise recoveries of all economic metals (copper, zinc, lead, gold and silver)
- Determine and commence implementation of expansion of throughput capacity (if any)
- Determine if commercially recoverable quantities of barite are present
- Cement a successful working relationship with not only our partners of the Dapingzhang JV and management but also government officials, at both local and provincial level

Our second objective is to prepare the Highway Mine property for development by commencing an aggressive exploration program.

Our final objective is to acquire one or more value added projects.

We are focused in pursuing these objectives which we believe will significantly increase shareholder value.

I wish to thank my fellow directors, our management team, our employees and shareholders for their continued support.

Jamie Gibson
18 July 2006

Dapingzhang Mine

Dapingzhang Mine – An outstanding volcanogenic massive sulphide (VMS) deposit that is potentially world class and will be the driver for the Company's growth

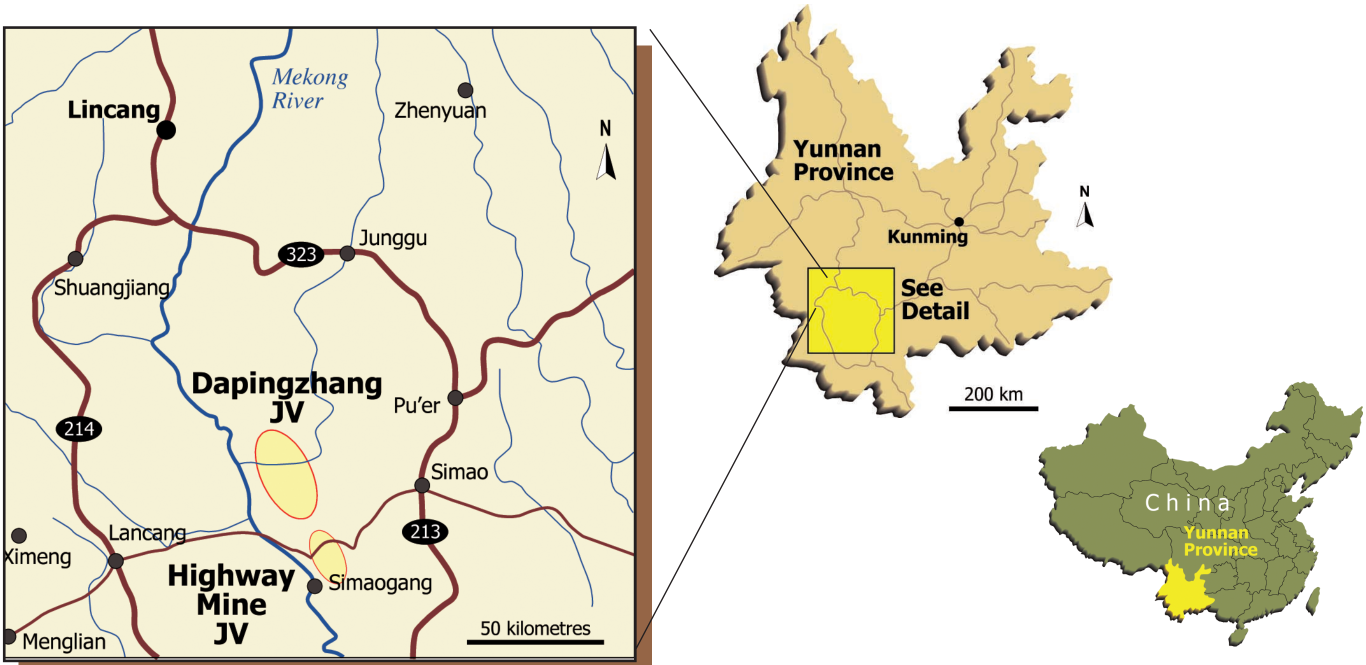


Figure 2 - Location of Dapingzhang Mine and Highway Mine

Summary of Project

The Dapingzhang mine ("**DPZ**") is the Group's first interest in a producing mine, a mine with recoverable copper, zinc, lead, gold and silver. DPZ is located in southwest Yunnan Province in the PRC, some 310 kilometers from Kunming, the provincial capital of Yunnan Province. The mine is connected to the main highway to Simao City by 38 kilometers of ungraded road - see Figure 2. The Group holds a 40% equity interest through a Sino-foreign equity joint venture enterprise with two Chinese partners.

The area consists of rugged topography (approximately 500 meters of relief) at an altitude of approximately 1,200 meters above sea level. The climate is sub-tropical with a rainy season typically from July to September. By Chinese standards the area around DPZ is sparsely populated, mainly by subsistence farmers.

Production commenced in 2004 and it is understood that over 1 million tonnes of ore has been mined from three existing open pits and was processed at four mills (now three) - see Figure 3. In addition, a start-up small heap leach gold operation was used to treat a weathered residue which capped sulphide mineralisation.

Figure 3 - Mills 2, 3 and 4 and Tailings Dam

Dapingzhang Mine

Summary of Project (Continued)

Current production is approximately 2,500 tonnes ore per day, some 700 tonnes less than rated capacity of the three mills on site. Management is now implementing plans to increase throughput capacity to 3,200 tonnes ore per day, which it targets to complete by end of the first quarter of 2007.

Resources

Continuing exploration of the DPZ mine licence has suggested the presence of 4.5 million tonnes of stringer-style mineralisation at an overall grade of 0.65% copper, which can sustain production beneath the current open pit mine for at least the next 4 years - see Figure 4. The combination of production plus existing resources indicates that DPZ is already more than five times the average size of this deposit-type, being a volcanic massive sulphide deposit ("**VMS**") (based upon the size of 806 known VMS deposits world-wide).

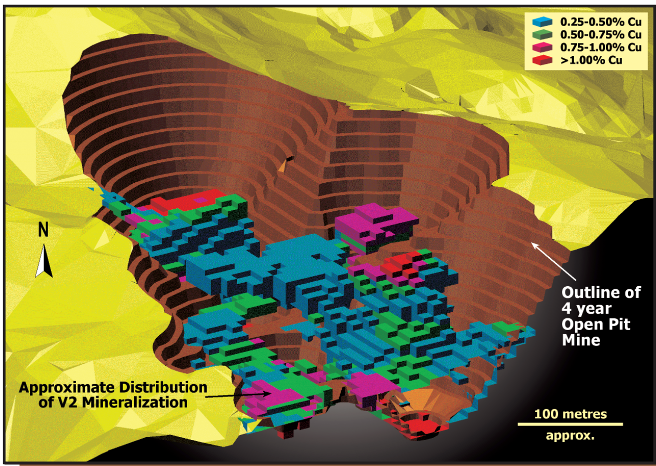


Figure 4 - Open pit model

There exists good potential for the location of additional stringer (V2) and massive sulphide (V1) mineralisation within the current open pit area. In addition, exploration drilling has expanded the limits of the K1 and K2 massive sulphide lenses initially discovered by the Company in its preliminary due diligence drilling program. These two lenses are located in close proximity to the existing open pit mine, the northern and eastern limits of these lenses remain open and these lenses are located at depths of ~ 150-200 meters from surface. Also, exploration drilling has located a possible new massive sulphide lens, known as K3 which is located at shallow depths, is located very close to the edge of the existing open pit mine and is readily amenable to extraction by open pit mining. The northern and western limits of the K3 lens remain open and the full limits of this lens are unknown - see Figure 5.

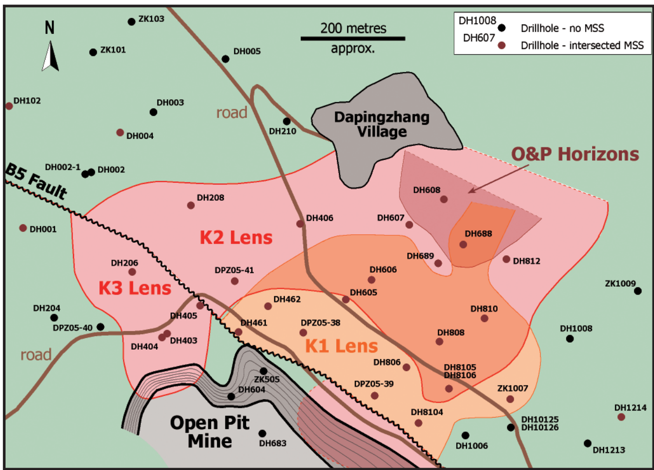


Figure 5 - Mine plan composite

High grade copper and zinc values have been intersected in the K1, K2 and K3 massive sulphide mounds or lenses, which exhibit strong zonation between a copper-rich core and zinc-rich fringe or distal mineralisation. To date the Company's geologists have discovered six favourable horizons for deposition of massive sulphide material within the volcanic rock sequences at DPZ. Four of these horizons are known to host massive sulphides. Exploration work at DPZ is just beginning to hit its stride and is greatly assisted by application of the knowledge learned throughout the rest of the world. Based on rock alteration trends, metal zoning and increasing thicknesses of mound-type marker horizons, we believe that the best results are yet come from our exploration drilling at DPZ.

Dapingzhang Mine

Operations

Management has set operating targets for 9 months to end of December 2006 which comprise the following, among others:

- 9 million pounds of payable copper
- Cash operating cost of US$0.76/pound excluding by product credits
- Ore throughput 2,500 tonnes per day
- Head grade of 0.86%
- Copper concentrate grade of 22-25%
- Copper Recovery (92%)

Processing of the ore comprises a standard crushing-grinding-flotation flow sheet. A ball mill circuit is present in each of the three operating mills. Recovery of the copper minerals is achieved by flotation circuits which produce a copper concentrate from the stringer type mineralisation (V2).

Implementation of the optimisation program is ongoing and is targeted for completion during the first three months of 2007. Management's main objectives are to find significant new mineral resources, to maximise throughput capacity and to ensure that recoveries of all economic metals are maximised.

Dapingzhang JV management has been tasked to aggressively explore the DPZ area to fully test its potential, which is believed to be excellent. Work towards these goals has started.

Dapingzhang Exploration

The exploration activities that have been carried out within the Dapingzhang mining licence during the first six months of 2006 have been highly successful in outlining additional zones of massive (V1) and stringer (V2) sulphide mineralisation as described earlier. This exploration work has enabled the rapid advancement of the understanding of how this mineralisation relates to the rock sequence of the mine licence area, thus enabling future exploration activities to be carried out in a time- and cost-efficient manner - see Figure 6. The work has also demonstrated the highly favourable nature of this rock sequence for hosting accumulations of high grade copper-zinc-lead-gold-silver deposits.

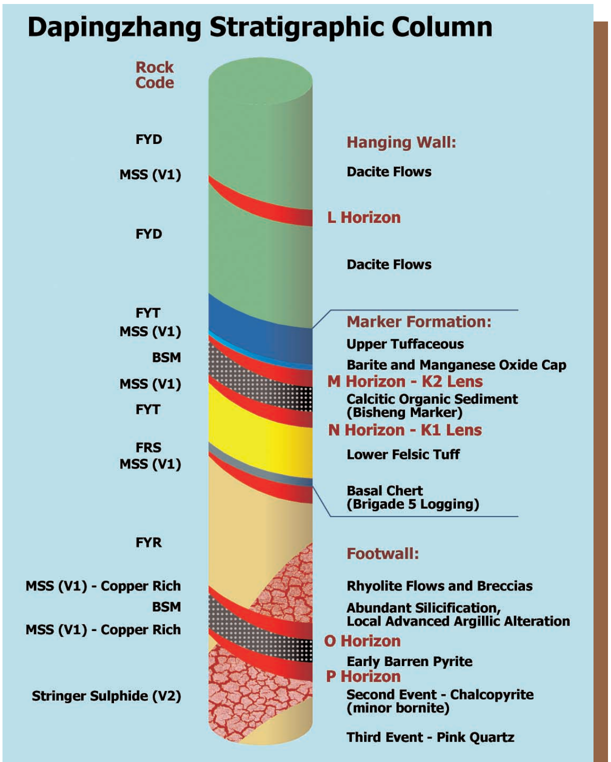


Figure 6 - Stratigraphic Column

Dapingzhang Mine

Dapingzhang Exploration (Continued)

To-date, the exploration activities have focused primarily upon the near-mine area with the objective of locating sufficient material to enable uninterrupted production of copper concentrate. These activities have been successful to the degree that sufficient stringer (V2) material has been identified (albeit at a low degree of confidence) to enable production to continue for at least the next 4 years at current throughput rates. There is a high probability that the grade of the material to be mined will be augmented by exploitation of higher grade deposits such as the K1 and K2 lenses and the O and P horizons in the near future. These massive sulphides are located in close proximity to the existing open pit mines. A summary of the significant intersections as of May, 2006 from these four massive sulphide horizons is set out in the following table.

Table 1 - Massive Sulphide Intersections from K1 and K2 Lenses and O and P Horizons

Hole ID	From	To	Core Length+ (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t	Lens
DH208	227.40	228.00	0.60	2.07	0.11	0.75	0.25	20.83	K2 Lens
DH208	230.50	230.80	0.30	18.44	0.02	0.07	0.24	13.74	K1 Lens
DPZ05_41	155.85	157.72	1.87	2.98	0.29	6.04	2.01	72.59	K1 Lens*
DH406	157.50	160.35	2.85	1.74	0.02	0.01	0.20	9.12	K1 Lens
DPZ05_38	147.95	148.85	0.90	1.04	0.08	2.19	0.39	18.03	K2 Lens
DH605	135.60	136.30	0.70	0.04	0.01	0.02	0.19	2.74	K2 Lens
DH606	137.74	143.90	6.16	2.58	0.72	10.49	0.33	17.51	K2 Lens
DH606	149.20	150.94	1.74	0.52	0.01	0.02	0.30	4.53	K1 Lens
DH607	112.80	114.50	1.70	1.10	0.01	0.05	0.50	9.81	K1 Lens*
DH608	121.15	125.75	4.60	0.04	0.00	0.03	0.59	3.64	K1 Lens
DH608	215.23	217.95	2.72	12.23	0.01	0.01	0.19	15.43	P Hor
DH688	119.45	124.80	5.35	0.03	0.01	0.03	0.61	5.84	K1 Lens
DH687	123.05	124.15	1.10	1.31	0.01	0.01	0.23	6.13	K2 Lens
DH687	128.90	134.90	6.00	4.47	0.01	0.01	0.10	6.65	K1 Lens
DH687	170.10	171.30	1.20	7.27	0.00	0.01	0.04	8.55	O Hor*
DH687	173.75	174.70	0.95	5.73	0.00	0.01	0.10	8.34	O Hor*
DH687	186.40	197.70	11.30	10.53	0.00	0.01	0.18	10.51	O Hor*
DH687	200.00	201.50	1.50	2.68	0.00	0.01	0.20	6.18	O Hor*
DPZ05_39	127.65	139.45	11.80	4.23	0.09	7.43	1.74	31.24	K2 Lens
DH806	169.43	182.78	13.35	2.37	0.03	1.82	0.66	32.09	K2 Lens

Dapingzhang Mine

Dapingzhang Exploration (Continued)

Table 1 - Massive Sulphide Intersections from K1 and K2 Lenses and O and P Horizons (Continued)

Hole ID	From	To	Core Length+ (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t	Lens
DH808	165.35	173.55	8.20	3.88	0.08	1.61	1.08	35.26	K2 Lens
DH808	185.84	188.22	2.38	1.20	0.01	0.05	0.51	10.18	K1 Lens
DH810	160.78	170.65	9.87	3.72	0.33	2.72	1.73	38.83	K2 Lens
DH810	178.60	202.60	24.00	1.13	0.03	0.07	0.67	9.15	K1 Lens
includes	191.65	202.60	10.95	2.21	0.02	0.02	1.02	14.45	K1 Lens
DH812	167.00	168.20	1.20	9.01	0.00	0.02	0.22	11.94	K1 Lens
DH8104	144.10	145.45	1.35	1.60	0.51	1.83	0.34	22.76	K2 Lens
DH8105	178.50	181.70	3.20	1.76	0.07	10.63	0.48	41.87	K2 Lens
DH8105	192.10	192.80	0.70	0.63	0.01	0.03	0.59	8.63	K1 Lens
DH404	63.35	65.8	2.45	3.19	0.54	9.21	1.71	85.79	K2*
DH404	66.88	69.45	2.57	6.14	0.19	0.51	2.30	87.03	K1*
DH404	71.45	73.5	2.05	2.58	0.37	1.51	2.53	130.55	K1*
DH206	89.6	90.4	0.8	3.14	3.81	17.29	0.52	103.28	K2*
DH206	95.2	116.3	21.1	1.80	0.47	7.57	1.08	79.80	K1*

Footnotes:

* Preliminary interpretation

Hor = Horizon

\+ The core length may not necessarily reflect the true widths of mineralisation

Dapingzhang Mine

Dapingzhang Exploration (Continued)

Exploration drilling has also taken place in the vicinity of the northern limit of the mining licence area to follow up on indications of the presence of additional lenses of high grade massive sulphides - see Figure 7. Several drill holes in that area have recently intersected narrow occurrences of massive sulphide mineralisation - see Figure 8. While still at an early stage, these drill holes suggest the possibility of two additional massive sulphide lenses in this area.

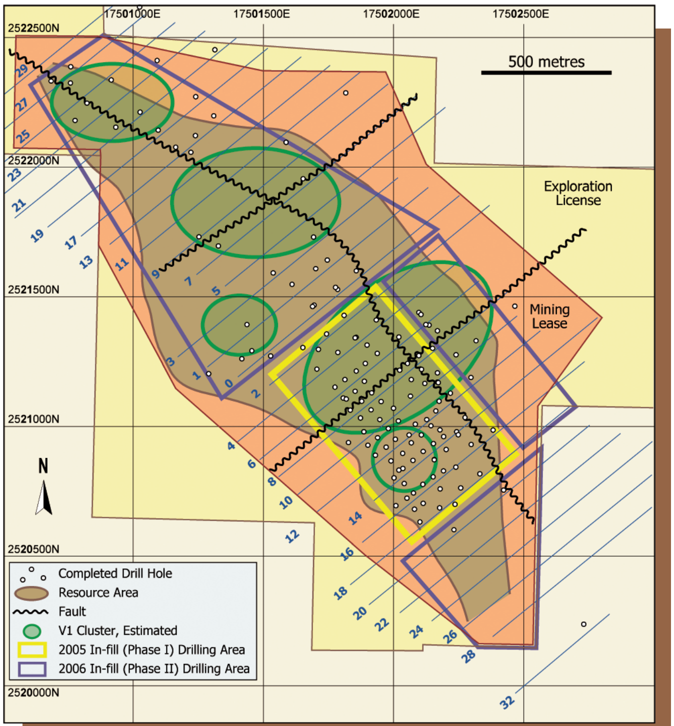
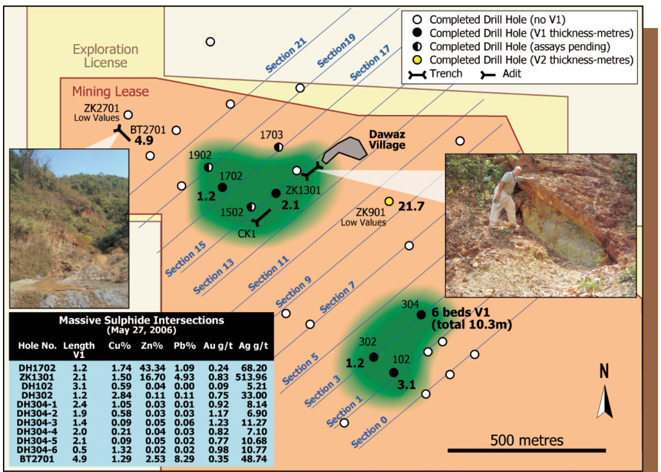


Figure 7 - Due diligence (yellow box area) and Phase I drill holes



Hole No.	Length V1	Cu%	Zn%	Pb%	Au g/t	Ag g/t
DH1702	1.2	1.74	43.34	1.09	0.24	68.20
ZK1301	2.1	1.50	16.70	4.93	0.83	513.96
DH102	3.1	0.59	0.04	0.00	0.09	5.21
DH302	1.2	2.84	0.11	0.11	0.75	33.00
DH304-1	2.4	1.05	0.03	0.01	0.92	8.14
DH304-2	1.9	0.58	0.03	0.03	1.17	6.90
DH304-3	1.4	0.09	0.05	0.06	1.23	11.27
DH304-4	2.0	0.21	0.04	0.03	0.82	7.10
DH304-5	2.1	0.09	0.05	0.02	0.77	10.68
DH304-6	0.5	1.32	0.02	0.02	0.98	10.77
BT2701	4.9	1.29	2.53	8.29	0.35	48.74

Figure 8 - Insipient sulphide mounds in Dawaz area

These newly discovered massive sulphide lenses contain commercial quantities of zinc, lead and silver values. While the current mill configuration does not allow for recovery of these metals, SGS's metallurgical test work is demonstrating that a separate zinc concentrate is likely to be produced as the higher grade and zinc-rich deposits are exploited. Upgrading of the mill facilities can likely be carried out in a short time frame and the generation of a separate zinc concentrate will have a positive impact to the project's revenue stream.

Dapingzhang Mine

Dapingzhang Exploration (Continued)

In this class of mineral deposits, metals are located in two different settings. High grade mineralisation is contained within a layer of massive sulphides (VI) that are formed by exhalation of hot, metal-bearing fluids onto the sea floor - see Figure 9. Lower grade mineralisation is also contained within a zone of altered rock directly beneath these discharge sites. In this area the metals are situated in small scale veins and veinlets in such density that they appear at times as a ball of string, hence these zones are referred to as "stringer" zones (V2). Exploration drilling has also discovered a number of occurrences of massive and stringer mineralisation other than those discussed above. A summary of these intersections is set out in the following tables.

Figure 9 - Cartoon of "black smoker" massive sulphide mound system under development, including acquatic animals which live near vents

Table 2 — Massive Sulphide (VI) Intersections, Dapingzhang Property

Hole ID	From	To	Core length (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t
DH005	160.75	165.5	4.75	0.55	0.14	4.27	0.79	29.88
DH206	89.6	90.4	0.8	3.14	3.81	17.29	0.52	103.28
	95.2	121.8	26.6	1.6	0.38	6.06	0.9	65.16
DH210	144	152.9	8.9	0.42	0.15	0.46	0.1	6.16
DH302	213.65	226.25	12.6	0.83	0.01	0.04	0.06	4.42
DH403	42.65	67.7	25.05	2.01	0.91	6.30	1.01	65.74
DH404	37.2	38.2	1	1.25	0.52	2.28	0.78	32.56
	63.35	73.5	10.15	2.98	0.5	3.22	1.68	78.83
DH405	128.35	135.9	7.55	1.23	0.23	2.77	0.49	26.96
DH462	164.01	165	0.99	1.03	0.14	4.13	0.18	11.49
DH604	56.3	66.04	9.74	0.95	0.05	0.44	0.36	11.5
DH683	30.45	32.26	1.81	2.16	1.34	5.68	1.63	120.25
DH810	140.7	153.1	12.4	1.11	0.04	3.54	0.06	8.53
DH8106	116.85	117.5	0.65	1.4	0.01	0.03	0.26	11.78
DH1006	168	173.4	5.4	0.17	0.07	0.25	0.52	30.41
DH10125	174.6	175.5	0.9	3.87	0.02	0.05	1.38	21.79

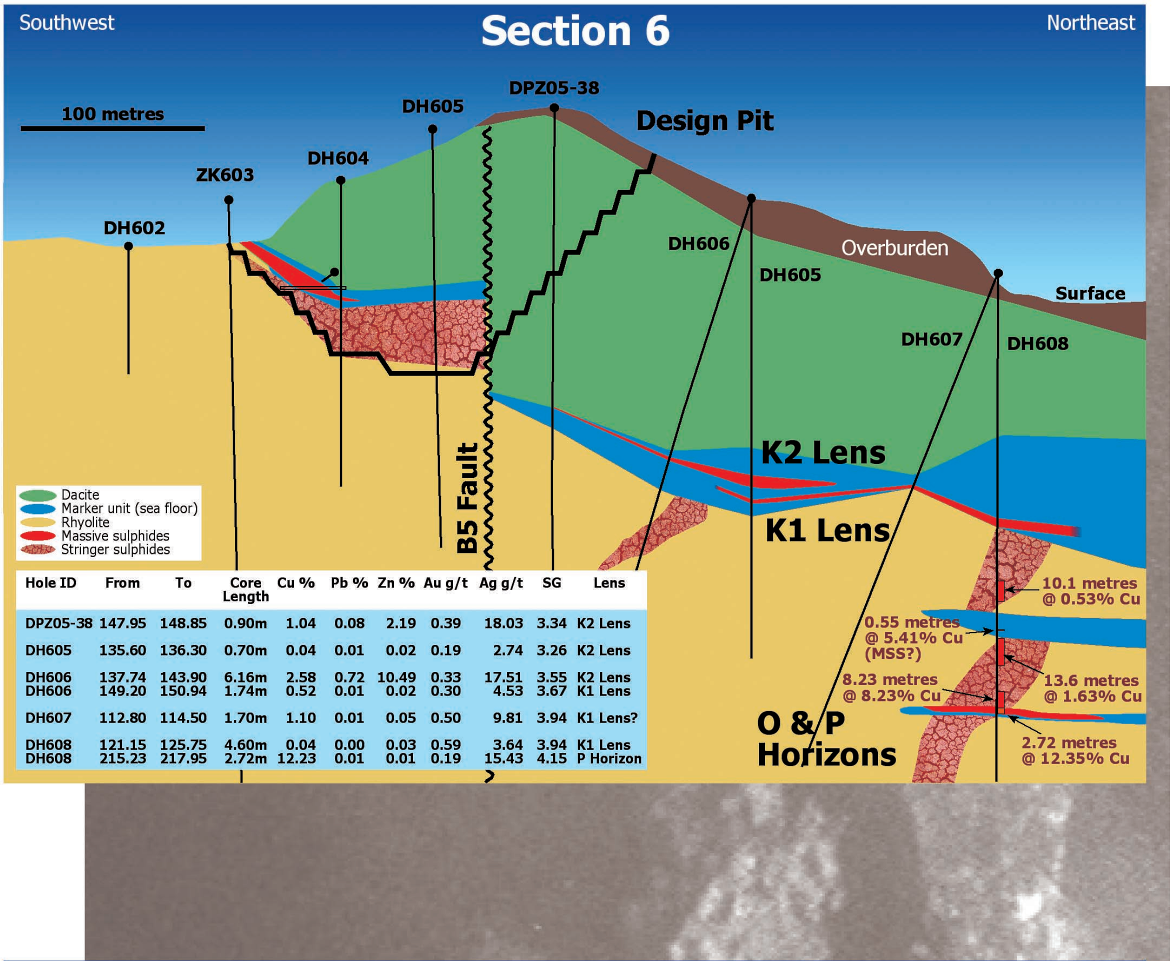
Dapingzhang Mine

Dapingzhang Exploration (Continued)

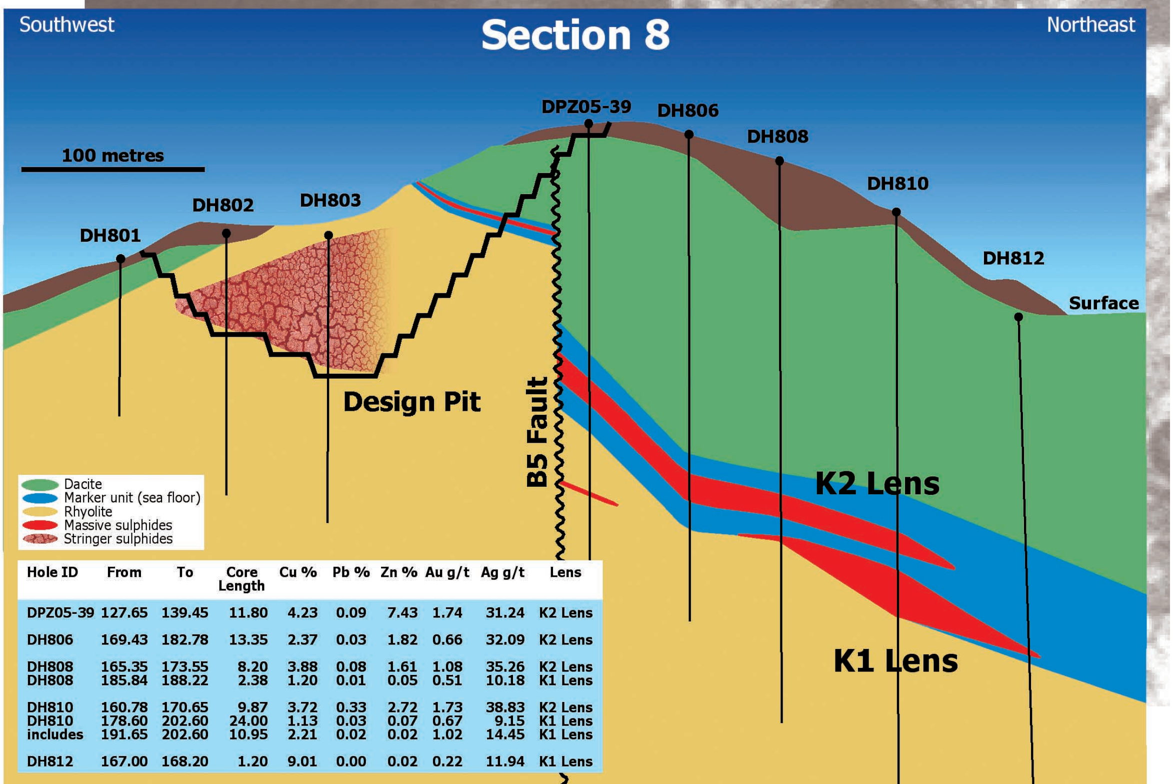
Table 2 — Massive Sulphide (VI) Intersections, Dapingzhang Property (Continued)

Hole ID	From	To	Core length (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t
DH1206	23.75	26.95	3.2	1.13	0.91	11.05	1.12	28.6
DH1208	198.1	202.84	4.74	0.61	0.03	0.03	0.54	8.59
	10.8	22.3	11.5	0.65	0.05	0.38	0.65	13.73
DH1210	49.7	51.7	2	0.98	0.03	0.14	0.12	5.22
DH1212	161.35	174.86	13.51	0.43	0.06	0.5	0.23	15.24
DH12143	31.04	38.8	7.76	0.44	1.62	5.16	0.2	71.58
includes	*31.04*	*34.8*	*3.76*	*0.85*	*3.15*	*10.06*	*0.35*	*139.27*
DH12144	48.9	53.9	5	1.07	0.02	0.94	0.68	13.7
DH1214	153.44	162.54	9.1	0.97	0.58	3.31	0.21	25.7
DH1412	51.6	54.6	3	0.33	0.25	1.25	0.12	33.7
	64.4	65.45	1.1	2.62	0.01	0.03	0.11	10.29
DH1701	58.8	60	1.2	1.74	1.09	43.84	0.24	68.24
DH1702	126.4	130.8	4.4	1.07	0.22	2.00	0.41	23.64
DPZ05_40	43.35	45.35	2	0.77	0	0.02	0.08	3.84
DPZ05_42	98	113.7	15.7	0.14	0.02	0.6	0.13	3.91
	119.12	136	16.88	0.12	0.48	2.09	1.14	20.84
	137.43	153.32	15.89	1.9	0	0	0.04	1.51
DH1704			No significant mineralisation					
DH1805			No significant mineralisation					
DH2104			No significant mineralisation					
DH2101			No significant mineralisation					
DH2102			No significant mineralisation					
DH2104			No significant mineralisation					
DH004			No significant mineralisation					
DH1606			No significant mineralisation					
DH1806			No significant mineralisation					
DH1808			No significant mineralisation					
DH10121			No significant mineralisation					
DH1802			No significant mineralisation					
DH16182			No significant mineralisation					
DH686			No significant mineralisation					

Dapingzhang Mine



Hole ID	From	To	Core Length	Cu %	Pb %	Zn %	Au g/t	Ag g/t	SG	Lens
DPZ05-38	147.95	148.85	0.90m	1.04	0.08	2.19	0.39	18.03	3.34	K2 Lens
DH605	135.60	136.30	0.70m	0.04	0.01	0.02	0.19	2.74	3.26	K2 Lens
DH606	137.74	143.90	6.16m	2.58	0.72	10.49	0.33	17.51	3.55	K2 Lens
DH606	149.20	150.94	1.74m	0.52	0.01	0.02	0.30	4.53	3.67	K1 Lens
DH607	112.80	114.50	1.70m	1.10	0.01	0.05	0.50	9.81	3.94	K1 Lens?
DH608	121.15	125.75	4.60m	0.04	0.00	0.03	0.59	3.64	3.94	K1 Lens
DH608	215.23	217.95	2.72m	12.23	0.01	0.01	0.19	15.43	4.15	P Horizon



Hole ID	From	To	Core Length	Cu %	Pb %	Zn %	Au g/t	Ag g/t	Lens
DPZ05-39	127.65	139.45	11.80	4.23	0.09	7.43	1.74	31.24	K2 Lens
DH806	169.43	182.78	13.35	2.37	0.03	1.82	0.66	32.09	K2 Lens
DH808	165.35	173.55	8.20	3.88	0.08	1.61	1.08	35.26	K2 Lens
DH808	185.84	188.22	2.38	1.20	0.01	0.05	0.51	10.18	K1 Lens
DH810	160.78	170.65	9.87	3.72	0.33	2.72	1.73	38.83	K2 Lens
DH810	178.60	202.60	24.00	1.13	0.03	0.07	0.67	9.15	K1 Lens
includes	191.65	202.60	10.95	2.21	0.02	0.02	1.02	14.45	K1 Lens
DH812	167.00	168.20	1.20	9.01	0.00	0.02	0.22	11.94	K1 Lens

Figure 10 - Encapsulation of Dapingzhang in section views and plan views

Dapingzhang Mine

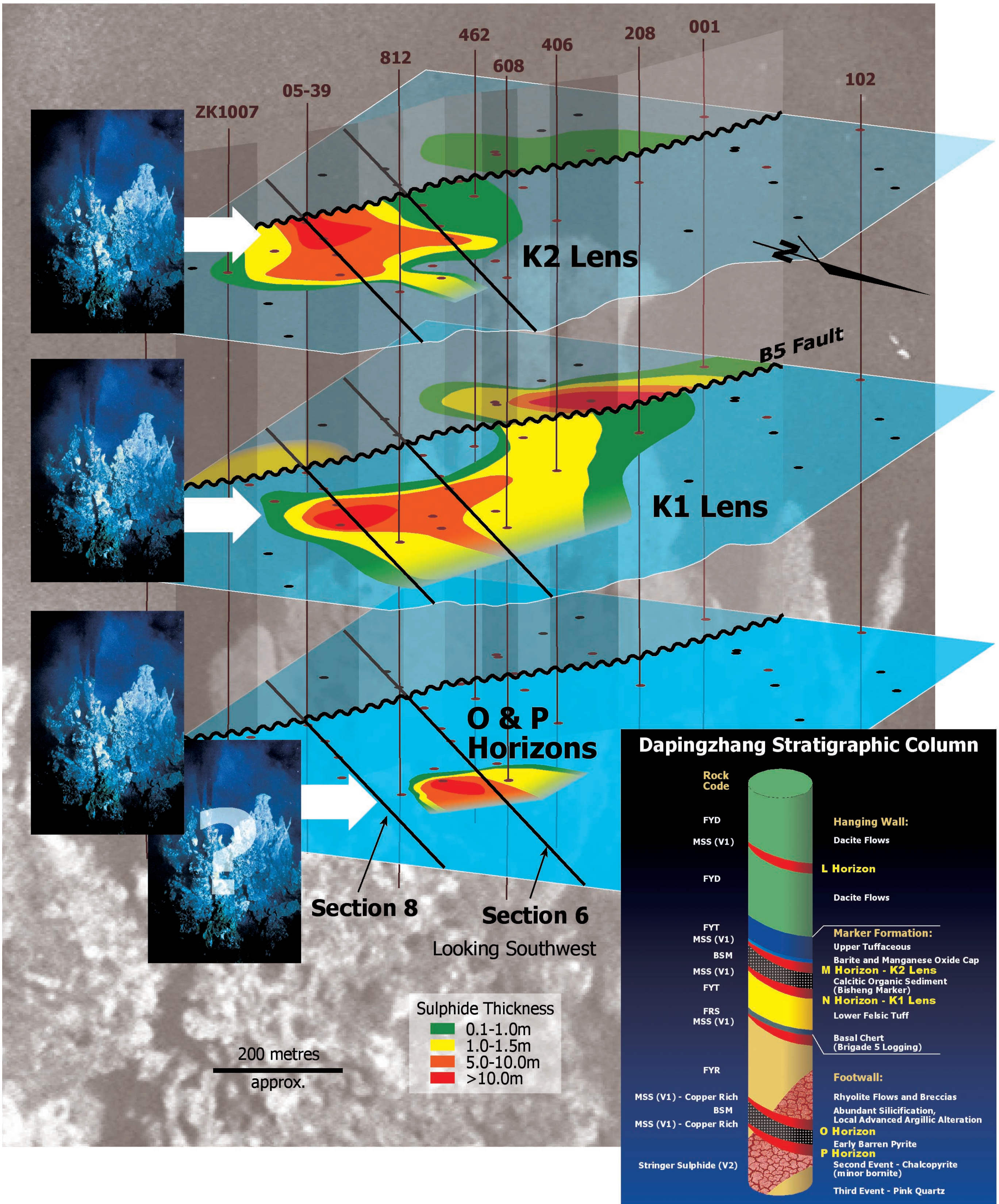


Figure 10 - Encapsulation of Dapingzhang in section views and plan views (continued)

Dapingzhang Mine

Dapingzhang Exploration (Continued)

Table 3 — Stringer Sulphide (V2) Intersections

Hole ID	From	To	Core length (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t
DH002-1	171	183.5	12.5	0.41	0	0.03	0.08	2.16
DH005	246.5	251	4.5	2.43	0.01	0.08	0.23	5.88
DH102	135.9	155.85	19.95	0.39	0.02	0.01	0.08	4.94
DH103	67.3	69.3	2	0.54	0.01	0.04	0.06	7.88
DH204	170.7	182.2	11.5	0.73	0	0.1	0.12	2.73
DH206	13.94	18.74	4.8	0.49	0	0.01	0.04	2.98
DH208	156.35	176.6	20.25	0.38	0.01	0.02	0.04	2.3
DH210	172.1	175.2	3.1	0.52	0.01	0.01	0.06	2.02
DH304	182	192.3	10.3	0.46	0.02	0.04	0.78	6.61
DH402	251.5	260.1	8.6	1.1	0.02	0.01	0.06	0.03
DH403	73.95	80.4	6.45	0.67	0.03	0.13	0.48	12.01
DH404	77.65	91	13.35	0.53	0.01	0.03	0.13	8.42
DH405	165	171	6	0.29	0.02	0.01	0.04	7.66
	119	128.35	9.35	0.46	0.01	0.02	0.8	5.78
DH406	49.05	74.3	25.25	0.8	0.19	0.79	0.97	11.1
	167.68	191.1	23.42	0.54	0.01	0.01	0.1	4.56
DH462	171.3	174.7	3.4	0.55	0.00	0.00	0.07	1.19
DH602	156.4	162.05	5.65	0.08	0.11	0.48	0.05	3.57
DH604	37.1	38.22	1.12	0.24	0	0.01	0.05	4.28
DH605	134.2	134.75	0.55	0.07	0	0.85	0.04	1
DH606	132.5	136.4	3.9	0.41	0.05	0.01	0.03	5.36
DH607	135.8	148.65	12.85	1.39	0	0.01	0.02	8.51
DH608	143.1	162.05	18.95	0.41	0	0.01	0.11	2.15
	176.15	194.1	17.95	1.41	0.01	0.01	0.16	5.42
	227.56	238.8	11.24	0.42	0.01	0.01	0.05	3.85
DH681	97.8	100.6	2.8	0.57	0	0.01	0	1.08
	10.6	18.65	8.05	0.77	0	0.07	0	5.22

Dapingzhang Mine

Dapingzhang Exploration (Continued)

Table 3 — Stringer Sulphide (V2) Intersections (Continued)

Hole ID	From	To	Core length (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t
DH682	42.5	74.37	31.87	0.79	0.03	0.09	0.06	6.33
	23.55	45.45	21.9	0.49	0.01	0.03	0.06	4.55
	60.9	64.65	3.75	0.58	0.01	0.07	0	4.2
DH683	98.39	98.89	0.5	2.35	0	0.01	0.04	8.69
DH687	148.45	152.3	3.85	0.75	0.00	0.00	0.06	1.68
	163.1	176.25	13.15	1.76	0.01	0.01	0.08	4.87
	182.90	186.40	3.50	0.51	0.00	0.01	0.17	3.71
	197.7	200	2.3	2.65	0.00	0.01	0.20	6.78
DH688	130.85	134.5	3.65	0.35	0.00	0.01	0.04	1.93
	149.7	151.75	2.05	0.85	0.00	0.00	0.07	2.61
DH801	31.7	35.8	4.1	1.91	0.01	0.02	0	9.74
DH802	69	71.2	2.2	0.85	0	0	0	2.38
	23.45	48.12	24.67	0.53	0	0.07	0	5.5
	72.68	73.16	0.48	2.95	0	0.03	0	5.45
DH803	102.63	104.7	2.07	0.86	0.01	0.01	0	2.72
	4.3	22.5	18.2	0.58	0	0.09	0	4.75
	28.45	65.5	37.05	0.46	0	0.08	0	3.21
	80.95	84.8	3.05	0.43	0	0.01	0	2.18
DH806	66.04	91.5	25.46	0.92	0.01	0.11	0.07	5.09
DH808	208.25	209	0.8	1.55	0	0.01	0.14	4.37
DH810	159.55	162.9	3.35	0.44	0	0.01	0.12	2.72
DH812	152.23	182.3	30.07	0.65	0.01	0.01	0.06	2.43
	142.8	146.6	3.8	0.41	0	0.01	0.03	1.51
DH8101	108.9	114.9	6	0.46	0	0.06	0	1.5
DH8102	96.8	97.42	0.62	0.83	0.01	0.03	0	5.67
	2.9	9.9	7	0.51	0	0	0	4.23
DH8104	31.25	64.2	32.95	0.27	0.01	0.02	0.1	3.04

Dapingzhang Mine

Dapingzhang Exploration (Continued)

Table 3 — Stringer Sulphide (V2) Intersections (Continued)

Hole ID	From	To	Core length (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t
DH8105	184.3	205.75	21.45	0.27	0.02	0.03	0.21	3.7
DH8106	221.45	231.9	10.45	0.56	0.02	0.01	0.08	2.93
	120.85	129.2	8.35	0.32	0	0.03	0.04	3.34
	135.75	145.75	10	0.41	0	0.01	0.05	3.36
	163.5	184.55	21.05	0.37	0	0.02	0.05	1.62
DH1002	71.33	73.4	2.07	0.73	0	0.01	0	2.1
DH1006	190.78	211.58	20.8	0.52	0.02	0.07	0.18	3.8
	179.4	186.75	7.35	0.24	0.01	0.33	0.06	1.94
DH1008	202.6	227.1	24.5	0.71	0.04	0.04	0.17	3.15
	158.7	170.9	12.2	0.06	0	0.42	0.09	1.07
	184.95	186.65	1.7	0.52	0.01	0.01	0.02	3.93
	240.6	242.4	1.8	3.84	0	0	0.02	6.66
DH10125	217.8	229.6	11.8	0.32	0	0.01	0.04	1.75
DH10126	185.45	224.65	39.2	0.44	0	0.01	0.15	2.71
	191.8	207	15.2	0.41	0.03	0.01	0.15	4.45
	224.85	229	4.15	0.77	0	0.01	0.14	3.36
DH10122	74.85	75.95	1.1	1.26	0	0.04	0.15	9.47
DH10123	258.2	260.2	2	1.52	0	0.03	0.07	2.36
	59.1	66.2	7.1	0.36	0.01	0.02	0.03	2.25
DH10124	252.1	255.55	3.45	0.32	0	0.01	0.11	1.27
	0.8	20.54	19.74	0.4	0.01	0.06	0.07	2.85
	41.94	45.94	4	0.4	0.02	0.03	0.08	20.81
DH1202	33.1	85.43	52.33	0.41	0.04	0.22	0.07	4.79
	6.9	9.6	2.7	0.4	0.01	0.12	0	5.28
DH1206	38.15	56.55	18.4	0.41	0	0.01	0.04	2.05
	33.05	36.55	3.5	0.59	0.01	0.06	0.35	7.37
DH1208	27.55	68.3	40.75	0.37	0	0.02	0.08	3.17
DH1210	58.75	75.35	16.6	0.31	0.03	0.03	0.05	2.11
	69.45	83.55	14.1	0.25	0	0.01	0.06	2.48
	88.55	109.05	20.5	0.37	0.01	0.04	0.07	2.72

Dapingzhang Mine

Dapingzhang Exploration (Continued)

Table 3 — Stringer Sulphide (V2) Intersections (Continued)

Hole ID	From	To	Core length (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t
DH1212	119.5	122.5	3	0.95	0	0	0.04	3.14
DH12142	11	17.4	6.4	0.07	0.07	0.41	0.25	6.49
	24.6	41.14	16.54	0.43	0	0.04	0.18	6.31
	61	62.94	1.94	0.57	0.03	0.03	0.02	2.61
	100	109.14	9.14	0.49	0	0.01	0.04	1.26
DH12143	65.84	72.54	6.7	0.78	0.01	0.03	0.02	3.22
DH12144	62.4	72.6	10.2	0.3	0.01	0.01	0.07	2.56
	239.03	250.1	11.07	0.91	0.00	0.01	0.03	2.03
DH12145	141.5	142.1	0.6	2.63	0	0.01	0.12	5.21
DH12145-1	63.5	88.8	25.3	0.43	0.01	0.02	0.04	2.36
	82.5	110.25	27.75	0.56	0	0.04	0.04	2.24
DH1402	63.5	83.3	19.8	0.5	0.01	0.03	0.05	2.84
DH1404	174.86	184.7	9.84	0.55	0.06	0.57	0.25	26.75
DH1406	43.1	62	18.9	0.69	0	0.05	0.08	3.29
	35.6	45.3	9.7	0.38	0	0.28	0.06	3.31
	52.25	106.85	54.6	0.81	0	0.01	0.04	3.4
DH1408	115.7	119.16	3.46	0.41	0	0	0.03	2.16
	26.4	30.4	4	0.12	0.2	0.64	0.04	1.78
	33.65	43.85	10.2	0.38	0	0.02	0.07	3.45
	57.73	108.77	51.04	0.43	0	0.01	0.03	2.97
DH1410	171.04	173.45	2.41	0.55	0	0.01	0.06	0.93
	30	33.1	3.1	0.07	0.11	0.49	0.37	12.31
	38.6	41.3	2.7	4.21	0.01	2.63	0.17	19.8
	52.8	85.75	32.95	0.47	0	0.02	0.03	3.6
	106.2	111.8	5.6	0.35	0	0.01	0.03	0.97
	125.7	150	24.3	0.49	0	0.01	0.03	2.83
DH1412	17.7	41.95	24.25	0.59	0.01	0.13	0.18	8.94
	74.6	75.6	1	0.81	0.1	0.15	0.77	35.1
	157	161.2	4.2	0.82	0	0.01	0.03	4.64

Dapingzhang Mine

Dapingzhang Exploration (Continued)

Table 3 — Stringer Sulphide (V2) Intersections (Continued)

Hole ID	From	To	Core length (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t
DH1414	98.2	126	27.8	0.71	0	0.29	0.1	4.26
	100.5	105	4.5	0.07	0.01	0.72	0.08	1.47
	126.27	131.5	5.23	0.29	0	0.15	0.11	4.84
	147	147.7	0.7	1.84	0.01	0.03	0.07	7.74
DH14161	39	46.06	7.06	0.34	0	0.16	0	2.25
	84.5	85.19	0.69	4.6	0	0.28	0.09	12.74
DH1503	248.74	253.39	4.65	0.54	0.01	0.03	0.05	0.53
DH1604	216.7	222	5.1	0.35	0	0.01	0.03	1.31
DH1608	131.6	168.55	36.95	0.72	0.01	0.01	0.05	4.52
DH1610	182	183	1	0.36	0	0	0.03	0.15
	139.8	140.7	0.9	0.35	0.17	0.43	0.1	2.74
DH1804	207.8	211.45	3.65	0.88	0.01	0.02	0.02	2.23
DPZ05_38	133.95	163.45	29.5	0.36	0.01	0.01	0.03	1.84
DPZ05_39	157.4	160.1	3	0.56	0.04	0.032	0.98	4.66
	15.3	29.2	13.9	0.39	0.001	0.03	0.01	2.85
DPZ05_40	154	155	1	0.89	0.003	0.01	0.04	2.81
	82.6	86.6	4	0.67	0.01	0.01	0.08	5.21
DPZ05_41	94.6	106.3	11.7	0.4	0	0.01	0.05	1.33
	167.6	179.39	11.79	0.78	0	0.15	0.3	5.48
	192.77	200.07	7.3	0.44	0	0	0.04	2.03
DPZ05_42	215.34	217.94	2.6	1.29	0.01	0	0.18	11.09
	169.53	170.53	1	0.93	0	0.01	0.02	1.6
	214.7	217.12	2.42	0.47	0	0	0.05	0.9
	238.5	239.2	0.7	0.55	0	0.01	0.01	0.89

Dapingzhang Mine

Dapingzhang Exploration (Continued)

In addition to the discovery of the new K1 and K2 massive sulphide lenses at the same stratigraphic horizons as previously mined in the open pit, exploration drilling has recently located two significant occurrences of high grade copper mineralisation. These new copper occurrences occur at lower stratigraphic levels than the rest of the massive sulphide mineralisation at Dapingzhang and the horizons have provisionally been termed "O and P" pending the gathering of further information - see Figures 11 and 12. The Dapingzhang JV is in the initial discovery phase with respect to these new horizons and consequently the limits of the mineralisation have not been located as of the time of writing.

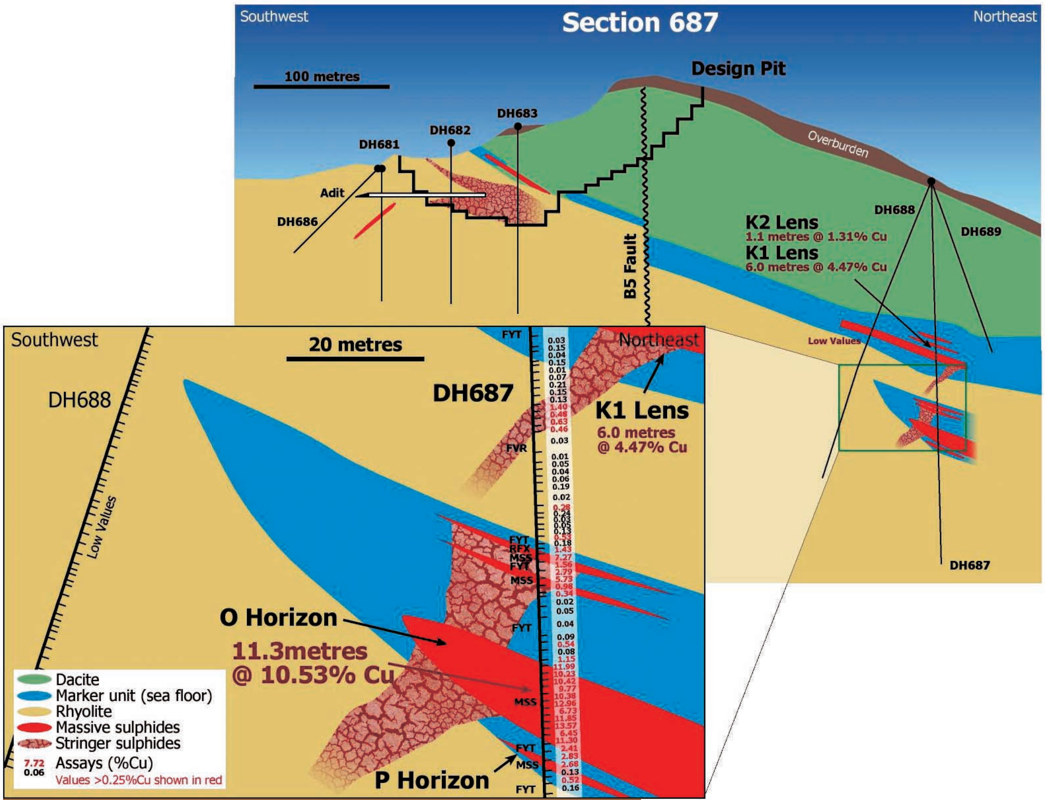


Figure 11 - Section 687 with detail of lower horizons and stringers

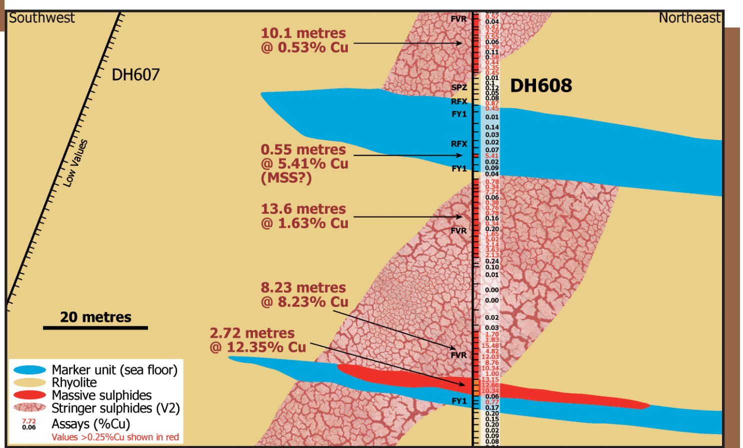


Figure 12 - Detail of stringer mineralisation in diamond drill hole 608

Dapingzhang Mine

Dapingzhang Exploration (Continued)

Exploration plans for the financial year 2006-2007 include continuation of drill testing the favourable rock sequences on the mining licence for the presence of additional massive (V1) and stringer (V2) sulphide deposits. The exploration drilling will be prioritised so as to search for those deposits that are located relatively near to surface so that they could be exploited by means of open pit mining methods.

During the first six months of 2006 the Dapingzhang JV has augmented its land holdings in the area through the acquisition of further licences, such that the total footprint of the Dapingzhang JV lands now consists of approximately 93.4 square kilometres. Several indications of copper occurrences are known or suspected to be present on these lands, however the Company believes that these lands have not been subjected to an exploration program that uses modern, state-of-the-art techniques and tools. In order to evaluate the economic potential of these lands in a rapid, cost-efficient manner the Dapingzhang JV is preparing a proposed exploration program that would utilise geochemical and geophysical methods. The goal of the geochemical survey is to identify areas containing elevated concentrations of copper, zinc, lead, gold, silver, barium or manganese, thereby indicating the presence of near-surface mineralisation. The goal of the geophysical survey is to identify areas containing anomalous electric signals (these deposits typically contain sufficient metal to conduct electricity), thereby indicating the presence of a metallic source.

Director's Report

The Directors of the Company have pleasure in submitting their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding, and the Group's principal activities consist of asset management; provision of investment advisory services; corporate finance and advisory services; and corporate investment.

Principal activities of the respective subsidiaries of the Company during the year are set out in note 15 to the Financial Statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2006 are set out in the Consolidated Income Statement on page 73.

On 17 October 2005, the Company received a dividend of US$37.7 million from BIH. On 18 November 2005, the Company's shareholders approved the payment of a special interim dividend of 22 HK cents (2.837 US cents) per share. On the basis of the Company's then issued share capital, payment of the special interim dividend amounted to approximately US$33.9 million or approximately 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning distributions received from Bridge Investment Holding Limited ("**BIH**"). The dividend was paid on 16 December 2005.

The Directors do not recommend the payment of a final dividend.

Director's Report

SUMMARY FINANCIAL INFORMATION

The results and the assets and liabilities of the Group for the current and the last four financial years (extracted from the audited financial statements and reclassified as appropriate) are set out below:

Results:

	For the year ended 31 March (restated)				
	2006 US$'000	2005 US$'000	2004 US$'000	2003 US$'000	2002 US$'000
Total income	4,175	3,602	2,595	2,335	5,201
Income less expenses	(4,859)	158	(2,001)	(1,905)	(13,544)
Share of profits/(losses) of associates	13,001	(42,043)	7,089	(5,534)	15,416
Operating profit/(loss) on core activities	8,142	(41,885)	5,088	(7,439)	1,872
Losses on non-core activities	—	—	—	—	(8)
Operating profit/(loss) from ordinary activities	8,142	(41,885)	5,088	(7,439)	1,864
Finance costs – interest on bank loans, overdraft and convertible bonds	(8)	—	—	—	(145)
Profit/(loss) before taxation	8,134	(41,885)	5,088	(7,439)	1,719
Taxation	—	(7)	—	163	(196)
Profit/(loss) after taxation	8,134	(41,892)	5,088	(7,276)	1,523
Minority interests	(5)	(438)	(15)	16	2,030
Net profit/(loss) attributable to equity holders of the Company	8,129	(42,330)	5,073	(7,260)	3,553

Director's Report

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 March				
	2006 US$'000	2005 US$'000	2004 US$'000	2003 US$'000	2002 US$'000
Intangible assets	1,876	—	—	—	—
Property, plant and equipment	34	49	25	59	573
Interests in associates	1,587	43,023	92,392	78,912	78,960
Financial assets at fair value through profit and loss	5,887	—	—	—	—
Non-current investments in securities	—	6,491	3,922	4,562	7,422
Amount due from an associate	—	435	495	662	—
Current assets	26,517	2,232	1,543	3,667	8,398
Total assets	35,901	52,230	98,377	87,862	95,353
Current liabilities	3,943	395	1,098	2,670	8,299
Non-current liabilities	18,352	—	—	—	—
Total liabilities	22,295	395	1,098	2,670	8,299
Net assets	13,606	51,835	97,279	85,192	87,054

RESERVES

Details of movements in the reserves of the Group and the Company are set out in note 26 to the Financial Statements. The Company considers that only profits and share premium are distributable to shareholders.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 15 and 16 respectively to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the Financial Statements.

Director's Report

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and outstanding share options are set out below and in note 25 to the Financial Statements.

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

During the year, an aggregate of 265,699,767 new Ordinary Shares were issued and allotted, details of which are set out as follows:

i. An aggregate of 326,000 new Ordinary Shares were issued and allotted on 26 September 2005 for a total consideration of HK$86,716 (approximately US$11,117), being HK$0.266 per share, upon exercise of options under the Share Option Scheme (2002) of the Company (referred to below in this note).

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

iii. 70,653,197 new Ordinary Shares were issued and allotted on 15 March 2006 to Finistere Limited upon further completion of the cooperation agreement dated 23 June 2005 (details of which were set out in the shareholders' circular issued by the Company on 20 January 2006).

iv. 86,728,147 new Ordinary Shares were issued and allotted on 18 March 2006 to Indigo Securities Limited upon conversion of 86,728,147 Deferred Shares.

On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds due 2009 (the "**Convertible Bonds**") under a purchase agreement dated 30 March 2006. 33,114,929 new Ordinary Shares and 59,666,539 new Ordinary Shares were issued and allotted on 24 May 2006 to JP Morgan Securities Ltd and Barclays Capital Securities Ltd (for and on behalf of MLP Investments (Caymans), Ltd) respectively upon conversion of the Convertible Bonds with, in aggregate, a principal amount of US$3.11 million at the conversion price of HK$0.2615 per share.

Director's Report

SHARE CAPITAL AND SHARE OPTIONS (Continued)

The Company has two share option schemes:

a. **Share Option Scheme (2002)**

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

The Share Option Scheme (2002) provides the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible participants (including directors, executives, employees, consultants and service providers of the Company and its subsidiaries). The scheme may, at the discretion of the Directors, be used in conjunction with any cash based compensation, incentive compensation or bonus plan.

The Company sought shareholders' approval at the extraordinary general meeting held on 16 June 2006 for "refreshing" the 10% limit under the scheme. Accordingly, the maximum number of shares which may be issued upon exercise of all options to be granted after 16 June 2006 under the Share Option Scheme (2002), when aggregated with any shares which may be issued upon exercise of options to be granted under other schemes of the Company, shall not exceed 146,538,132 shares, being 10% of the total issued ordinary share capital of the Company as at the date of approval of the "refreshed" limit. Options previously granted under the scheme (including those outstanding, cancelled or lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". The Company may also seek separate shareholders' approval at a general meeting for granting options beyond the 10% limit provided that the options in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (2002) and any other schemes of the Company now represents 256,338,132 shares or 17.50% of the Company's existing issued share capital. In any circumstances, the aggregate limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (2002) and any other schemes of the Company must not exceed 30% of the ordinary shares of the Company in issue from time to time.

The number of shares issued or issuable upon exercise of the options granted to any individual eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the ordinary shares of the Company in issue, subject to the restrictions on grants to the Directors, chief executive or substantial shareholders of the Company as set out in The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**").

Director's Report

SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. Share Option Scheme (2002) (Continued)

Each grant of options to any of the Directors, chief executive or substantial shareholders of the Company, or any of their respective associates, under the scheme must be approved by the Company's independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the proposed offer of such grant representing in aggregate over 0.1% of the ordinary shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be subject to shareholders' approval.

An offer of the grant of an option shall remain open for acceptance by the eligible participant concerned for a period of 28 days inclusive of and from the date on which such offer is made to that eligible participant or such shorter period as the Directors may in their absolute discretion determine. An offer which remains capable of acceptance shall be deemed to have been accepted upon the date when the duly completed and signed form of acceptance together with a remittance for HK$10, being the consideration for the grant thereof, are received by the Company. The option shall, following such acceptance, be deemed to have been granted and to have taken effect on the date of offer.

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

The exercise price is to be determined by the Directors at their absolute discretion when the option is offered, provided that in no event shall such price be less than the higher of (i) the nominal value of the ordinary shares of the Company; (ii) the closing price of the ordinary shares as stated in the daily quotations sheet of the HK Stock Exchange on the date of offer, which must be a business day; and (iii) the average closing price of the ordinary shares as stated in the daily quotations sheets of the HK Stock Exchange for the five business days immediately preceding the date of offer.

Director's Report

SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. **Share Option Scheme (2002)** (Continued)

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

i. *Directors, Chief Executive and substantial shareholders*

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

Subsequent to 31 March 2006, options were granted on 4 April 2006 entitling the Chief Executive Officer (also an executive Director) and an executive Director of the Company to subscribe, in stages, for an aggregate of 53,600,000 ordinary shares in the capital of the Company at the exercise price of HK$0.300 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the options were granted was HK$0.300. Accordingly, as at the date of this report, there are outstanding options entitling the Directors of the Company to subscribe, in stages, for an aggregate of 68,100,000 ordinary shares at the exercise prices ranging from HK$0.266 per share to HK$0.300 per share.

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

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

ii. *Participants in excess of individual limit*

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

Director's Report

SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. **Share Option Scheme (2002)** (Continued)

iii. Full-time employees

As at 1 April 2005, there were outstanding options, which were granted on 9 September 2004, entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 6,100,000 ordinary shares at the exercise price of HK$0.266 per share. On 23 September 2005, vested options in respect of an aggregate of 326,000 shares were exercised at HK$0.266 per share, which were issued and allotted on 26 September 2005. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the options were exercised was HK$0.300. No options were granted, cancelled or lapsed during the year. Accordingly, as at 31 March 2006, there were outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 5,774,000 ordinary shares at the exercise price of HK$0.266 per share.

Subsequent to 31 March 2006, options were granted on 4 April 2006 entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 35,600,000 ordinary shares in the capital of the Company at the exercise price of HK$0.300 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the options were grated was HK$0.300. Accordingly, as at the date of this report, there are outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 41,374,000 ordinary shares at the exercise prices ranging from HK$0.266 per share to HK$0.300 per share.

iv. Suppliers of goods and services

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

v. Other participants

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

Director's Report

SHARE CAPITAL AND SHARE OPTIONS (Continued)

b. Employee Share Option Scheme

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

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

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

i. Directors, Chief Executive and substantial shareholders

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

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

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

ii. Participants in excess of individual limit

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

Director's Report

SHARE CAPITAL AND SHARE OPTIONS (Continued)

b. **Employee Share Option Scheme** (Continued)

iii. *Full-time employees*

As at 1 April 2005, there was an outstanding and vested option, which was granted on 12 October 2000, entitling a full-time employee of the Group (not being a Director of the Company) to subscribe on or before 11 October 2005 for 200,000 ordinary shares at an exercise price of HK$1.06 per share. The option was not exercised and lapsed upon expiry of the exercise period. As the scheme was terminated on 15 November 2005, no new options were granted during the year ended 31 March 2006. Accordingly, as at 31 March 2006 and the date of this report, no outstanding options were/are held by full-time employees of the Group (excluding Directors of the Company) under the Employee Share Option Scheme.

iv. *Suppliers of goods and services*

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

v. *Other participants*

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

The fair value of options was determined using the Binomial valuation model. Significant inputs into the calculation included a closing share price at the date of grant of options of HK$0.255 and exercise prices as illustrated above. Furthermore, the calculation took into account a dividend yield of 11% and a volatility of 95%, based on the Company's expected share price. A risk-free interest rate of 3.99% was used. The underlying expected volatility was determined by reference to historical data according to the price return of the ordinary shares of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

No shares in the Company were purchased or sold by the Company or any of its subsidiaries during the year, whether on the HK Stock Exchange or otherwise. The Company has not redeemed any of its securities during the year.

Director's Report

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at all times during the year and as at the date of this report, the Company has complied with the public float requirement prescribed in the HK Listing Rules for the Company.

DIRECTORS

The Directors of the Company who held office during the year and up to the date of this report were:

James Mellon*	(appointed as the Chairman of the Board on 27 October 2005)
Jamie Alexander Gibson *(Chief Executive Officer)*	
Cheung Mei Chu, Clara	
Charles David Andrew Comba#	(appointed on 27 October 2005)
Julie Oates#	
Thomas Patrick Reid#	(appointed on 27 October 2005)
Stawell Mark Searle#	
Jayne Allison Sutcliffe*	
Alexander Anderson Whamond*	
Anthony Robert Baillieu*	(resigned as the Chairman of the Board and non-executive Director on 27 October 2005)
Robert George Curzon Whiting#	(resigned on 27 October 2005)

* non-executive Directors

\# independent non-executive Directors

In accordance with Article 86(3) of the Company's Articles of Association, any Director appointed after the close of the last annual general meeting of the Company shall retire at the next annual general meeting of the Company but shall then be eligible for re-election. Any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

In accordance with Article 87, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation. A retiring Director shall be eligible for re-election.

David Comba and Patrick Reid will retire pursuant to Article 86(3) while James Mellon and Jamie Gibson will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to Shareholders.

Director's Report

DIRECTORS (Continued)

Biographical details of the Directors who hold office as at the date of this report are as follows:

1. ***James Mellon***, aged 49, British, was appointed as an executive Director of the Company in July 1991 and the Chairman of the Board of Directors of the Company in April 1994 and held such positions until May 2002, except for the period from December 2000 to April 2001 during which he stepped down from the role of the Chairman. In May 2002, Mr Mellon was re-designated as a non-executive Director of the Company and resigned as the Chairman in May 2003. In October 2005, he resumed as the non-executive Chairman of the Board. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group and funds managed by the Group. Since the completion of a restructuring scheme of Regent Pacific Group and the Group's divestment in Charlemagne Capital Limited (formerly known as Regent Europe Limited) in June 2000 (the "**Restructuring Scheme**"), Mr Mellon has been non-executive Chairman of Charlemagne Capital Limited, which is currently listed on the AIM.

2. ***Jamie Alexander Gibson***, aged 40, British, joined Regent Pacific Group in April 1996 and was appointed as an executive Director and Chief Operating Officer of the Company in January 2002. On 16 May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers and Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also a director of a number of subsidiaries of Regent Pacific Group and Yunnan Simao Shanshui Copper Company Limited which is the Sino-foreign equity joint venture enterprise established for the Dapingzhang Copper Mine and is a 40% owned associate of the Company.

3. ***Cheung Mei Chu, Clara***, aged 32, Chinese, joined Regent Pacific Group in March 2002 and was appointed as the Finance Director of the Company on 12 January 2004. Ms Cheung is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Prior to joining the Company, she has gained extensive experience in auditing and accounting with Deloitte Touche Tohmatsu. She is also a director of certain subsidiaries of Regent Pacific Group and Yunnan Simao Shanshui Copper Company Limited.

Director's Report

DIRECTORS (Continued)

4. ***Charles David Andrew Comba***, aged 63, Canadian, has been appointed as an independent non-executive Director of the Company on 27 October 2005. He is currently director of three Canadian listed companies, namely First Nickel Inc (listed on the TSX-T), Woodruff Capital Management Inc (listed on the TSX-V) and Viking Gold Exploration Inc (listed on the TSX-V). In the past three years, Mr Comba also served on the boards of Dumont Nickel Inc (listed on TSX-V) and Black Pearl Minerals Consolidated Inc (listed on TSX-V). Until his retirement in May 2005, he held senior staff positions as Director Issues Management and more recently as Director of Regulatory Affairs with the Prospectors and Developers Association of Canada. Mr Comba also served the association as a Director prior to joining staff in 1998. In addition, he also served as one of two expert witnesses in the successful 1999 defence of Larche vs Scintilor, the last of the court cases regarding title challenges arising from the 1980 discovery of the Hemlo, Ontario, Canada gold camp. He also served on or lead mineral exploration teams that have made eleven significant discoveries of base and precious metals, primarily for Falconbridge Group companies. Five discoveries were taken to production; two are still producing.

   After holding Falconbridge Regional Exploration Manager positions in Timmins, Ontario and Sudbury, Ontario, Mr Comba was transferred to Toronto, Ontario in 1990 as Vice President Exploration Falconbridge Gold Corporation. Subsequent to the sale of FGC to Kinross Gold Corporation he became a director, President and Chief Executive Officer of a Kinross controlled exploration company, Pentland Firth Ventures Limited, which was a junior capital pool company listed on the Alberta Stock Exchange and subsequently listed on the Toronto Stock Exchange.

   Mr Comba obtained two geological degrees from Queen's University Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972). He commenced his underground experience in 1964 as a sampler at a then Falconbridge controlled operation of Giant Yellowknife Gold Mines Ltd in Yellowknife, North West Territories, Canada.

5. ***Julie Oates***, aged 44, British, was appointed as an independent non-executive Director of the Company on 28 September 2004. She trained with Pannell Kerr Forster in the Isle of Man and qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and more recently has established her own accountancy practice. Mrs Oates gained experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. She is a member of The Society of Estate and Trust Practitioners and is licensed by the Isle of Man Government Financial Supervision Commission to provide corporate services.

Director's Report

DIRECTORS (Continued)

6. ***Thomas Patrick Reid***, aged 63, is a Canadian Citizen and lives in Toronto, Ontario, Canada. He has been appointed as an independent non-executive Director of the Company on 27 October 2005. Mr Reid was elected to the Ontario Legislature in 1967, and served for five terms, retiring in 1984. He joined the Ontario Mining Association, a trade association representing the producing mines, and suppliers of equipment and services to the industry in Ontario. He retired after twenty years at the end of 2004. Mr Reid has been a partner in a number of businesses, and a political panelist on television. He has attended and been a speaker at mining related conferences around the globe. Presently, Mr Reid has his own consulting firm and serves as an independent director on the boards of directors of three Canadian listed companies, namely a director of Canstar Resources on the TSX-V, the chairman and director of Probe Mines on the TSX-V and a director of Valencia Ventures on the TSX-V.

7. ***Stawell Mark Searle***, aged 63, British, has been an independent non-executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Currently, Mr Searle is a director of Invesco Perpetual European Absolute Return Trust Plc. (a listed company on the London Stock Exchange).

8. ***Jayne Allison Sutcliffe***, aged 42, British, was appointed as the Group Corporate Finance Director in August 1991. Upon completion of the Restructuring Scheme (as defined above), Mrs Sutcliffe became a non-executive Director of the Company (a listed company on the AIM). Since then, she has been the Chief Executive of Charlemagne Capital Limited. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group.

9. ***Alexander Anderson Whamond***, aged 46, British, was appointed as an executive Director of the Company in January 1999. Upon completion of the Restructuring Scheme (as defined above), Mr Whamond became a non-executive Director of the Company. He commenced his career in 1982 with White Weld Securities Limited. Subsequently, he worked at both Salomon Brothers and Morgan Stanley International in London. Prior to joining Regent Pacific Group in March 1998 as the head of the Group's head of Corporate Investments, Mr Whamond was a Managing Director of Peregrine Securities International Limited and a member of the executive committee of Peregrine Investment Holdings Limited. He is also director of certain subsidiaries of Regent Pacific Group and a private equity fund managed by the Group.

Director's Report

DIRECTORS (Continued)

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises four independent non-executive Directors, namely David Comba, Julie Oates, Patrick Reid and Mark Searle, representing more than one-third of the Board. Pursuant to Paragraph 12B of Appendix 16 to the HK Listing Rules, each of the independent non-executive Directors has confirmed by an annual confirmation that he/she complies with the independence criteria set out in Rule 3.13. The Directors consider that all four independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). In addition, Clara Cheung, an executive Director, is a qualified accountant responsible for oversight of the Group's financial reporting procedures, in compliance with Rule 3.24.

None of the Directors has any relationships (either financial or business or family or other material/relevant relationship(s)) with any other Directors, senior management or substantial or controlling shareholders of the Company.

As first disclosed in the shareholder's circular issued by the Company on 13 November 2003, an arrest warrant was issued by the Korean prosecutor's office on 19 December 2000 against James Mellon, pertaining to his alleged involvement in a conspiracy with Seung-Hyun Jin and Chang-Kon Koh to manipulate the share price of Regent Securities Co., Ltd (which was merged with Ileun Securities Co., Ltd in January 2002 and subsequently renamed Bridge Securities Co., Ltd) in Korea in November/December 2000. As updated in the Company's annual report for the year ended 31 March 2004, the Directors were informed by Mr Mellon that the arrest warrant was renewed in January 2004. As far as the Board is aware, no proceedings have been issued or served against James Mellon since that time and neither have there been any further developments involving the Company and Mr Mellon.

James Mellon has informed the Board that he categorically denies these allegations and has retained leading Korean counsel to act on his behalf in disproving the Korean prosecutor's claims. James Mellon has also informed the Board that on 28 March 2001, he also submitted, via his Korean counsel, a comprehensive sworn affidavit disproving the alleged share manipulation. The arrest warrant was re-issued on 14 January 2004 and will remain valid and effective until 12 March 2010 or otherwise such time as James Mellon returns to South Korea to assist with the investigation. As noted above, as far as the Board is aware, no proceedings have been issued or served on James Mellon to date. In these circumstances, the Board, including the independent non-executive Directors, considers that Mr Mellon can fulfil his fiduciary duties and perform the requisite duties of skill, care and diligence as a Director of the Company to the standard at least commensurate with the standard established by the laws of Hong Kong and therefore it is entirely appropriate for Mr Mellon to remain on the Board.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has any unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment (other than statutory compensation).

None of the Directors of the Company has any unexpired service contract with the Company or any of its subsidiaries, which was entered into on or before 31 January 2004 and was exempt from the shareholders' approval requirement under Rule 13.68 of the HK Listing Rules but is required to be disclosed in this report pursuant to Paragraph 14A of Appendix 16 to the HK Listing Rules.

Director's Report

Directors' Interests in Securities and Options

As at 31 March 2006, the Directors of the Company had the following beneficial interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company or of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "**SFO**")), which were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to The Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the HK Listing Rules:

1. Securities of the Company

a. *Ordinary shares of US$0.01 each*

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % of holding**
James Mellon		Beneficial owner	Long position	43,216,180	3.15%
	A	Beneficiary of a trust	Long position	360,862,396	26.29%
Jamie Gibson		Beneficial owner	Long position	—	—
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Patrick Reid		—	—	—	—
Mark Searle		Beneficial owner	Long position	4,194,444	0.31%
	B	Beneficiary of a trust	Long position	50,000	0.00%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	1.25%
	C	Beneficiary of a trust	Long position	27,965,226	2.04%
Anderson Whamond	D	Beneficiary of a trust	Long position	5,826,088	0.42%

* These numbers do not include the numbers of ordinary shares to be issued upon exercise of the outstanding options under the Company's Share Option Scheme (2002) held by the Directors, which are disclosed in sub-paragraph (c) below.

** The total issued ordinary share capital of the Company as at 31 March 2006 consisted of 1,372,599,856 ordinary shares. Following the issue and allotment of an aggregate of 92,781,468 shares on 24 May 2006 upon conversion of the Convertible Bonds with, in aggregate, a principal amount of US$3.11 million (as referred to in the section headed "Share Capital and Share Options" in this report), the Company's total issued ordinary share capital consists of 1,465,381,324 ordinary shares.

Director's Report

Directors' Interests in Securities and Options (Continued)

1. Securities of the Company (Continued)

b. *Deferred shares of US$0.01 each*

The 86,728,147 non-voting convertible deferred shares of US$0.01 held by Indigo Securities Limited in the capital of the Company were converted during the year. Accordingly, 86,728,147 ordinary shares were issued and allotted to Indigo Securities Limited on 18 March 2006. Indigo Securities Limited is a private company indirectly and wholly owned by the trustee of a settlement of which James Mellon is a beneficiary.

Details of the rights of the deferred shares are set out in note 25 to the Financial Statements.

c. *Options of the Company*

Please refer to the section headed "Share Capital and Options" in this report and note 25 to the Financial Statements as to the details of the share option schemes of the Company.

As at 31 March 2006, the following Directors of the Company had personal interests in options granted under the Company's Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

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

None of the above options under the Share Option Scheme (2002) were exercised, cancelled or lapsed during the year.

Director's Report

Directors' Interests in Securities and Options (Continued)

1. Securities of the Company (Continued)

c. *Options of the Company (Continued)*

Subsequent to 31 March 2006, the following options were granted to the Directors on 4 April 2006 under the Share Option Scheme (2002):

Name of Director	Date of grant	Total number of shares subject to the option #	Subscription price per share (HK$)	Exercise period#	Number of shares subject to vested options #	Consideration for grant of option (HK$)
Jamie Gibson	4 April 2006	45,600,000	0.300	4 April 2007 – 3 April 2016	—	10.00
Clara Cheung	4 April 2006	8,000,000	0.300	4 April 2007 – 3 April 2016	—	10.00

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

As at 31 March 2006, there were no outstanding options held by any Director of the Company under the Company's Employee Share Option Scheme, which was terminated on 15 November 2002 but remains in full force in respect of outstanding options. No new options were granted under the Employee Share Option Scheme during the year or prior to the date of this report.

Save for the above, during the year, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Company's share option schemes and subscribed for shares in the Company; and no options were granted, cancelled or lapsed.

Director's Report

Directors' Interests in Securities and Options (Continued)

2. Securities of associated corporations

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

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

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

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

Director's Report

Directors' Interests in Securities and Options (Continued)

Notes:

A. The 360,862,396 shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.

A company wholly owned by the above trustee further acquired 2,037,000 shares in the Company on 3 April 2006.

B. The 50,000 shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.

C. The 27,965,226 shares in the Company and the 350,000 shares in bigsave Holdings plc are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.

D. The 5,826,088 shares in the Company are held by a pension fund, of which Anderson Whamond is the sole beneficiary.

E. AstroEast.com Limited and bigsave Holdings plc are indirect 51% and 64.3% owned subsidiaries of the Company respectively. The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the financial statements in this report.

Save as disclosed herein, as at 31 March 2006 none of the Directors (or their associates) had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

Save as disclosed herein, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) did not grant to any Director of the Company (or their associates) any rights to subscribe for the equity or debt securities of the Company or of any of its associated corporations, or had there been any exercise of such options during the year under review.

Director's Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

The following is a summary of connected transactions (as defined in Chapter 14A of the HK Listing Rules) of the Company and significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules), which subsisted at 31 March 2006 or at any time during the year, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company is/are or was/were materially interested, either directly or indirectly.

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

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

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

As at the date of the loan agreement, James Mellon, Anthony Baillieu and Karin Schulte were directors of AstroEast. In addition, Peter Everington, who ceased to be a Director of the Company on 7 January 2002, held an interest of less than 2% of its total issued share capital, and each of Anthony Baillieu, Julian Mayo, Jayne Sutcliffe, Anderson Whamond and Jamie Gibson, who was appointed a Director of the Company on 7 January 2002, held an interest of less than 1% of its total issued share capital. James Mellon resigned as a director of AstroEast on 3 June 2003 but was re-appointed on 5 February 2004. Julian Mayo resigned as the alternate to James Mellon in the Company on 18 June 2003, and Karin Schulte resigned as a director of AstroEast and the Company on 12 January 2004. Anthony Baillieu resigned as a Director of the Company on 27 October 2005.

As at 31 March 2006, an amount of US$52,258, inclusive of accrued interest, was outstanding under the loan agreement. The outstanding amount, inclusive of accrued interest, has increased to US$53,543 as at the date of this report.

Director's Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

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

(2) Six facilities agreements dated 24 January 2002, 6 February 2002, 24 April 2002, 23 July 2002, 29 July 2002 and 1 November 2002 respectively were entered into between (a) bigsave Holdings plc ("**bigsave**"), an indirect 64.3% owned subsidiary of the Company, as borrower and (b) Burnbrae Limited as lender, pursuant to which Burnbrae Limited agreed to advance unsecured interest-bearing loan facilities of maximum amounts of GBP80,000 (approximately US$114,000), GBP300,000 (approximately US$427,500), GBP75,000 (approximately US$106,875), GBP25,000 (approximately US$35,625), GBP75,000 (approximately US$106,875) and GBP150,000 (approximately US$213,750) respectively to bigsave.

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

Burnbrae Limited is a private company wholly-owned by a trust, of which James Mellon is a beneficiary. At the time of the facilities agreements, David McMahon, who resigned as a Director of the Company on 31 March 2003, and Anderson Whamond were directors of Burnbrae Limited. James Mellon was a director of bigsave. Each of Anthony Baillieu, Dominic Bokor-Ingram, who resigned as a Director of the Company on 11 March 2002, Jamie Gibson, Julian Mayo, David McMahon, Jayne Sutcliffe, Anderson Whamond and Robert Whiting, who was appointed as a Director of the Company on 24 March 2004, was interested in less than 1% of the issued share capital of bigsave. David McMahon resigned as a director of Burnbrae Limited on 24 January 2003, and Julian Mayo resigned as the alternate to James Mellon in the Company on 18 June 2003. Anthony Baillieu and Robert Whiting resigned as Directors of the Company on 27 October 2006.

As at 31 March 2005, an amount of GBP1,008,885 (approximately US$1,756,000), inclusive of accrued interest, was outstanding under the facilities agreements. The outstanding amount, inclusive of accrued interest, has increased to GBP1,039,464 (approximately US$1,810,000) as at the date of this report.

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

Director's Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

(3) A loan agreement dated 22 September 2005 (the "**Loan Agreement**") was entered into between (a) the Company as lender and (b) Red Dragon Minerals Corporation ("**RDMC**") as borrower, pursuant to which the Company advanced a sum of US$200,000 (HK$1,560,000) (the "**Loan**") to RDMC. The aggregate principal amount of the Loan together with all interest accrued thereon shall be repaid by RDMC in full to the Company on the date falling six months after the drawdown date. The Company has the option to convert the Loan (and all interest accrued thereon) into shares of RDMC so that, immediately after conversion, it would become beneficially interested in 3% of the issued share capital of RDMC. A charge was given by all the shareholders of RDMC in favour of the Company in respect of their shares in RDMC as security for the Loan.

As at the date of the Loan Agreement, RDMC was owned as to 60% by Finistere Limited, which was in turn a 20% shareholder of Regent Metals Holdings Limited ("**RMHL**", then known as Red Dragon Resources Corporation and an 80% owned subsidiary of the Company), and as to 20% by each of the two then directors of RMHL. By virtue of Rule 1.01(b)(i) of the HK Listing Rules, RDMC was regarded as an associate of Finistere Limited and was therefore a connected person of the Company. Accordingly, the Loan Agreement constituted a connected transaction of the Company. Based on the amount of the Loan, the Loan Agreement was subject to the reporting and announcement requirements set out in Chapter 14A of the HK Listing Rules.

The Company completed the acquisition of the remaining 20% interest in RMHL on 15 March 2006, upon which RMHL became a wholly owned subsidiary of the Company and the aforesaid two directors each holding a 20% interest in RDMC resigned as directors of RMHL. Accordingly, both Finistere Limited and RDMC ceased to be connected persons of the Company. The Directors of the Company resolved on 13 July 2006 that the Loan (and all interests accrued thereon as at 31 March 2006) in the amount of US$221,772 should be written off, as there was no prospect that RDMC would repay the Loan to the Company. While the Company had security of shares over RDMC, it was considered that such security was worthless and accordingly the Company should not seek to enforce the security by incurring legal fees for what it perceived as no eventual recovery.

No Directors of the Company had any interests in the Loan Agreement.

Director's Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

(4) A subscription agreement dated 18 October 2005 (the "**Subscription Agreement**") was entered into between (a) Interman Holdings Limited ("**Interman**"), a direct wholly owned subsidiary of the Company, as subscriber and (b) RDRC Ontario, pursuant to which Interman subscribed (the "**Subscription**") for 2,000,000 equity units ("**Units**"), each Unit comprised of one common share ("**Common Share(s)**") in the authorised share capital of RDRC Ontario and one-half of one Common Share Purchase Warrant ("**Warrant**") at a price of Canadian Dollar ("**Cdn.$**") 0.60 per Unit. Each whole Warrant will entitle the holder thereof to purchase one Common Share for a period of twelve months from the closing of the offering of the Units at a price of Cdn.$0.75 per share. The total amount of consideration (the "**Consideration**") paid by Interman for the Subscription was Cdn.$1,200,000 (HK$8,047,000 or US$1,037,000). The Subscription Agreement formed part of a private placement of RDRC Ontario, pursuant to which RDRC Ontario issued and allotted an aggregate of 5,009,999 new Common Shares. The Subscription Agreement was completed on 31 October 2005.

James Mellon owns 30% of Red Dragon Gold Corporation ("**RDGC BVI**"), which is in turn a substantial shareholder of RDRC Ontario. As James Mellon is a director and substantial shareholder of the Company and is deemed to be a controller of the Company under the HK Listing Rules, RDGC BVI is regarded as an associate of a controller of the Company. By virtue of Rule 14A.13(1)(b)(i) of the HK Listing Rules, the Subscription Agreement constituted a connected transaction of the Company. Based on the amount of the Consideration, the Subscription Agreement was subject to the reporting and announcement requirements set out in Chapter 14A of the HK Listing Rules.

Save for the above, no connected transactions (as defined in Chapter 14A of the HK Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) of the Company, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company has/had a material interest, either directly or indirectly, subsisted at 31 March 2006 or at any time during the year ended 31 March 2006.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, subsisted as at 31 March 2006 or any time during the year, whereby any individual, firm or body corporate undertook the management and administration of the whole or any substantial part of any business of the Company.

RELEVANT TRANSACTIONS

As at 31 March 2006 and at any time during the year, none of the Directors of the Company owed any outstanding amount on any relevant transactions (including loans, quasi-loans and credit transactions) as required to be disclosed under Paragraph 28(8) of Appendix 16 to the HK Listing Rules and Section 161B of the Companies Ordinance of Hong Kong.

Director's Report

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors, except for the independent non-executive Directors who are not subject to the disclosure requirement under Rule 8.10 of the HK Listing Rules, have declared that they are not interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business save that RDRC Ontario may pursue investment opportunities in China that may compete with the Company, but to-date this has not happened.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the following persons (other than James Mellon, whose interests are set out in detail under the section headed "Directors' Interests in Securities and Options") had the following beneficial interests in the shares of the Company, which were recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO):

Name of shareholder	Note	Class of shares	Capacity in which the shares are held	Long/Short position	Total interests (Number of shares)	Approximate % of holding**	Derivative interests (Number of shares)
Israel Alexander Englander	A&B	Ordinary shares	Interest by controlled corporation	Long position	357,997,030	26.08%	357,997,030
Millennium Partners, LP	A&B	Ordinary shares	Interest by controlled corporation	Long position	357,997,030	26.08%	357,997,030
Millennium Management, LLC	A&B	Ordinary shares	Interest by controlled corporation	Long position	357,997,030	26.08%	357,997,030
Michael Austin	A&C	Ordinary shares	Interest by controlled corporation	Long position	149,165,430	10.87%	149,165,430
Clive Harris	A&C	Ordinary shares	Interest by controlled corporation	Long position	149,165,430	10.87%	149,165,430

Director's Report

SUBSTANTIAL SHAREHOLDERS (Continued)

Name of shareholder	Note	Class of shares	Capacity in which the shares are held	Long/Short position	Total interests (Number of shares)	Approximate % of holding**	Derivative interests (Number of shares)
Highbridge Capital Management LLC	A&C	Ordinary shares	Investment manager	Long position	149,165,430	10.87%	149,165,430
Highbridge GP, Ltd	A&C	Ordinary shares	Interest by controlled corporation	Long position	149,165,430	10.87%	149,165,430
JPMorgan Chase & Co	A&D	Ordinary shares	Interest by controlled corporation	Long position	89,499,258	6.52%	89,499,258
The State of Wisconsin Investment Board	E	Ordinary shares	Beneficial owner	Long position	82,567,940	6.02%	Nil
Highbridge International LLC	A&C	Ordinary shares	Beneficial owner	Long position	74,582,715	5.43%	74,582,715
Finistere Limited		Ordinary shares	Trustee of a trust	Long position	70,653,197	5.15%	Nil
The Gladiator Fund	F	Ordinary shares	Beneficial owner	Long position	56,681,000	4.13%	Nil

** The total issued ordinary share capital of the Company as at 31 March 2006 consisted of 1,372,599,856 ordinary shares. Following the issue and allotment of an aggregate of 92,781,468 shares on 24 May 2006 upon conversion of the Convertible Bonds with, in aggregate, a principal amount of US$3.11 million (as referred to in the section headed "Share Capital and Share Options" in this report), the Company's total issued ordinary share capital consists of 1,465,381,324 ordinary shares. These are the % holding of the shareholders' total interests (including derivative interests, if any) over the Company's issued share capital as at 31 March 2006.

Director's Report

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

A. On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds due 2009 (the "**Convertible Bonds**" as referred to in the section headed "Share Capital and Share Options" in this report) under a purchase agreement dated 30 March 2006, pursuant to which (i) MLP Investments (Caymans), Ltd; (ii) Highbridge International LLC; (iii) Highbridge Asia Opportunities Fund LP; and (iv) JP Morgan Securities Ltd purchased Convertible Bonds with principal amounts of US$12 million, US$2.5 million, US$2.5 million and US$3 million respectively. The Convertible Bonds may give rise to the issue, in aggregate, of 596,661,718 shares. Shown under "derivative interests" are the numbers of shares subject to the Convertible Bonds issued to the respective bondholders, which are included in their total interests.

B. These shareholders disclosed the interests held by corporations controlled by the respective named shareholders. The disclosures referred to the same lot of interests in respect of the Convertible Bonds purchased by MLP Investments (Caymans), Ltd.

   On 24 May 2006, 59,666,539 shares were issued and allotted to Barclays Capital Securities Ltd (for and on behalf of MLP Investments (Caymans), Ltd) upon conversion of the Convertible Bonds with a principal amount of US$2 million. Accordingly, as at the date of this report, these shareholders are interested in 357,997,030 shares, of which 298,330,491 shares are of derivative interests.

C. These shareholders disclosed the interests held by corporations controlled by the respective named shareholders. The disclosures referred to the same lot of interests in respect of the Convertible Bonds purchased by Highbridge International LLC and Highbridge Asia Opportunities Fund LP.

D. The disclosure by JPMorgan Chase & Co referred to the interests in respect of the Convertible Bonds purchased by JP Morgan Securities Ltd.

   On 24 May 2006, 33,114,929 shares were issued and allotted to JP Morgan Securities Ltd upon conversion of the Convertible Bonds with a principal amount of US$1.11 million. Further, the shareholder also filed returns with respect to disposal and acquisition of shares. As at the date of this report, JPMorgan Chase & Co is interested in 94,865,198 shares, of which 56,384,329 shares are of derivative interests.

E. Subsequent to the year end date, The State of Wisconsin Investment Board filed a notice with the Company with respect to disposal of certain shares. As at the date of this report, The State of Wisconsin Investment Board is interested in 73,000,940 shares.

F. The Gladiator Fund ceased to be a substantial shareholder on 4 April 2006.

Save for such interests, the Directors are not aware of any other persons who, as at 31 March 2006, had beneficial interests and short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests and short positions which they were deemed or taken to have under such provisions of the SFO).

Director's Report

BORROWINGS

Details of movements in the borrowings of the Group and the Company are set out in note 23 to the Financial Statements.

RETIREMENT SCHEME

Details of the retirement scheme of the Group are set out in note 29 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's major customers are the investment fund companies for which it holds a fund management mandate. The percentage of turnover of the asset management and corporate finance businesses accounted for by the five largest of these companies amounted to 92%. The largest single contribution by one fund company amounted to 44% of the turnover of the asset management and corporate finance businesses of the Group.

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

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

AUDITORS

The Financial Statements were audited by Grant Thornton.

At the Company's extraordinary general meeting held on 10 March 2003, PricewaterhouseCoopers were appointed as the Auditors of the Company in place of KPMG Audit LLC. KPMG Audit LLC indicated that it had no objection to the change of the Auditors of the Company. It confirmed that there were no circumstances connected with its resignation that it considered should be brought to the notice of the shareholders or creditors of the Company.

Grant Thornton was appointed as the Company's Auditors at the Company's extraordinary general meeting held on 16 June 2006 in place of the resigning Auditors, PricewaterhouseCoopers. In relation to the resignation of PricewaterhouseCoopers, the Directors were not aware of any facts or circumstances that ought to be brought to the notice of the holders of the securities of the Company.

Grant Thornton will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. An ordinary resolution has been proposed for the Company's annual general meeting for Year 2006 for the re-appointment of Grant Thornton.

Director's Report

CORPORATE GOVERNANCE REPORT

Shareholders' attention is also drawn to the Corporate Governance Report included in this annual report, in compliance of Appendix 23 to the HK Listing Rules.

On Behalf of the Board

James Mellon
Chairman

18 July 2006

Management's Discussion and Analysis of the Group's Performance

Revenue and Profits

The Group recorded a profit after tax and minority interests of US$8.1 million for the year ended 31 March 2006.

The profit attributable to the Group was mainly contributed by share of profit after tax of US$12.9 million (after adjustment in accordance with the Group's accounting policy) from its associate, Bridge Investment Holding Limited ("**BIH**"). BIH recorded a profit attributable to shareholders of US$33.6 million for the year ended 31 March 2006.

The BIH profit is mainly attributable to:

	US$ million
By business:	
- Bridge Securities Co., Ltd (before the following significant item)	(1.6)
- Early retirement cost	(10.8)
	(12.4)
- Corporate and other interests	46.0
Pre-tax profit	33.6
Tax	(3.0)
Minority interest	3.0
Net profit for the year	33.6

The revenue of the corporate investment business division increased slightly to US$0.3 million (2005: US$0.1 million), while the revenue of the asset management business division was reduced to US$0.7 million (2005: US$0.8 million).

Management's Discussion and Analysis of the Group's Performance

Revenue and Profits (Continued)

The main elements of the profit are as follows:

	US$ million
Share of profit connected with BIH (after adjustment in accordance with the Group's accounting policy)	12.9
Share of profit from other associates	0.1
Corporate investment	(1.5)
Asset management and corporate finance	(3.4)
Profit before tax	8.1
Tax	—
Profit after tax and minority interests	8.1

Balance Sheet

The shareholders' equity decreased by 74.3% to US$13.2 million from US$51.4 million during the year which was mainly due to paying out a special interim dividend of US$33.9 million. Since BIH had distributed out a final dividend to its shareholders and no further distribution was expected, the Group no longer accounted for its equity interest in BIH as at 31 March 2006. The Group's assets comprised: (i) cash of US$22.1 million and (ii) other corporate investments of US$13.8 million. The Group's liabilities comprised: (i) convertible bonds (liability portion) of US$18.4 million and (ii) other liabilities of US$3.9 million.

Dividend

On 17 October 2005, the Company received a dividend of US$37.7 million from BIH. On 18 November 2005, the Company's shareholders approved the payment of a special interim dividend of 22 HK cents (2.837 US cents) per share. On the basis of the Company's then existing issued share capital, payment of the final dividend amounted to US$33.9 million or approximately 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning the distributions received from BIH. The dividend was paid on 16 December 2005.

Management's Discussion and Analysis of the Group's Performance

Future Funding

As at 31 March 2006, the Group had US$22.1 million in cash or 167.8% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$3.4 million.

On 31 March 2006, the Group issued US$20 million 12% guaranteed convertible bonds due March 2009 (the "**Convertible Bonds**"). These funds were used to acquire the Group's 40% interest in Yunnan Simao Shanshui Copper Company Limited (the "**Dapingzhang JV**"). The Convertible Bonds are secured by a guarantee dated 31 March 2006 given by Regent Metals Limited ("**RML**") in favour of the security agent (the "**Security Agent**") guaranteeing the due payment of all sums to be payable by the Company in respect of the Convertible Bonds (the "**Guarantee**"); a floating charge given by RML in favour of the Security Agent over all its assets and undertaking and a charge over a specified bank account into which all dividend payments and other distributions, including without limitation, proceeds of sale of assets made by the Dapingzhang JV, will be made; and a share charge dated 31 March 2006 given by Regent Metals (Jersey) Limited in favour of the Security Agent to secure RML's obligations under the Guarantee.

Save as above, there were no other material charges against the Group's assets as at 31 March 2006.

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

Management of Risk

The most significant risk affecting the profitability and viability of the Company is its 40% interest in the Dapingzhang JV, a Sino-foreign equity joint venture enterprise that produces copper, zinc and lead with gold and silver credits. It is expected that the Company's main earnings and cash flow will be contributed by the Dapingzhang JV over the next two to three years.

There are a number of factors that may affect the business of the Company and/or the Dapingzhang JV, including but not limited to:

Price Risk

The profitability of any mining operation in which the Group has an interest in is significantly affected by the market prices of copper, zinc and lead and to a lesser extent gold and silver.

The fluctuations in metal prices are influenced by numerous factors beyond the control of the Company and the Dapingzhang JV. Exchange rates, interest rates, inflation, and the world's supply and demand for metals can each cause significant fluctuations in metals prices. Such external economic factors are, in turn, influenced by changes in international economic growth patterns and political developments. In addition, commodity prices in the People's Republic of China (the "**PRC**") are highly influenced by fluctuations in international commodity prices, which is beyond the control of both the Company and the Dapingzhang JV.

Management's Discussion and Analysis of the Group's Performance

Management of Risk (Continued)

Co-operation of the Dapingzhang JV Partners

The Company has two joint venture partners. The smooth operation of the Dapingzhang JV is dependent upon the co-operation of all joint venture parties.

Operational Risks

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

Uncertainties Related to Exploration

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

Licence Period of Exploration and Mining Rights

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

Capital Requirements and Funding Sources

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

Management's Discussion and Analysis of the Group's Performance

Management of Risk (Continued)

Potential Cost Overruns on Expansion

In recent years, there have been cost over runs in mining and oil projects as the cost of raw materials such as steel have spiked unexpectedly. The Dapingzhang JV may expand its current mining operations. If such expansion does take place in the future, there is a risk that the costs could exceed the forecasts.

Operational Costs

The mining and exploration business requires timely supply of various raw materials and electricity. There is no assurance that interruptions or shortage of such supplies will not occur in the future. The Dapingzhang JV did experience a shortage of power in April and May 2006 when the electricity bureau upgraded a power line to the mine site. In addition, an increase in the price of such raw materials and/or electricity may have an adverse impact on the operation of the Dapingzhang JV.

Government Regulations

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

Political and Economic Considerations

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

Legal Considerations

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

Management's Discussion and Analysis of the Group's Performance

Management of Risk (Continued)

Competition for Resources and Copper Concentrates

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

Foreign Exchange Risk

The Company operates using American dollars. As such the Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries and associates. This exposure relates mainly to the translation between US dollars and non-US dollar currencies. Currency fluctuations may affect the revenues which the Company realises from its subsidiaries and associates and, in particular, its 40% interest in the Dapingzhang JV. This exposes the Company to increased volatility in earnings as reported in American dollars due to fluctuations in foreign exchange rates. While foreign currencies are generally convertible into American dollars, there is no guarantee that they will continue to be so convertible or that fluctuations in the value of such currencies will not have an adverse effect on the Company.

The Group has not taken any currency hedge against its main investment in the PRC or elsewhere.

Credit Risk

The Dapingzhang JV is subject to credit risk through trade receivables. The Dapingzhang JV has one customer for its concentrate. Credit risk is mitigated through the use of provisional payment arrangements whereby 80% is paid within five business days after the issuance of the monthly provisional delivery notice and the balance of 20% being paid within five business days after the issuance of the final monthly invoice. From 1 July 2006, this risk will be further mitigated as the Dapingzhang JV will receive 100% prepayment rather than 80%.

The Company does not have any significant customers as its revenue is generated from (i) the realisation of investments, or (ii) earnings from associates. Credit risk also relates to derivative contracts arising from the possibility that a counterparty to an instrument in which the Company has an unrealised gain fails to perform. The Company transacts through Bear Stearns Securities Corp. and does not consider the credit risk associated with these financial instruments to be significant.

Interest Rate Risk

The Company does not have any operating lines of credit or bank facilities. Therefore, the Company was not exposed to interest rate risk in the financial year concerned.

Management's Discussion and Analysis of the Group's Performance

Management of Risk (Continued)

Environmental Risk

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

Currently the Dapingzhang JV's environmental and health and safety standards are far below international requirements. Management of the Dapingzhang JV is currently reviewing an internationally recognised consultancy firm's recommendations for strengthening the tailings dam for seismic stability (as the mine is located in an active seismic region), designing a stable waste dump and sediment control from the existing and future waste dumps to minimise the impact on the downstream rivers and compiling a comprehensive environmental management system. The consultancy firm's recommendations will require the support and "buy in" of the Chinese joint venture partners, management and the operating personnel of the Dapingzhang JV.

The approach for health and safety will be similar to the environmental plan. Since April 2006 there was no lost time injury at DPZ. The focus will be on training the workforce in appropriate safety procedures.

The Company's focus is on working with its joint venture partners and the management of the Dapingzhang JV for developing and operating the mine in a manner that controls and minimises pollution and takes into account the local cultural sensitivities and community expectations.

At the mine site, community initiatives are centered on land compensation and training locals in the skills required for employment at the mine. Land compensation will be integral to building trust with the local communities.

Financial Instruments

The Group will operate both equity market and currency hedges from time to time. Investment is carefully controlled, in accordance with parameters set by the Board, in short term situations where physical assets may be inappropriate. There is strict segregation between the investment management and settlement functions.

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2006, the amount of these margin deposits was US$382,000 (2005: US$275,000).

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

Management's Discussion and Analysis of the Group's Performance

Contingent Liabilities

The Group and the Company have no material contingent liabilities as at 31 March 2006.

Employees

The Group, including subsidiaries but excluding associates, employed approximately 10 employees at 31 March 2006. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the remuneration committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole. During the year and up to the date of this report, options in respect of an aggregate of 89,200,000 ordinary shares in the Company were granted to eligible participants.

Corporate Governance Report

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the "**Code on CG Practices**") was introduced to Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HK Listing Rules**") in November 2004 to take effect on 1 January 2005 (and applicable to accounting periods commencing on or after 1 January 2005), with an exception in respect of the provisions on internal controls, which took effect on 1 July 2005 (and applicable to accounting periods commencing on or after 1 July 2005). Appropriate actions were duly taken by the Directors to bring the Company in compliance with all code provisions in the Code on CG Practices, save that, as disclosed in the Company's annual report for the year ended 31 March 2005, Article 87(1) of the Company's Articles of Association provided that notwithstanding any other provisions therein, the chairman of the board and/or the managing director of the Company should not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Such deviation was rectified by a special resolution passed at the Company's annual general meeting held on 14 September 2005, pursuant to which an amendment was made to the Articles of Association so that every Director, including the chairman of the board and the managing director, should be subject to retirement by rotation, in compliance of Code Provision A.4.2.

The Company has applied the principles of the Code on CG Practices since their adoption on 1 January 2005 as mentioned above in a manner consistent with best practices of a listed issuer. The primary responsibility for ensuring that the Code on CG Practices is complied with rests with the Directors with the full support of the Company's company secretary and its executive management.

As far as the Directors are aware, the Company has complied with the code provisions set out in the Code on CG Practices during the year ended 31 March 2006.

BOARD OF DIRECTORS

The Board currently consists of nine Directors. The Directors of the Company who held office during the year and up to the date of this report, accompanied by their respective biographical details, are listed in the Directors' Report under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company.

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises four independent non-executive Directors, namely David Comba, Julie Oates, Patrick Reid and Mark Searle, representing more than one-third of the Board. Pursuant to paragraph 12B of Appendix 16 to the HK Listing Rules, each of the independent non-executive Directors has confirmed by an annual confirmation that he/she has complies with the independence criteria set out in Rule 3.13. The Directors consider that all four independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst them, Julie Oates, has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). In addition, Clara Cheung, an executive Director, is a qualified accountant responsible for oversight of the Group's financial reporting procedures, in compliance of Rule 3.24.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

In compliance of Code Provision A.4.1 of the Code on CG Practices, the letter of appointment of each of the seven non-executive Directors (including the independent Directors) provides that his/her appointment may be terminated by either party giving 30 calendar days' notice.

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation. A retiring Director shall be eligible for re-election.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

None of the Directors has any relationships (either financial or business or family or other material/relevant relationship(s)) with any other Directors, senior management or substantial or controlling shareholders of the Company.

During the year ended 31 March 2006, the Directors held five board meetings, which were attended by all Directors except that each of James Mellon and Jayne Sutcliffe was absent from two of the meetings and that each of Mark Searle and Robert Whiting (who resigned as a Director on 27 October 2005) was absent from one of the meetings. Subsequent to the year end date, the Directors have held two board meetings, which were attended by all Directors except that each of James Mellon, Clara Cheung and Patrick Reid was absent from one of the meetings and that Jayne Sutcliffe did not attend both meetings. Sufficient notices were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Adequate information was also supplied by the management to the Board in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company.

Resolutions were also passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary. In any event, the matters in which a substantial shareholder or a Director has a conflict of interest, which the Board has determined to be material, will be considered at a Board meeting but not to be dealt with by way of circulation of written resolutions or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a Board meeting). Pursuant to Rule 13.44 of the HK Listing Rules, interested Directors will be required to abstain from voting on any Board resolution in which they or any of their associates have a material interest and that they shall not be counted in the quorum present at the relevant Board meeting.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

The Board is primarily responsible for leadership and control of the Company and is committed to make decisions in the interests of the Company. However, the following duties of the Board have been delegated to the management:

(a) the daily operations of the Company, including the management of all aspects of the Company's principal activities, namely corporate investment and asset management;

(b) the financial operations of the Company, including the preparation of the monthly management accounts, interim report and annual report and the timely distribution to the Board;

(c) the company secretarial activities, including the preparation and timely despatch of minutes of Board meetings; and

(d) corporate and regulatory issues, including corporate strategy and planning, internal controls and compliance.

providing that the following shall always be subject to approval by a resolution of the Board:

- material capital commitment (material being defined as representing more than 5% of the Company's net assets based on the most recent financial information on hand);
- issuance, purchase or redemption of securities (including options);
- significant contracts with any Director (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) and connected transactions;
- relevant transactions (which are loans, quasi loans and credit transactions) with any Director as referred to in Paragraph 28(8) of Appendix 16 to the HK Listing Rules and Section 161B of the Companies Ordinance of Hong Kong;
- management contracts of service with any Director (as referred to in Paragraph 28(10) of Appendix 16 to the HK Listing Rules and Section 162A of the Companies Ordinance of Hong Kong); and
- bank borrowings.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

James Mellon was appointed as the Non-Executive Chairman of the Board of Directors on 27 October 2005 in place of Anthony Baillieu. The Chairman provides leadership for the Board. He also ensures that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner.

Jamie Gibson is the Chief Executive Officer, who is responsible for the day-to-day management of the Company's business.

In order to ensure a balance of power and authority, the roles of the Chairman of the Board and the Chief Executive Officer are segregated and the division of their responsibilities has been established by the respective written terms of reference, in compliance of Code Provision A.2.1 of the Code on CG Practices. The Chairman, however, has delegated the following duties to the Chief Executive Officer or the Company Secretary so that:

(a) the Chief Executive Officer is empowered to draw up and approve the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda; and

(b) the Company Secretary is empowered to, with the guidance from the Chief Executive Officer, despatch the notice, agenda and accompanying Board papers to all Directors in a timely manner.

NOMINATION OF DIRECTORS

The Company did not establish a nomination committee.

During the year ended 31 March 2006, David Comba and Patrick Reid were appointed as an independent non-executive Director of the Company on 27 October 2005, in compliance of Rule 3.10(2) of the HK Listing Rules. Mr Comba and Mr Reid were appointed by board resolutions passed by all Directors. In the Board's opinion, both of the newly-appointed Directors have substantial experience in the mining sector, which is essential for the Company's current investment in the joint venture of the Dapingzhang Copper Mine and pursuing other mining opportunities in the People's Republic of China.

Apart from the appointment of Mr Comba and Mr Reid, the Board did not appoint any other Directors. The terms of appointment of the newly-appointed Directors, including remuneration, are substantially the same as the other independent non-executive Directors.

Corporate Governance Report

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 5 November 2004, with its written terms of reference adopted on 18 March 2005 in compliance of the code provisions in B.1 of the Code on CG Practices. It currently comprises two of the independent non-executive Directors, namely Julie Oates and Mark Searle, and James Mellon (the Non-Executive Chairman of the Board) and is responsible to review and approve the remuneration packages of the Directors. The committee is chaired by James Mellon.

During the year ended 31 March 2006, the Remuneration Committee held two meetings with respect to amendment of the service agreement of Clara Cheung and the approval of the payment of discretionary bonuses in accordance with the Group's Performance Bonus Plan. The meetings were attended by all members of the committee except that James Mellon was absent from one of the meetings. Subsequent to the year end date, the Remuneration Committee held another meeting with respect to approval of the payment discretionary bonuses, which was attended by Julie Oates and Mark Searle but not James Mellon. Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company.

In addition, the Remuneration Committee approved by way of written resolution the breakdown of the payment of the discretionary bonuses to the eligible participants.

Apart from the above, the Remuneration Committee did not meet to discuss the remuneration of the executive Directors. No Director was involved in deciding his/her own remuneration.

Terms of reference of the Remuneration Committee are available on request.

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance of Code Provision A.5.4 of the Code on CG Practices, a code for securities transactions by Directors and employees, on exactly the terms and required standard contained in The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the HK Listing Rules, was adopted by the Group on 31 March 2004. All Directors of the Company confirmed that they have complied with The Group's Code for Securities Transactions by Directors and Employees during the year under review.

Directors' interests in securities and options of the Company are set out in detail in the Directors' Report.

Corporate Governance Report

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 March 2006 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

A report of the independent auditors with respect to the Company's financial statements for the year ended 31 March 2006 is included in this annual report.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 11 March 1999, with written terms of reference amended on 18 March, 2005, in compliance of the code provisions in C.3 of the Code on CG Practices. The committee's purpose is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

In compliance of Rule 3.21 of the HK Listing Rules, the Audit Committee currently comprises two the independent non-executive Directors, namely Julie Oates and Mark Searle, and James Mellon (the Non-Executive Chairman of the Board). The committee is chaired by Julie Oates. The Audit Committee is in compliance of Rule 3.21 of the HK Listing Rules.

During the year ended 31 March 2006, the Audit Committee held three meetings to review and approve the Company's final financial statements for the year ended 31 March 2005 and interim financial statements for the six months ended 30 September 2005 and to discuss the issues relating to the change of the Company's auditors and the internal control review, which were attended by all members of the committee except that James Mellon was absent from two of the meetings. Subsequent to the year end date, the Audit Committee held two meetings to discuss and resolve issues relating to the change of the Company's auditors and to review and approve the Company's final financial statements for the year ended 31 March 2006, which were attended by all members of the committee except James Mellon. Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and agendas and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company.

The Audit Committee discharged their duties in accordance with their terms of reference with no exceptions reported.

Terms of reference of the Audit Committee are available on request.

Corporate Governance Report

AUDIT COMMITTEE (Continued)

As stated below ("**Internal Control**"), during the year under review, the Audit Committee appointed an independent professional firm to undertake a review of the Group's internal control environment. The process will also review the ongoing operational and investment risks within Group at this time. The recommendations provided by the professional firm will be considered by the Audit Committee and incorporated into the future review programme as appropriate.

AUDITORS' REMUNERATION

The Audit Committee reviewed and approved the auditors' remuneration on the basis that it was fair and reasonable for the size and operations of the Group and such remuneration was in the best interest of the Company. Apart from audit service, the Group's auditors, Grant Thornton did not provide any other services.

INTERNAL CONTROL

In anticipation of Code Provision C.2.1 of the Code on CG Practices to be applicable for the Company's financial period commencing on 1 April 2006, the Directors have engaged an independent professional firm to conduct a review of the Group's internal control systems, including financial, operational and compliance.

COMMUNICATION WITH SHAREHOLDERS

The Company will endeavour to respond to Shareholders' queries in a timely manner via what it considers the most appropriate method of communication, including, but not limited to, participation at the Company's general meetings.

Auditors' Report

TO THE MEMBERS OF REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 73 to 137 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong, 18 July 2006

Consolidated Income Statement

For the year ended 31 March 2006

	Notes	2006 US$'000	2005 (restated) US$'000
Revenue:	5		
Asset management and corporate finance income		472	627
Corporate investment income		275	73
Other income		178	146
Fair value gain		3,250	2,756
Total income		4,175	3,602
Expenses:			
Employee benefit expenses	7	(5,080)	(1,975)
Rental and office expenses		(195)	(182)
Information and technology expenses		(170)	(188)
Marketing costs and commissions		(117)	(33)
Professional fees		(2,159)	(470)
Investment advisory fee		(228)	(204)
Finance costs	8	(8)	—
Other operating expenses		(1,085)	(392)
Operating (loss)/profit	6	(4,867)	158
Share of profits/(losses) of associates			
- continuing		60	571
- discontinuing		12,941	(42,614)
Profit/(Loss) before taxation		8,134	(41,885)
Taxation	9	—	(7)
Profit/(Loss) for the year		8,134	(41,892)
Attributable to:			
Equity holders of the Company	10	8,129	(42,330)
Minority interests		5	438
		8,134	(41,892)
Dividend	11	33,872	—
Earnings/(Loss) per share (US cent):	12		
- Basic		0.7	(3.5)
- Diluted		0.7	N/A

Consolidated Balance Sheet

As at 31 March 2006

	Notes	2006 US$'000	2005 US$'000
Non-current assets:			
Intangible asset	13	1,876	—
Property, plant and equipment	14	34	49
Interests in associates	16	1,587	43,023
Financial assets at fair value through profit and loss	17	5,887	—
Investment in securities	18	—	6,491
Amount due from an associate		—	435
		9,384	49,998
Current assets:			
Cash and bank balances	19	22,067	1,063
Investments in securities	18	—	121
Trade receivables	20(a)	175	146
Prepayments, deposits and other receivables	20(b)	4,275	902
		26,517	2,232
Current liabilities:			
Derivative financial instruments	27	(27)	—
Trade payables, accruals and other payables	21	(3,916)	(395)
		(3,943)	(395)
Net current assets		22,574	1,837
Total assets less current liabilities		31,958	51,835
Non-current liability:			
Borrowing	23	(18,352)	—
Net assets		13,606	51,835
Equity:			
Equity attributable to the Company's equity holders			
Share capital	25	13,726	11,936
Reserves	26	(573)	39,451
		13,153	51,387
Minority interests		453	448
Total equity		13,606	51,835

The financial statements on page 73 to 137 were approved and authorised for issue by the Board of Directors on 18 July 2006.

James Mellon	Jamie Gibson
Chairman	*Director*

Company Balance Sheet

As at 31 March 2006

	Notes	2006 US$'000	2005 US$'000
Non-current assets:			
Interests in subsidiaries	15	3,708	2,504
Interests in associates	16	918	41,496
Financial assets at fair value through profit and loss	17	1,101	—
Investments in securities	18	—	2,273
Amount due from an associate		—	430
		5,727	46,703
Current assets:			
Cash and bank balances	19	21,656	620
Amounts due from subsidiaries	22	6,192	4,295
Prepayments, deposits and other receivables	20(b)	44	368
		27,892	5,283
Current liabilities:			
Trade payables, accruals and other payables	21	(2,580)	(250)
Amounts due to subsidiaries	22	(6,035)	(7,294)
		(8,615)	(7,544)
Net current assets/(liabilities)		19,277	(2,261)
Total assets less current liabilities		25,004	44,442
Non-current liability:			
Borrowing	23	(18,352)	—
Net assets		6,652	44,442
Equity:			
Equity attributable to the Company's equity holders			
Share capital	25	13,726	11,936
Reserves	26	(7,074)	32,506
Total equity		6,652	44,442

The financial statements on page 73 to 137 were approved and authorised for issue by the Board of Directors on 18 July 2006.

James Mellon	**Jamie Gibson**
Chairman	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Equity attributable to equity holders of the Company									
2006	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Asset revaluation reserve US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Minority interests US$'000	Total equity US$'000
At 1 April 2005	11,936	(60,589)	81,876	—	—	—	1,204	16,960	448	51,835
Foreign currency translation adjustment	—	—	—	—	—	—	—	(16,782)	—	(16,782)
Net expenses recognised directly in equity	—	—	—	—	—	—	—	(16,782)	—	(16,782)
Profit for the year	—	8,129	—	—	—	—	—	—	5	8,134
Total recognised income and expense for the year	—	8,129	—	—	—	—	—	(16,782)	5	(8,648)
Exercise of share options	3	—	8	—	—	—	—	—	—	11
Issue of new shares	707	—	1,169	—	—	—	—	—	—	1,876
Dividend	—	—	(33,872)	—	—	—	—	—	—	(33,872)
Scrip dividend	1,080	—	1,052	—	—	—	—	—	—	2,132
Equity portion of convertible bonds	—	—	—	—	—	56	—	—	—	56
Employee share-based payment	—	—	—	—	216	—	—	—	—	216
At 31 March 2006	13,726	(52,460)	50,233	—	216	56	1,204	178	453	13,606

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Equity attributable to equity holders of the Company									
2005	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Asset revaluation reserve US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Minority interests US$'000	Total equity US$'000
At 1 April 2004, as previously reported	11,904	(42,412)	114,309	3,735	—	—	1,204	8,529	10	97,279
Derecognition of negative goodwill by an associate	—	20,418	—	—	—	—	—	—	—	20,418
At 1 April 2004, as restated	11,904	(21,994)	114,309	3,735	—	—	1,204	8,529	10	117,697
Foreign currency translation adjustment of an associate	—	—	—	—	—	—	—	8,431	—	8,431
Disposal of properties by an associate	—	3,735	—	(3,735)	—	—	—	—	—	—
Net income/(expense) recognised directly in equity	—	3,735	—	(3,735)	—	—	—	8,431	—	8,431
Loss for the year	—	(42,330)	—	—	—	—	—	—	438	(41,892)
Total recognised income and expense for the year	—	(38,595)	—	(3,735)	—	—	—	8,431	438	(33,461)
Exercise of share options	32	—	34	—	—	—	—	—	—	66
Dividend	—	—	(32,467)	—	—	—	—	—	—	(32,467)
At 31 March 2005	11,936	(60,589)	81,876	—	—	—	1,204	16,960	448	51,835

Consolidated Cash Flow Statement

For the year ended 31March 2006

	Notes	2006 US$'000	2005 (restated) US$'000
Cash flows from operating activities:			
Profit/(Loss) before taxation		8,134	(41,885)
Adjustments for:			
Depreciation of property, plant and equipment		18	18
Bad debts written off		500	38
Interest income		(207)	(6)
Dividend income from financial assets at fair value through profit and loss		(68)	—
Dividend income from other investments		—	(28)
Employee share-based payment		216	—
Share of (profits)/losses of associates		(13,001)	42,043
Change in fair value on derivative financial instruments		27	(72)
Change in fair value on financial assets at fair value through profit and loss	17	(955)	—
Change in fair value on non-current other investments		—	(2,341)
Change in fair value on current other investments		—	(343)
Loss on disposal of a subsidiary	28(a)	15	—
Loss on disposal of property, plant and equipment		—	10
Operating loss before working capital changes		(5,321)	(2,566)
(Increase)/Decrease in trade receivables		(51)	28
Increase in prepayments, deposits and other receivables		(3,880)	(283)
Increase/(Decrease) in trade payables, accruals and other payables		1,955	(703)
Cash used in operations		(7,297)	(3,524)
Income tax paid		—	(7)
Net cash used in operating activities		(7,297)	(3,531)

Consolidated Cash Flow Statement

For the year ended 31March 2006

	Notes	2006 US$'000	2005 (restated) US$'000
Cash flows from investing activities:			
Purchase of current other investments		—	(940)
Purchase of non-current other investments		—	(1,259)
Purchase of financial assets at fair value through profit and loss	17	(1,734)	—
Proceeds from disposal of current other investments		—	1,243
Proceeds from disposal of non-current other investments		—	1,064
Proceeds from disposal of financial assets at fair value through profit and loss		3,414	—
Proceeds from disposal of a subsidiary, net of cash disposal	28(a)	(11)	—
Purchase of property, plant and equipment		(5)	(52)
Proceeds from disposal of property, plant and equipment		—	1
Decrease in amount due from an associate		435	60
Interest received		207	6
Dividend received from financial assets at fair value through profit and loss		68	—
Dividend received from associates		37,665	36,170
Net cash generating from investing activities		40,039	36,293
Cash flows from financing activities:			
Proceeds from exercise of share options		11	66
Proceeds from issue of convertible bonds	24	20,000	—
Dividend paid		(31,740)	(32,467)
Net cash used in financing activities		(11,729)	(32,401)
Net increase in cash and cash equivalents		21,013	361
Cash and cash equivalents at the beginning of the year		1,063	703
Effects of foreign currency fluctuations		(9)	(1)
Cash and cash equivalents at the end of the year	19	22,067	1,063

Notes to the Financial Statements

For the year ended 31 March 2006

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is at P O Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") and Frankfurt Stock Exchange.

The Company's principal activity is investment holding, and the Group's principal activities consist of asset management; provision of investment advisory services; corporate finance and advisory services; and corporate investment.

2. ADOPTION OF NEW OR REVISED HONG KONG ACCOUNTING STANDARDS ("HKAS") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In 2005, the Group has early adopted a number of new or revised standards of HKFRS below, which are relevant to its operations:

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

The early adoption of HKFRS 3 resulted in an increase in retained earnings of approximately US$20.4 million as at 1 April 2004. This was a result of the derecognition of the negative goodwill balance by an associate as at that date.

Notes to the Financial Statements

For the year ended 31 March 2006

2. ADOPTION OF NEW OR REVISED HONG KONG ACCOUNTING STANDARDS ("HKAS") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

In 2006, the Group has adopted for the first time a number of new or revised standards of HKFRS below, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2005 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2005 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 March 2005.

Notes to the Financial Statements

For the year ended 31 March 2006

2. ADOPTION OF NEW OR REVISED HONG KONG ACCOUNTING STANDARDS ("HKAS") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect of presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 1

The application of HKAS 1 has resulted in a change in the presentation of the financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year. In addition, in previous years, the Group's share of tax attributable to associates was included as a component of the Group's taxation charge/credit in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

2.2 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 April 2005, the Group did not recognise the financial effect of share options until they were exercised.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and/or its subsidiaries, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is a cash settled share-based payment.

According to the transitional provisions of HKFRS 2, the Group applied HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not been vested on 1 January 2005. As the adoption of HKFRS 2 has no material effect to the financial statements for the prior years, no adjustment to prior periods has been made.

2.3 Adoption of HKAS 32 and HKAS 39

HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis.

Prior to the adoption of HKAS 39, the Group has recorded its club debenture at cost less any provision for impairment losses. Other investments classified under investment securities are recorded at fair values. Any changes in fair value are recognised in the income statement as they arise.

On the adoption of HKAS 39, the Group classified its investments to financial assets at fair value through profit and loss. It also requires the recognition of derivative financial instruments at fair value.

2. ADOPTION OF NEW OR REVISED HONG KONG ACCOUNTING STANDARDS ("HKAS") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

2.4 Other standards adopted

The adoption of other new or revised standards did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.5 The effect of changes in the accounting policies on the consolidated income statement is summarised below:

	Effect of adopting		
	HKAS 1#	HKFRS 2*	Total
	US$'000	US$'000	US$'000
Year ended 31 March 2006			
Increase in employee benefit expenses	—	(216)	(216)
Decrease in share of profits of associates	(1,229)	—	(1,229)
Decrease in taxation	1,229	—	1,229
Decrease in profit for the year	—	(216)	(216)
	US cent	US cent	US cent
Decrease in basic earnings per share	—	0.02	0.02

	Effect of adopting		
	HKAS 1#	HKFRS 2*	Total
	US$'000	US$'000	US$'000
Year ended 31 March 2005			
Increase in share of losses of associates	(6,825)	—	(6,825)
Decrease in taxation	6,825	—	6,825
Decrease in loss for the year	—	—	—
	US cent	US cent	US cent
Decrease in basic loss per share	—	—	—

adjustments which take effect retrospectively

* adjustments which take effect prospectively from 1 January 2005

Notes to the Financial Statements

For the year ended 31 March 2006

2. ADOPTION OF NEW OR REVISED HONG KONG ACCOUNTING STANDARDS ("HKAS") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

2.6 The effect of changes in the accounting policies on the change in reserves is summarised below:

	Effect of adopting HKFRS 2* US$'000
At 31 March 2005	—
At 31 March 2006	
Increase in employee share-based payment reserve	216
Increase in charge to current year's income statement	(216)
Change in reserves	—

The early adoption of HKFRS 3 resulted in an increase in opening retained earnings of approximately US$20,418,000 at 1 April 2004.

There was no effect of changes in the accounting policies on the consolidated balance sheet for the year ended 31 March 2005.

* adjustments which take effect prospectively from 1 January 2005

Notes to the Financial Statements

For the year ended 31 March 2006

2. ADOPTION OF NEW OR REVISED HONG KONG ACCOUNTING STANDARDS ("HKAS") AND HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

2.7 New standards that have been issued but are not yet effective

The Group has not early adopted the following standards that have been issued but are not yet effective. The Group is still in the process of reviewing the financial impact on adoption of HKAS 39 (Amendment) "The Fair Value Option" which requires re-consideration of classification of the financial assets within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at fair value. The Group has not reached a conclusion regarding the classification of its financial assets and therefore is not able to reasonably estimate and disclose the impact on the financial statements. Except for this, the Directors of the Company anticipate that the following standards will have no material impact on the financial statements of the Group:

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 19 (Amendment)	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures [2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts [2]
HKFRS 7	Financial Instruments – Disclosures [1]

[1] Effective for annual periods beginning on or after 1 January 2007

[2] Effective for annual periods beginning on or after 1 January 2006

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared in accordance with HKFRS as issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable disclosure requirements of The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on the HK Stock Exchange and Hong Kong Companies Ordinance.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March each year.

3.3 Subsidiaries

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

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

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

Minority interest represents the interests of outside members in the operating results and net assets of subsidiaries.

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

3.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

3.5 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Capital expenditure comprises additions of property, plant and equipment, including additions resulting from acquisition through purchases of subsidiary.

3.6 Foreign currency translation

(a) Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation (Continued)

(b) *Transactions and balances*

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

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

(c) *Group companies*

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates

(unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3.8 Intangible asset – Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Impairment of assets

Goodwill, property, plant and equipment and interests in subsidiaries and associates are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("**cash-generating units**"). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Investments

From 1 April 2004 to 31 March 2005:

Investments were classified as investment securities and other investments.

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Investments (Continued)

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

From 1 April 2005 onwards:

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

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

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

(b) Loan and receivables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Trade and other receivables

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

3.12 Cash and cash equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.13 Share capital

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

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.14 Borrowings

Borrowings are recognised initially at fair value, net of borrowing costs incurred. Borrowing costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of borrowing costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Convertible bonds

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Transaction costs that relate to the issue of a convertible bond are allocated to the liability and equity components in proportion to the allocation of proceeds.

The finance cost recognised in the income statement is calculated using the effective interest method.

3.16 Accounting for derivative financial instruments

From 1 April 2004 to 31 March 2005:

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

From 1 April 2005 onwards:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Taxation

Income tax comprises current tax and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Taxation of the Group is determined in accordance with the relevant tax rules and regulations applicable in the jurisdictions where the group companies operate.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Employee benefits

(i) *Bonus plans*

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

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

(ii) *Pension obligations*

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

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

(iii) *Share-based payment*

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

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Employee benefits (Continued)

(iv) Defined contribution scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basis salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

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

3.20 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is an associate of the Company/Group;

(c) the party is a member of the key management personnel of the Company or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

3.22 Revenue recognition

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

(i) investment management, advisory and administration fees; and other corporate finance and advisory fees and commissions contractually receivable by the Group are recognised in the period in which the respective fees are earned. Performance fees arising upon the achievement of specified targets are recognised at the respective funds' year-ends only when such performance fees are confirmed as receivable;

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

(iii) dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Revenue

Revenue principally includes:

(i) investment management and performance fees from asset management business;

(ii) corporate finance and advisory fees and commission income from corporate advisory services; and

(iii) dividend income and bank interest income

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.8. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates of the future cash flows expected to arise from the cash-generating units and the suitable discount rates in order to calculate the present value.

5. SEGMENTED INFORMATION

Primary Reporting Format – Business Segments

The Group comprises three business segments as follows:

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

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

Notes to the Financial Statements

For the year ended 31 March 2006

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

For the year ended 31 March 2006

	Asset management US$'000	Corporate finance US$'000	Corporate Investment US$'000	Inter-segment elimination US$'000	Others US$'000	Total US$'000
Revenue from external customers	649	—	276	—	—	925
Inter-segment revenue	1	—	(1)	—	—	—
	650	—	275	—	—	925
Segment results	(4,428)	1,056	(1,487)	—	—	(4,859)
Unallocated operating expenses						—
Finance costs						(8)
Operating loss						(4,867)
Share of profits of associates						
– continuing						60
– discontinuing						12,941
Taxation						—
Profit for the year						8,134

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Others US$'000	Total US$'000
Segment assets	747	15	6,455	27,097	34,314
Interests in associates	—	—	—	1,587	1,587
Total assets	747	15	6,455	28,684	35,901
Segment liabilities	527	702	48	21,018	22,295

Notes to the Financial Statements

For the year ended 31 March 2006

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

For the year ended 31 March 2006 (Continued)

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Others US$'000	Total US$'000
Depreciation	18	—	—	—	18
Other non cash expense	—	—	—	216	216
Capital expenditure	5	—	—	—	5

For the year ended 31 March 2005

	Asset Management (restated) US$'000	Corporate finance US$'000	Corporate Investment (restated) US$'000	Internet retailing US$'000	Inter-segment elimination US$'000	Others US$'000	Total (restated) US$'000
Revenue from external customers	774	2	70	—	—	—	846
Inter-segment revenue	1	—	3	—	(4)	—	—
	775	2	73	—	(4)	—	846
Segment results	(999)	(58)	1,223	(8)	—	—	158
Unallocated operating expenses							—
Operating profit							158
Share of profits/(losses) of associates							
– continuing							571
– discontinuing							(42,614)
Taxation							(7)
Loss for the year							(41,892)

Notes to the Financial Statements

For the year ended 31 March 2006

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

For the year ended 31 March 2005 (Continued)

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

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Internet retailing US$'000	Others US$'000	Total US$'000
Depreciation	18	—	—	—	—	18
Capital expenditure	52	—	—	—	—	52

Secondary Reporting Format – Geographical Segments

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

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

There are no sales between the geographical segments.

5. SEGMENTED INFORMATION (Continued)

Secondary Reporting Format – Geographical Segments (Continued)

For the year ended 31 March 2006

	North America US$'000	Asia Pacific US$'000	Western Europe US$'000	Others US$'000	Total US$'000
Revenue from external customers	2	598	234	91	925
Segment assets	3,974	30,281	59	—	34,314
Capital expenditure	—	5	—	—	5

For the year ended 31 March 2005

	North America (restated) US$'000	Asia Pacific (restated) US$'000	Western Europe (restated) US$'000	Others (restated) US$'000	Total (restated) US$'000
Revenue from external customers	49	721	86	(10)	846
Segment assets	2,007	7,015	185	—	9,207
Capital expenditure	—	52	—	—	52

6. OPERATING (LOSS)/PROFIT

	2006 US$'000	2005 US$'000
After charging:		
Auditors' remuneration	187	158
Bad debts written off	500	38
Depreciation of owned property, plant and equipment	18	18
Loss on disposal of property, plant and equipment	—	10
Operating lease charges on property	102	117
After crediting:		
Interest income on bank deposits*	207	6
Dividend income from other investments*	—	28
Dividend income from financial assets at fair value through profit and loss*	68	—

* Included in revenue

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2006 US$'000	2005 (Restated) US$'000
Wages and salaries	1,267	988
Special bonus	710	972
Discretionary bonuses	2,873	—
Pension costs – defined contribution plans (note 29)	14	15
Share options granted to directors and employees	216	—
	5,080	1,975

Notes to the Financial Statements

For the year ended 31 March 2006

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 March 2006 is set out below:

Name of director	Fees US$'000	Salaries US$'000	Special Bonus* US$'000	Discretionary bonuses US$'000	Share option US$'000	Contribution to defined contribution plans US$'000	Total US$'000
Executive Directors							
Jamie Gibson	—	320	710	1,400	115	—	2,545
Clara Cheung	—	143	—	225	37	2	407
Non-Executive Directors							
James Mellon	20	50	—	934	—	—	1,004
Jayne Sutcliffe	20	—	—	—	—	—	20
Anderson Whamond	29	—	—	—	—	—	29
Anthony Baillieu	14	—	—	—	—	—	14
Independent Non-Executive Directors							
David Comba	9	—	—	—	—	—	9
Julie Oates	20	—	—	—	—	—	20
Patrick Reid	9	—	—	—	—	—	9
Mark Searle	20	—	—	—	—	—	20
Robert Whiting	11	—	—	—	—	—	11
Total	152	513	710	2,559	152	2	4,088

* Special bonus in respect of the BIH distribution.

Notes to the Financial Statements

For the year ended 31 March 2006

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

a) Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31 March 2005 is set out below:

Name of director	Fees US$'000	Salaries US$'000	Special Bonus* US$'000	Discretionary bonuses US$'000	Share option US$'000	Contribution to defined contribution plans US$'000	Total US$'000
Executive Directors							
Jamie Gibson	—	320	972	360	—	1	1,653
Clara Cheung	—	114	—	32	—	2	148
Non-Executive Directors							
James Mellon	20	50	—	178	—	—	248
Jayne Sutcliffe	20	—	—	10	—	—	30
Anderson Whamond	20	—	—	10	—	—	30
Anthony Baillieu	38	—	—	—	—	—	38
Independent Non-Executive Directors							
Julie Oates	10	—	—	—	—	—	10
Mark Searle	20	—	—	—	—	—	20
Robert Whiting	20	—	—	—	—	—	20
Total	148	484	972	590	—	3	2,197

* Special bonus in respect of the BIH distribution.

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 March 2005 and 31 March 2006.

The discretionary bonuses paid during the year ended 31 March 2005 were made for services in prior years.

Notes to the Financial Statements

For the year ended 31 March 2006

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

b) Five highest paid individuals

Of the five highest paid individuals, three (2005: three) were Directors of the Company and their remuneration has been included in the Directors' remuneration. Details of the remuneration of the remaining highest paid individuals are as follows:

	2006 US$'000	2005 US$'000
Basic salaries and other emoluments	145	149
Retirement scheme contributions	3	3
Discretionary bonuses	135	—
	283	152

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

		Number of employees	
		2006	2005
HK$Nil-HK$500,000	(US$Nil-US$64,441)	—	1
HK$500,001-HK$1,000,000	(US$64,442-US$128,883)	2	1
		2	2

No emolument was paid by the Group to the Directors or any of the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office (2005: Nil).

c) Compensation of key management personnel

Included in staff costs is compensation paid to key management personnel and comprises the following categories:

	2006 US$'000	2005 US$'000
Short term employee benefits	2,798	1,798
Post-employment benefits	2	3
Share-based payment	152	—
	2,952	1,801

Notes to the Financial Statements

For the year ended 31 March 2006

8. FINANCE COSTS

	2006 US$'000	2005 US$'000
Interest on convertible bonds (note 24)	8	—

9. TAXATION

	2006 US$'000	2005 (restated) US$'000
Group:		
Overseas taxation		
- Under-provisions in prior years	—	7

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

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

	2006 US$'000	2005 US$'000
(Loss)/Profit before share of profits/(losses) of associates and taxation	(5,418)	158
Calculated at a taxation rate of 17.5% (2005: 17.5%)	(948)	28
Income not subject to taxation	(493)	(492)
Expenses not deductible for taxation purposes	1,309	387
Tax effect of tax losses not recognised	132	77
Underprovision in prior year	—	7
Taxation charge	—	7

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of US$4,864,000 (2005: US$4,108,000) to carry forward against future taxable income. The tax loss has no expiry date.

Notes to the Financial Statements

For the year ended 31 March 2006

10. NET (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The net loss attributable to the equity holders of the Company dealt with in the financial statements of the Company amounted to US$8,208,000 (2005: net profit of US$5,283,000).

11. DIVIDEND

	2006 US$'000	2005 US$'000
Special interim of 22 HK cents (2005: Nil) per share	33,872	—

12. EARNINGS/(LOSS) PER SHARE

a. The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of US$8,129,000 (2005: net loss of US$42,330,000) and on the weighted average of 1,228,450,815 (2005: 1,192,558,921) shares of the Company in issue during the year.

b. The diluted earnings per share for the year ended 31 March 2006 is based on the net profit attributable to shareholders for the year of US$8,137,000 and on 1,230,116,192 shares, which was the sum of the weighted average number of shares in issue during the year of 1,228,450,815 shares plus the weighted average number of 1,665,377, of which 1,634,700 shares deemed to be converted at consideration of HK$0.2615 per share if all the Company's outstanding convertible bonds have been converted and 30,677 shares deemed to be issued at HK$0.266 as if all the Company's share options have been exercised. No diluted loss per share was presented for the year ended 31 March 2005 as the outstanding share options were anti-dilutive.

Notes to the Financial Statements

For the year ended 31 March 2006

13. INTANGIBLE ASSET

Group :

	Goodwill US$'000
Year ended 31 March 2006	
Carrying value at 1 April 2005	—
Acquisition of a subsidiary (note 28b)	1,876
Net carrying amount at 31 March 2006	1,876
At 31 March 2006	
Gross carrying amount	1,876
Accumulated impairment	—
Net carrying amount	1,876

The goodwill as at 31 March 2006 arose from the acquisition of a subsidiary, Regent Metals Holdings Limited ("**RMHL**") during the year. The carrying amount of goodwill is allocated to the Dapingzhang JV cash generating unit ("**CGU**").

The recoverable amount for the CGU is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to commodity prices during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on copper production growth forecasts. Changes in the commodity prices are based on expectations of the future changes in the market.

The value-in-use calculations covered a period of 16 years based on the mine's estimated mine life and followed by an extrapolation of expected cash flows at an estimated growth rate of 5.73%. The rate used to discount the forecast cash flows from the CGU is 16.15%.

Notes to the Financial Statements

For the year ended 31 March 2006

14. PROPERTY, PLANT AND EQUIPMENT

Group:

	Furniture and fixtures US$'000	Computer and other equipment US$'000	Total US$'000
At 1 April 2004			
Cost	137	391	528
Accumulated depreciation	(125)	(378)	(503)
Net book amount	12	13	25
Year ended 31 March 2005			
Opening net book amount	12	13	25
Exchange differences	1	—	1
Additions	33	19	52
Disposals	(27)	(71)	(98)
Depreciation charge for the year	(8)	(10)	(18)
Depreciation written back on disposal	17	70	87
Closing net book amount	28	21	49
At 31 March 2005			
Cost	144	339	483
Accumulated depreciation	(116)	(318)	(434)
Net book amount	28	21	49
Year ended 31 March 2006			
Opening net book amount	28	21	49
Exchange differences	—	(1)	(1)
Additions	—	5	5
Disposal of a subsidiary	—	(24)	(24)
Depreciation charge for the year	(7)	(11)	(18)
Depreciation written back on disposal of a subsidiary	—	23	23
Closing net book amount	21	13	34
At 31 March 2006			
Cost	144	320	464
Accumulated depreciation	(123)	(307)	(430)
Net book amount	21	13	34

The Company has no property, plant and equipment.

15. INTERESTS IN SUBSIDIARIES

Company:

	2006 US$'000	2005 US$'000
Investments - unlisted shares, at cost	63,715	61,830
Less: Provision for impairment	(60,007)	(59,326)
	3,708	2,504

Particulars of the principal subsidiaries as at 31 March 2006 are as follows:

Name	Country/ Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company: Direct	Percentage of equity interest attributable to the Company: Indirect	Principal activities
Alphorn Management Limited*	Cayman Islands	Ordinary share of US$1	—	100%	Investment holding
AstroEast.com Limited*	Cayman Islands	Ordinary shares of US$280,222	—	51%	Investment holding
Interman Holdings Limited*	British Virgin Islands	Ordinary shares of US$41,500	100%	—	Investment holding
Interman Limited	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding
Regent Corporate Finance Limited*	Cayman Islands	Ordinary shares of US$2	100%	—	Corporate finance
Regent Financial Services Limited	Hong Kong	Ordinary shares of HK$5 million	—	100%	Marketing of unit trusts, investment holding and advisory services
Regent Fund Management (Asia) Limited ("**RFM (Asia)**")*	Cayman Islands	Ordinary shares of US$100	100%	—	Asset management

Notes to the Financial Statements

For the year ended 31 March 2006

15. INTERESTS IN SUBSIDIARIES (Continued)

Company: (Continued)

Name	Country/ Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Regent Fund Management Limited*	Cayman Islands	Ordinary shares of US$150,000	—	100%	Asset management
Regent Metals Holdings Limited*	British Virgin Islands	Ordinary shares of US$10,000	100%	—	Investment holding
Regent Metals (Jersey) Limited ("**RMJ**")*	Jersey	Ordinary shares of US$0.02	—	100%	Investment holding
Regent Metals Limited ("**RML**")*	Barbados	Ordinary share of US$1	—	100%	Investment holding
Regent Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$5 million	100%	—	Provision of management services
RPG (Bahamas) Limited*	Bahamas	Ordinary shares of US$134,220	100%	—	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group.

* The financial statements of these subsidiaries for the year ended 31 March 2006 were not audited by Grant Thornton.

Notes to the Financial Statements

For the year ended 31 March 2006

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2006 US$'000	2005 (restated) US$'000	2006 US$'000	2005 US$'000
Investments - unlisted shares, at cost	—	—	918	92,061
Less: Provision for impairment	—	—	—	(50,565)
	—	—	918	41,496
Share of net assets:				
- Unlisted - continuing	1,587	1,527	—	—
- discontinuing	—	41,496	—	—
	1,587	43,023	918	41,496

Share of associates' taxation for the year ended 31 March 2006 of US$1,229,000 (2005: US$6,825,000) is included in the income statement as share of profits/(losses) of associates.

Particulars of the principal associate as at 31 March 2006 are as follows:

Name	Place of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Regent Markets Holdings Limited*	British Virgin Islands	Ordinary shares of US$20,000	49.9%	—	Online betting

The above table lists the associate of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets of the Group.

* The financial statements of this associate for the year ended 31 March 2006 were not audited by Grant Thornton.

Notes to the Financial Statements

For the year ended 31 March 2006

16. INTERESTS IN ASSOCIATES (Continued)

The aggregate amounts of the assets and liabilities of the associates as at 31 March 2006 and their revenue and profits for the year ended 31 March 2006 are extracted from the financial statements of the associates and are presented as follows:

	2006 US$'000	2005 US$'000
Assets	9,529	257,621
Liabilities	6,311	102,748
Revenue	152,611	134,665
Profit/(loss)	33,860	(104,962)

One of the Group's associates, Bridge Investment Holding Limited ("**BIH**") was put into voluntary liquidation subsequent to the year ended 31 March 2006. As at 31 March 2006, BIH was involved in litigation with one of its shareholders seeking confirmation of that shareholder's entitlement to a sum of approximately KRW 1.6 billion (approximately US$1.5 million) that was paid into court by the Korea Securities Depository. The BIH Directors have sought legal advice and are of the view that the outcome will be favourable and no provision was made in BIH.

Notes to the Financial Statements

For the year ended 31 March 2006

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2006	
	Group US$'000	Company US$'000
At 1 April 2005	—	—
Reclassified from current and non current investment in securities	6,612	2,273
Additions	1,734	654
Disposal	(3,414)	(1,931)
Changes in fair value	955	105
At 31 March 2006	5,887	1,101

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

	2006	
	Group US$'000	Company US$'000
Listed securities		
equity security - overseas	3,408	869
Unlisted securities		
club debenture	19	19
equity securities*	2,460	213
	5,887	1,101

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

* Included in the Group's unlisted equity securities was a close-ended fund amounting to US$1.6 million managed by RFM (Asia), a wholly-owned subsidiary of the Company.

Notes to the Financial Statements

For the year ended 31 March 2006

18. INVESTMENTS IN SECURITIES

Non-current investments:

	2005	
	Group US$'000	Company US$'000
Investment securities, at cost:		
Club debentures	19	19
Other investments, at fair value:		
Listed equity securities		
- in Hong Kong	1,704	1,704
- outside Hong Kong	2,218	550
Unlisted equity securities*	2,550	—
	6,472	2,254
	6,491	2,273

Current investments:

	2005	
	Group US$'000	Company US$'000
Other investments, at fair value:		
Listed equity securities – outside Hong Kong	113	—
Unlisted equity securities	8	—
	121	—

* Included in the Group's unlisted equity securities was a close-ended fund amounting to US$2.4 million managed by RFM (Asia).

Notes to the Financial Statements

For the year ended 31 March 2006

19. CASH AND BANK BALANCES

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

	Group		Company	
	2006	2005	2006	2005
	US$'000	US$'000	US$'000	US$'000
Cash and balances with banks	326	377	70	49
Money at call and short notice	21,741	686	21,586	571
	22,067	1,063	21,656	620

The Group's subsidiary maintains trust accounts with banks as part of its normal business transactions. At 31 March 2006, included in the Group's cash at banks were trust accounts of US$28,000 (2005: US$28,000).

Included in the bank balances was an amount of US$17 million being restricted for the use of investment in a jointly controlled entity made after the year end.

20. RECEIVABLES

a. Trade receivables

At 31 March 2006 and 2005, the ageing analysis of the trade receivables was as follows:

	Group		Company	
	2006	2005	2006	2005
	US$'000	US$'000	US$'000	US$'000
1 to 3 months old	174	123	—	—
More than 3 months old but less than 12 months old	1	23	—	—
	175	146	—	—

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

The fair value of the trade receivables was the same as illustrated above.

20. RECEIVABLES (Continued)

b. Prepayments, deposits and other receivables

	Group		Company	
	2006	2005	2006	2005
	US$'000	US$'000	US$'000	US$'000
Prepayments, deposits and other receivables	4,275	902	44	368

The fair value of prepayments, deposits and other receivables were the same as illustrated above.

In February 2006, RML entered into a joint venture agreement with two unrelated third parties in connection with the establishment of Yunnan Simao Shanshui Copper Company Limited (the "**Dapingzhang JV**"), a Sino-foreign equity joint venture enterprise, to co-explore and co-develop the copper mine in Yunnan Province. As at 31 March 2006, US$3 million was paid to a temporary foreign exchange account of a third party according to the terms of the joint venture agreement, and recorded as deposit.

Capital commitment of the Group and the related post balance sheet event was disclosed in notes 31 and 36 respectively to the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2006

21. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
	US$'000	US$'000	US$'000	US$'000
Trade payables	142	89	—	—
Accruals and other payables	3,774	306	2,580	250
	3,916	395	2,580	250

At 31 March 2006 and 2005, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2006	2005	2006	2005
	US$'000	US$'000	US$'000	US$'000
Due within 1 month or on demand	97	2	—	—
More than 6 months	45	87	—	—
	142	89	—	—

As at 31 March 2006, an amount of US$1,432,000 and US$487,300 included in accruals and other payables represented a provision for bonuses for the Group and the Company respectively. In addition, an amount of US$1,600,000 included in accruals and other payables represented accruals for transaction costs in relation to the issuance of convertible bonds.

Included in trade payables were those payables placed in trust accounts amounting to US$28,000 as at 31 March 2006 (2005: US$28,000).

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 March 2006

23. BORROWING

	Group		Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Non-current				
Convertible bonds (note 24)	18,352	—	18,352	—

The effective interest rate for the convertible bonds at the balance sheet date was 16.15% per annum. The carrying amounts of the convertible bonds approximate their fair value. The fair value was calculated using a market interest rate for an equivalent non-convertible bond.

24. CONVERTIBLE BONDS

On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds to finance the Group's investment project in the People's Republic of China ("**PRC**").

The bonds mature three years from the issue date at their nominal value of US$20 million or can be converted into shares on and after 9 May 2006 to 23 March 2009 at the holder's option at a conversion price of HK$0.2615 per share, subject to adjustment upon the occurrence of certain events.

The fair value of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component, included in long-term borrowing, was calculated using a market interest rate for an equivalent non-convertible bond and subsequently measured at amortisation cost. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity (note 26).

Notes to the Financial Statements

For the year ended 31 March 2006

24. CONVERTIBLE BONDS (Continued)

The convertible bonds recognised in the balance sheet were calculated as follows:

	2006 US$'000	2005 US$'000
Face value of convertible bonds issued on 31 March 2006	20,000	—
Transaction costs	(1,600)	—
Net proceeds	18,400	—
Equity component	(56)	—
Liability component on initial recognition at 31 March 2006	18,344	—
Interest expense (note 8)	8	—
Liability component at 31 March 2006 (note 23)	18,352	—

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 16.15% per annum.

The convertible bonds are secured by a guarantee dated 31 March 2006 given by RML in favour of the security agent guaranteeing the due payment of all sums to be payable by the Company in respect of the convertible bonds (the "**Guarantee**"); a floating charge given by RML in favour of the security agent over all its assets and undertaking and a charge over a specified bank account into which all dividend payments and other distributions, including without limitation, proceeds of sale of assets made by the Dapingzhang JV, will be made but only up to the amount of outstanding principal and interest due on the convertible bonds; and a share charge on RML's equity which was owned by RMJ dated 31 March 2006 given by RMJ in favour of the security agent to secure RML's obligations under the Guarantee.

Notes to the Financial Statements

For the year ended 31 March 2006

25. SHARE CAPITAL

	Number of ordinary shares of US$0.01 each	US$'000	Number of unclassified shares*	US$'000	Total number of shares	Total US$'000
Authorised:						
At 1 April 2004 and 2005	2,000,000,000	20,000	550,000,000	5,500	2,550,000,000	25,500
Increase in authorised ordinary shares	3,000,000,000	30,000	—	—	3,000,000,000	30,000
At 31 March 2006	5,000,000,000	50,000	550,000,000	5,500	5,550,000,000	55,500

Issued and fully paid:	Number of ordinary shares of US$0.01 each	US$'000	Number of deferred shares of US$0.01 each	US$'000	Total number of shares	Total US$'000
At 1 April 2004	1,103,720,089	11,037	86,728,147	867	1,190,448,236	11,904
Employee share option scheme - proceeds from shares issued	3,180,000	32	—	—	3,180,000	32
At 31 March 2005 and 1 April 2005	1,106,900,089	11,069	86,728,147	867	1,193,628,236	11,936
Employee share option scheme - proceeds from shares issued	326,000	3	—	—	326,000	3
Scrip dividend	107,992,423	1,080	—	—	107,992,423	1,080
Issue of new shares	70,653,197	707	—	—	70,653,197	707
Conversion of deferred shares	86,728,147	867	(86,728,147)	(867)	—	—
At 31 March 2006	1,372,599,856	13,726	—	—	1,372,599,856	13,726

* Unclassified shares of US$0.01 each, which may be issued as ordinary shares or as non-voting convertible deferred shares of US$0.01 each.

Notes to the Financial Statements

For the year ended 31 March 2006

25. SHARE CAPITAL (Continued)

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

During the year, an aggregate of 265,699,767 new Ordinary Shares were issued and allotted, details of which are set out as follow:

i. An aggregate of 326,000 new Ordinary Shares were issued and allotted for a total consideration of HK$86,716 (approximately US$11,117), being HK$0.266 per share, upon exercise of options under the Share Option Scheme (2002) of the Company (referred to below in this note).

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

iii. 70,653,197 new Ordinary Shares were issued at HK$0.206 (market price at the date of issue) and allotted on 15 March 2006 to Finistere Limited upon further completion of the cooperation agreement dated 23 June 2005 (details of which were set out in the shareholders' circular issued by the Company on 26 January 2006).

iv. 86,728,147 new Ordinary Shares were issued and allotted on 18 March 2006 to Indigo Securities Limited upon conversion of 86,728,147 Deferred Shares.

On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds due 2009 (the "**Convertible Bonds**") under a purchase agreement dated 30 March 2006. 33,114,929 new Ordinary Shares and 59,666,539 new Ordinary Shares were issued and allotted on 24 May 2006 to JP Morgan Securities Ltd and Barclays Capital Securities Ltd (for and on behalf of MLP Investments (Caymans), Ltd) respectively upon conversion of part of Tranche A of the Convertible Bonds with, in aggregate, a principal amount of US$3.11 million at the conversion price of HK$0.2615 per share.

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For the year ended 31 March 2006

25. SHARE CAPITAL (Continued)

Rights of the Deferred Shares

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

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

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

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

All 86,728,147 Deferred Shares, which were in issue as at 31 March 2005, were converted into ordinary shares on 18 March 2006 (2005: Nil).

Notes to the Financial Statements

For the year ended 31 March 2006

25. SHARE CAPITAL (Continued)

a. Share Option Scheme (2002)

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

As at 1 April 2005, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 20,600,000 ordinary shares at the exercise price of HK$0.266 per share (1 April 2004: Nil), representing 1.86% (1 April 2004: Nil) of the Company's then issued voting share capital and 1.83% (1 April 2004: Nil) of the enlarged voting share capital. All such outstanding options were not vested (1 April 2004: Nil). During the year ended 31 March 2006, no options were granted (2005: options in respect of 21,400,000 shares), cancelled (2005: Nil) or lapsed (2005: 800,000). Vested options in respect of an aggregate of 326,000 shares were exercised at HK$0.266 per share (2005: Nil). Accordingly, as at 31 March 2006, there were outstanding options entitling the holders to subscribe, in stages, for an aggregate of 20,274,000 ordinary shares (31 March 2005: 20,600,000 shares) at the exercise price of HK$0.266 per share, representing 1.48% (31 March 2005: 1.86%) of the Company's issued voting share capital as at 31 March 2006 and 1.46% (31 March 2005: 1.83%) of the enlarged voting share capital. Amongst the outstanding options, options in respect of an aggregate of 6,540,663 shares or 32.26% were/are vested (31 March 2005: Nil). Exercise in full of the outstanding options would result in the issue of 20,274,000 additional ordinary shares for aggregate proceeds, before expenses, of HK$5,392,884 (approximately US$691,395).

Subsequent to the year end date, options were granted on 4 April 2006 entitling the holders to subscribe, in stages in accordance with their repective vesting schedules, for an aggregate of 89,200,000 ordinary shares in the capital of the Company at the exercise price of HK$0.300 per share. Accordingly, as at the date of this report, there were outstanding options entitling the holders to subscribe, in stages, for an aggregate of 109,474,000 ordinary shares at the exercise prices ranging from HK$0.266 per share to HK$0.300 per share. The outstanding options represent 7.47% of the Company's existing issued voting share capital (following the issue and allotment of an aggregate of 92,781,468 ordinary shares upon conversion of part of the Convertible Bonds (as referred to above) on 24 May 2006) and 6.95% of the enlarged voting share capital. Amongst the outstanding options, options in respect of an aggregate of 6,540,663 shares or 5.97% are vested. Exercise in full of the outstanding options would result in the issue of 109,474,000 additional ordinary shares for aggregate proceeds, before expenses, of HK32,152,884 (approximately US$4,122,164).

25. SHARE CAPITAL (Continued)

a. Share Option Scheme (2002) (Continued)

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

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

b. Employee Share Option Scheme

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

As at 1 April 2005, an outstanding and vested option under the Employee Share Option Scheme entitled its holder to subscribe on or before 11 October 2005 for 200,000 (1 April 2004: 6,063,333) ordinary shares at the exercise price of HK$1.06 per share, representing 0.02% (1 April 2004: 0.55%) of the Company's then issued voting share capital and 0.02% (1 April 2004: 0.38%) of the enlarged voting share capital. The outstanding option was not exercised during the year ended 31 March 2006 (2005: options in respect of 3,180,000 shares) and lapsed upon expiry of the exercise period (2005: options in respect of 2,683,333 shares lapsed). As the scheme was terminated on 15 November 2005, no new options were granted during the year ended 31 March 2006 (2005: Nil). Accordingly, as at 31 March 2006 and the date of this report, there were/are no outstanding options under the Employee Share Option Scheme.

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

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

Notes to the Financial Statements

For the year ended 31 March 2006

25. SHARE CAPITAL (Continued)

b. Employee Share Option Scheme (Continued)

Share options and the weighted average exercise price are as follows for the reporting periods presented:

	2006		2005	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 April	20,800,000	0.27	6,063,333	0.51
Granted	—	—	21,400,000	0.27
Forfeited	—	—	(3,483,333)	0.74
Exercised	(326,000)	0.27	(3,180,000)	0.16
Expired	(200,000)	1.06	—	—
Outstanding at 31 March	20,274,000	0.27	20,800,000	0.27

The weighted average share price of these shares at the date of exercise was HK$0.27. All remaining share options as at 31 March 2006 have been accounted for under HKFRS 2.

The fair value of share options granted during the year ended 31 March 2005 was determined using the Binomial valuation model. Significant inputs into the calculation included a closing share price at the date of grant of option of HK$0.255 and the exercise prices as illustrated above. Furthermore, the calculation takes into account a dividend yield of 11% and a volatility of 95%, based on the Company's expected share price. A risk-free interest rate of 3.99% was used.

The underlying expected volatility was determined by reference to historical data according to the price return of the ordinary shares of the Company.

In total, US$216,000 of employee compensation expense has been included in the consolidated income statement for the year ended 31 March 2006 (2005: Nil) which gave rise to additional paid-in capital. No liabilities were recognised due to share-based payment transactions.

Notes to the Financial Statements

For the year ended 31 March 2006

26. RESERVES

	Accumulated losses US$'000	Share premium US$'000	Asset revaluation reserve US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group								
At 1 April 2004, as previously reported	(42,412)	114,309	3,735	—	—	1,204	8,529	85,365
Derecognition of negative goodwill by an associate	20,418	—	—	—	—	—	—	20,418
At 1 April 2004, as restated	(21,994)	114,309	3,735	—	—	1,204	8,529	105,783
Foreign currency translation adjustment of an associate	—	—	—	—	—	—	8,431	8,431
Disposal of properties by an associate	3,735	—	(3,735)	—	—	—	—	—
Exercise of share options	—	34	—	—	—	—	—	34
Dividend	—	(32,467)	—	—	—	—	—	(32,467)
Loss for the year	(42,330)	—	—	—	—	—	—	(42,330)
At 31 March 2005	(60,589)	81,876	—	—	—	1,204	16,960	39,451
Foreign currency translation adjustment	—	—	—	—	—	—	(16,782)	(16,782)
Exercise of share options	—	8	—	—	—	—	—	8
Issue of new shares	—	1,169	—	—	—	—	—	1,169
Dividend	—	(33,872)	—	—	—	—	—	(33,872)
Scrip dividend	—	1,052	—	—	—	—	—	1,052
Equity portion of convertible bonds (note 24)	—	—	—	—	56	—	—	56
Employee share-based payment	—	—	—	216	—	—	—	216
Profit for the year	8,129	—	—	—	—	—	—	8,129
At 31 March 2006	(52,460)	50,233	—	216	56	1,204	178	(573)

Notes to the Financial Statements

For the year ended 31 March 2006

26. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company							
At 1 April 2004	(58,124)	116,574	—	—	1,204	2	59,656
Exercise of share options	—	34	—	—	—	—	34
Dividend	—	(32,467)	—	—	—	—	(32,467)
Loss for the year	5,283	—	—	—	—	—	5,283
At 31 March 2005	(52,841)	84,141	—	—	1,204	2	32,506
Foreign currency translation adjustment	—	—	—	—	—	(1)	(1)
Exercise of share options	—	8	—	—	—	—	8
Issue of new shares	—	1,169	—	—	—	—	1,169
Dividend	—	(33,872)	—	—	—	—	(33,872)
Scrip dividend	—	1,052	—	—	—	—	1,052
Equity portion of convertible bonds (note 24)	—	—	—	56	—	—	56
Employee share-based payment	—	—	216	—	—	—	216
Loss for the year	(8,208)	—	—	—	—	—	(8,208)
At 31 March 2006	(61,049)	52,498	216	56	1,204	1	(7,074)

27. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 March 2006, there were outstanding forwards and futures contracts amounting to approximately US$1,964,000 (2005: US$1,734,000) and US$492,000 (2005: US$462,000) respectively undertaken by the Group in the foreign exchange and equity markets.

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 March 2006, the amount of these margin deposits was US$382,000 (2005: US$275,000).

Notes to the Financial Statements

For the year ended 31 March 2006

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

	2006 US$'000
Net assets disposed of:	
Property, plant and equipment	1
Trade receivables	22
Prepayments, deposits and other receivables	7
Cash and bank balances	11
Trade payables, accruals and other payables	(26)
	15
Loss on disposal of a subsidiary	(15)
	—
Satisfied by:	
Cash consideration	—
	—
Net cash outflow arising on disposal:	
Cash considerations received	—
Cash and bank balances disposed of	(11)
	(11)

Notes to the Financial Statements

For the year ended 31 March 2006

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of a subsidiary

On 23 June 2005, the Company entered into an agreement to acquire the entire interests in RMHL from an independent third party for consideration of 70,653,197 ordinary shares of the Company at the market price of the date of issue and cash consideration of US$10,000, which had been fully issued and paid during the year. The principal activity of RMHL is investment holding. The fair value of 70,653,197 ordinary shares of the Company was US$1,876,000 at the date of their issuance.

The acquired business did not contribute any revenue but net loss of US$431,000 to the Group from the date of acquisition to 31 March 2006.

If the acquisition had occurred on 1 April 2005, the Group's revenue and loss would have been nil and US$431,000 respectively.

	2006 US$'000
The carrying amounts and fair value of the net assets acquired	
Cash and bank balances	10
Goodwill on acquisition (note 13)	1,876
	1,886
Total consideration, satisfied by:	
Cash consideration	10
Issue of 70,653,197 Ordinary Shares of the Company	1,876
	1,886
Net cash outflow arising on acquisition:	
Cash consideration paid	(10)
Cash and bank balance acquired	10
	—

The goodwill arising on the acquisition of RMHL is attributable to its anticipated profitability from the investment in a jointly controlled entity.

Notes to the Financial Statements

For the year ended 31 March 2006

29. RETIREMENT BENEFIT OBLIGATIONS

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

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year, there were no forfeited contributions (2005: US$1,000) and the Group's contribution was US$14,000 (2005: US$15,000).

30. OPERATING LEASE COMMITMENTS

Group

	2006 US$'000	2005 US$'000
At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
- within 1 year	94	97
- in the 2nd to 5th years	8	102
	102	199

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

Company

The Company has no lease commitments.

Notes to the Financial Statements

For the year ended 31 March 2006

31. CAPITAL COMMITMENTS

Group

	2006 US$'000	2005 US$'000
Commitment for the investment in a jointly controlled entity		
Contracted but not provided for	17,000	—

Company

The Company has no capital commitments.

32. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 March 2006.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's management is coordinated in close cooperation with the board of directors, and focuses on minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed to are described below:

Foreign currency risk

The Group has not taken any currency hedge as the management is not aware of any material foreign currency risk against its investments in financial assets.

Currently, the Group has no financial liabilities denominated in foreign currencies other than US dollars.

Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

Transaction in relation to derivative financial instruments are only carried out with financial institutions of high reputation.

Notes to the Financial Statements

For the year ended 31 March 2006

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Company currently has no financial liabilities with floating interest rates.

Fair value estimation

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

34. MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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

SWIB currently holds a 6.02% interest in the total issued voting share capital of the Company and ceased to have an equity interest in BIH in the financial year concerned.

Notes to the Financial Statements

For the year ended 31 March 2006

34. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

An aggregate of US$35,000 was received for the period ended 30 October 2005. The Group no longer receives a monthly service fee from BIH.

35. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current year where necessary.

36. POST BALANCE SHEET EVENTS

Subsequent to the year end date, the Group has injected US$20 million into Yunnan Simao Shanshui Copper Company Limited, a joint venture company incorporated in the PRC which the Group has a 40% equity interest.

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