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REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 575)

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

Financial Advisor



**ACCESS
CAPITAL**

**Independent Financial Advisor to the Independent Board Committee
and the Independent Shareholders**

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 9 to 44 of this circular. A letter from the Independent Board Committee is set out on pages 45 and 46 of this circular. A letter from the Independent Financial Advisor containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 54 of this circular.

Resolutions will be proposed at the EGM of the Company to be held at The Lagoon Ballroom, The Landmark Macau, 555 Avenida de Amizade, Macau on Thursday, 23 November 2006 at 11:00 a.m. to approve the matters referred to in this circular.

A notice convening the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy accompanying this circular in accordance with the instructions printed on it and return it to the Company Secretary at the Company's principal place of business in Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

27 October 2006

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code;
“Announcement”	the announcement of the Company dated 7 September 2006 in relation to the establishment of the Joint Venture Company, the issue of the Consideration Shares and the Placing;
“Articles of Association”	articles of association of the Company;
“associate”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of directors of the Company;
“Business Days”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong;
“Company”	Regent Pacific Group Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the HK Stock Exchange and the Frankfurt Stock Exchange;
“Concert Party Group”	certain Directors comprising James Mellon, Jayne Sutcliffe and Anderson Whamond who are regarded as acting in concert for the purpose of the Takeovers Code and have registered the combined voting rights of the Company held by them (being 464,989,090 Shares in aggregate) with the SFC under the transitional provisions in Rule 26.6 of the Takeovers Code;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Consideration”	US\$2,841,263 (approximately HK\$22,161,848), being the sum of (a) the total investment amount of US\$2,000,000 (approximately HK\$15,600,000) payable to the Joint Venture Company under the Joint Venture Contract; and (b) the aggregate value of the Consideration Shares in the sum HK\$6,561,848 (approximately US\$841,263), based on the 21,514,256 Consideration Shares and the closing price of the Shares as quoted on the HK Stock Exchange of HK\$0.305 on 31 August 2006, being the last trading day immediately prior to suspension of trading in the Shares on 1 September 2006;
“Consideration Shares”	21,514,256 Shares to be issued and credited as fully paid Shares by the Company to Stephen Dattels or to such person as he may otherwise direct on the date of completion of the Introduction Agreement, as consideration under the Introduction Agreement;

DEFINITIONS

“Convertible Bonds”	the US\$20,000,000 12% guaranteed convertible bonds due 2009 issued by the Company on 31 March 2006 for the purpose of raising US\$20,000,000, as announced by the Company on 30 March 2006;
“Cube Consulting”	Cube Consulting Pty Ltd., an independent mining consulting company based in Perth, Western Australia and the technical advisor appointed by the Company to perform a technical review on the Yinzishan Mine and to prepare a technical report as required under Rule 18.09 of the Listing Rules;
“Dapingzhang Joint Venture Company”	雲南思茅山水銅業有限公司 (Yunnan Simao Shanshui Copper Company Limited), a Sino-foreign equity joint venture enterprise established by Regent Metals Limited, an indirect wholly-owned subsidiary of the Company, SSM and Yuxi Resources Corporation pursuant to the Dapingzhang Joint Venture Project;
“Dapingzhang Joint Venture Project”	the joint venture project between Regent Metals Limited, an indirect wholly-owned subsidiary of the Company, SSM and Yuxi Resources Corporation in relation to the exploration, mining and processing of copper and other multi-metal minerals at the Dapingzhang copper mine located near Simao City, Yunnan Province, the PRC, as announced by the Company on 22 November 2005;
“Dapingzhang Mine”	the mine in which the Dapingzhang Joint Venture Project is now undertaken;
“Director(s)”	the directors of the Company;
“Disinterested Shareholders”	Shareholders who are not required to abstain from voting at the EGM on the resolution approving the issue to the Independent Places the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing. MLP Investments (Caymans), Ltd. and its associates will be required to abstain from voting at the EGM on the resolution mentioned above;
“Disseminated or Stringer Domain”	a lower grade mineralization contained within zones of altered rock directly beneath the massive sulphides discharge sites. 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;

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“EGM”	an extraordinary general meeting of the Company to be convened by the Directors and held at The Lagoon Ballroom, The Landmark Macau, 555 Avenida de Amizade, Macau on Thursday, 23 November 2006 at 11:00 a.m. for the purpose of approving the matters contemplated hereunder;
“Exploration Rights”	all the rights under the exploration permits to be acquired by the Joint Venture Company from SSM;
“Exploration Rights Transfer Agreement”	an agreement to be entered into by the Joint Venture Company and SSM pursuant to which the Joint Venture Company shall acquire the Exploration Rights from SSM;
“Feasibility Study”	a technical, economic and commercial feasibility study on the exploration, mining and processing of copper, its symbiotic and associated and other precious metals (including gold, silver, lead, zinc and other relevant mineral resources) to be conducted by the Joint Venture Company in the Permitted Area in conjunction with a reputable independent mining consultancy company;
“Group”	the Company and its subsidiaries;
“Highway Mine”	a small producing mine (100 meters x 100 meters) situated within the area covered by one of the exploration permits to be acquired by the Joint Venture Company from SSM under the Exploration Rights Transfer Agreement, the mining permit of which is currently held by an independent third party (which is not connected with SSM, SLM and the Company and its connected persons);
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“HK Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board comprising only Mr. Patrick Reid, the independent non-executive Director who does not have a material interest in the transaction contemplated under the Placing, to advise the Independent Shareholders on the issue and allotment to the Interested Directors of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing;

DEFINITIONS

“Independent Financial Advisor”	Altus Capital Limited, a corporation licensed to conduct business in type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities as set out in Schedule 5 to the SFO and appointed as the independent financial advisor to the Independent Board Committee and the Independent Shareholders in relation to the Placing and the Subscription Agreement and the transactions contemplated thereunder;
“Independent Placees”	Placees other than the Interested Directors;
“Independent Shareholders”	Shareholders other than the Interested Directors and their associates who are not required to abstain from voting at the EGM on the resolution approving the issue to the Interested Directors of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing;
“Indicated Mineral Resource”	is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed;
“Inferred Mineral Resource”	is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability;
“Initial Conversion Price”	the initial conversion price at which the Redeemable Convertible Preference Shares are to be converted into fully-paid Shares, being HK\$0.290 per Share, subject to adjustment upon the occurrence of certain events;
“Interested Directors”	Directors who are the Placees, comprising the Concert Party Group, Jamie Gibson, Mark Searle, Julie Oates and David Comba;
“Introduction Agreement”	the introduction agreement dated 4 September 2006 entered into by the Company and Stephen Dattels;

DEFINITIONS

“Joint Venture Company”	思茅勵晶礦業有限公司 (Simao Regent Minerals Limited), the co-operative joint venture enterprise in the PRC to be established pursuant to the Joint Venture Contract;
“Joint Venture Contract”	the co-operative joint venture contract dated 30 August 2006 entered into by RML, SSM and SLM in relation to the co-operation for the establishment of the Joint Venture Company;
“Joint Venture Project”	the exploration, mining and processing of copper and other multi-metal minerals in the Permitted Area, Simao City, Yunnan Province, the PRC, to be conducted by the Joint Venture Company;
“JORC”	the Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organizations;
“JORC Code (2004)”	the Australasian Code for reporting of exploration results, mineral resources and ore reserves prepared by the JORC, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004, a widely used and internationally recognized code setting out the minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves;
“km ² ”	square kilometers;
“Latest Practicable Date”	Friday, 20 October 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“LIBOR”	London Interbank Offered Rate;
“Listing Rules”	The Rules Governing the Listing of Securities on the HK Stock Exchange, as amended from time to time;
“Massive Domain”	a domain of high grade mineralization contained within a layer of massive sulphides that are formed by exhalation of hot, metal bearing fluids onto the sea floor;
“Maturity Date”	30 November 2011, being the maturity date of the Redeemable Convertible Preference Shares;

DEFINITIONS

“Measured Mineral Resource”	is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity;
“Mineral Resource”	a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories;
“Mining Rights”	all the rights under the mining permit to be acquired by the Joint Venture Company from SLM in connection with the Joint Venture Project;
“Mining Rights Transfer Agreement”	an agreement to be entered into by the Joint Venture Company and SLM pursuant to which the Joint Venture Company shall acquire the Mining Rights from SLM;
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, as amended from time to time;
“Permitted Area”	the areas covered by the exploration or mining permits permitting the Joint Venture Company to conduct exploration, mining and processing in such area, which includes the areas covered by the exploration and mining permits to be acquired by the Joint Venture Company from SSM and SLM, as more particularly set out in the sections headed “Exploration Rights Transfer Agreement” and “Mining Rights Transfer Agreement” of this circular;
“Placees”	Libra Fund LP, Libra Offshore Limited, MLP Investments (Caymans), Ltd. or any of their respective designated affiliates and the Interested Directors;
“Placing”	the proposed issue and allotment of the Redeemable Convertible Preference Shares by the Directors for the purpose of raising US\$6,250,000 (approximately HK\$48,750,000), to be approved by Shareholders at the EGM;

DEFINITIONS

“PRC”	People’s Republic of China;
“Purchasers”	the Placees;
“Redeemable Convertible Preference Shares”	the dividend bearing non-voting redeemable convertible preference shares of US\$0.01 each in the share capital of the Company, to be issued and allotted pursuant to the Placing on the terms and conditions of the Subscription Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“RML”	Regent Minerals Limited, a company incorporated under the laws of Barbados and an indirect wholly-owned subsidiary of the Company;
“SFC”	Securities and Futures Commission of Hong Kong;
“SFO”	The Securities and Futures Ordinance of Hong Kong, as amended from time to time;
“Share Option Scheme (2002)”	the share option scheme of the Company adopted by the Shareholders on 15 November 2002;
“Shareholders”	holders of Shares;
“Shares”	ordinary shares of US\$0.01 each in the capital of the Company;
“SLM”	思茅市聯友礦業有限公司 (Simao Lianyou Minerals Limited), a Chinese enterprise legal person with independent legal person status established under the laws of the PRC;
“SSM”	思茅市山水礦業有限公司 (Simao Shanshui Minerals Limited), a Chinese enterprise legal person with independent legal person status established under the laws of the PRC;
“Subscription Agreement”	a definitive subscription agreement dated 11 October 2006 entered into by the Company and the Purchasers relating to the issue by the Company of, and the subscription by the Purchasers for, the Redeemable Convertible Preference Shares which incorporates the terms and conditions of, and supercedes, the Term Sheet;
“substantial shareholders”	has the meaning ascribed to it in the Listing Rules;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers, as amended from time to time;

DEFINITIONS

“Term Sheet”	the term sheet dated 31 August 2006 entered into between the Company as issuer and the Placees as subscribers pursuant to which the Company shall, subject to the conclusion of the Subscription Agreement, issue and allot the Redeemable Convertible Preference Shares to the Placees for the purpose of raising US\$6,250,000 (approximately HK\$48,750,000);
“Transactions”	the transactions contemplated under the Joint Venture Contract and the Introduction Agreement, including the establishment of the Joint Venture Company to carry out the Joint Venture Project and the allotment and issue of the Consideration Shares by the Company to Stephen Dattels;
“US\$”	United States dollar(s), the lawful currency of the United States of America; and
“Yinzishan Mine”	the Permitted Area.

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

LETTER FROM THE BOARD



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 575)

Executive Directors:

Jamie Gibson (*Chief Executive Officer*)
Clara Cheung

Non Executive Directors:

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

Independent Non-Executive Directors

Registered Office:

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

Principal place of business

in Hong Kong:

Suite 1401
Henley Building
5 Queen's Road Central
Hong Kong Special Administrative Region
People's Republic of China

27 October 2006

To the shareholders of Regent Pacific Group Limited

Dear Sir or Madam,

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

1. INTRODUCTION

As set out in the Announcement:

1. On 30 August 2006, RML entered into the Joint Venture Contract with SSM and SLM relating to the establishment of a Sino-foreign co-operative joint venture enterprise to conduct exploration, mining and processing of copper and other multi-metal mineral

LETTER FROM THE BOARD

resources in close proximity to the Dapingzhang Mine in the PRC subject to satisfaction of certain conditions. On 4 September 2006, the Company entered into the Introduction Agreement with Stephen Dattels pursuant to which the Company agreed to issue and allot the Consideration Shares to Stephen Dattels in consideration of Stephen Dattels bringing to the Company the opportunity for it to invest in the Joint Venture Company, subject to approval by the Shareholders at the EGM.

2. In order to finance the Joint Venture Project and raise further working capital for the Group, on 31 August 2006, the Company entered into the Term Sheet with the Placees pursuant to which, subject to the conclusion of the Subscription Agreement, the Company will raise US\$6,250,000 (approximately HK\$48,750,000) by way of a placing of the Redeemable Convertible Preference Shares to the Independent Placees and the Interested Directors. The proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing to the Independent Placees is conditional upon approval by the Disinterested Shareholders by way of a poll vote at the EGM. MLP Investments (Caymans), Ltd. (one of the Placees) and its associates, having a material interest in the Placing, will be required to abstain from voting in respect of the relevant ordinary resolution in relation to the issue of the Redeemable Convertible Preference Shares to the Independent Placees pursuant to Rule 2.15 of the Listing Rules. In addition, the proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing to the Interested Directors constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore conditional upon approval by the Independent Shareholders by way of a poll vote at the EGM. The Interested Directors, comprising the Concert Party Group (namely James Mellon, Jayne Sutcliffe and Anderson Whamond), Jamie Gibson, Mark Searle, Julie Oates and David Comba, and their respective associates are required to abstain from voting in relation to the relevant resolution in connection with the issue and conversion of the Redeemable Convertible Preference Shares to the Interested Directors.
3. To allow for the Company to issue the Redeemable Convertible Preference Shares, the Company will need to amend its Articles of Association and a special resolution will be proposed at the EGM for approval by the Shareholders of the proposed amendments to the Articles of Association.

On 11 October 2006, the Company entered into the binding Subscription Agreement with the Purchasers incorporating the terms and conditions of and superseding the Term Sheet.

The Independent Board Committee comprising only the independent non-executive Director who does not have a material interest in the transaction contemplated under the Placing has been formed to advise the Independent Shareholders in relation to the Placing and the Subscription Agreement. Altus Capital Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in relation to the Placing and the Subscription Agreement.

The purpose of this circular is to provide you with further information regarding (a) the Joint Venture Agreement and the Introduction Agreement and the terms of the Consideration Shares; (b) the Placing and the terms of the Redeemable Convertible Preference Shares; (c) the proposed amendment

LETTER FROM THE BOARD

to the Articles of Association and (d) other information prescribed by the Listing Rules. This circular also contains a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in respect of the Placing and the Subscription Agreement, a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Placing and the Subscription Agreement, a technical report prepared by Cube Consulting as required under Chapter 18 of the Listing Rules and a notice of the EGM.

2. THE JOINT VENTURE CONTRACT

Date

30 August 2006

Parties

RML, SSM and SLM.

The Joint Venture Company

Establishment

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

Purpose

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

LETTER FROM THE BOARD

Capital commitment and co-operation conditions

The maximum investment amount of the Joint Venture Company shall be US\$2,000,000 (approximately HK\$15,600,000) and its registered capital shall be US\$1,400,000 (approximately HK\$10,920,000), which shall be provided by RML in two installments. The first installment of US\$210,000 (approximately HK\$1,638,000) shall be contributed within 60 days after the establishment of the Joint Venture Company and the remaining amount of US\$1,190,000 (approximately HK\$9,282,000) shall be contributed within 2 years after the establishment of the Joint Venture Company.

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

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

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

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

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

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

LETTER FROM THE BOARD

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

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

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

As at the Latest Practicable Date, none of the conditions precedent set out above has been fulfilled.

Major responsibilities of RML

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

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

Major responsibilities of SSM

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

1. assist the Joint Venture Company in purchasing new mining rights and mining assets;

LETTER FROM THE BOARD

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

Profit distribution

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

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

Other relevant terms

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

LETTER FROM THE BOARD

7. The Joint Venture Contract sets out the agreement among the parties on the manner in which the Joint Venture Company is to be operated and the way in which the affairs of the Joint Venture Company are to be regulated.
8. The Joint Venture Contract is written in both Chinese and English and both versions are equally binding.
9. The Joint Venture Company may be terminated or dissolved upon the occurrence of any of the following events:
 - (a) upon expiration of the term of operation of the Joint Venture Company, unless otherwise extended by the parties;
 - (b) the parties agreeing in writing to terminate the Joint Venture Contract;
 - (c) the board of directors of the Joint Venture Company having resolved to terminate the Joint Venture Company;
 - (d) if a party breaches the Joint Venture Contract and fails to rectify the breach within 60 days, the non-defaulting party has the right to apply to the relevant government authority in the PRC to discharge the Joint Venture Contract and to dissolve the Joint Venture Company;
 - (e) if the agreements in respect of the transfer of the Exploration Rights and Mining Rights have not been approved by the relevant government authority in the PRC, or are revoked or terminated for any reason;
 - (f) the occurrence of a force majeure event which makes the Joint Venture Company unable to continue its operations; or
 - (g) a party fails to pay its capital contribution or provide its co-operation conditions, as the case may be, in accordance with the agreed time limit and the defaulting party is not able to rectify the default within 60 days after receiving written notification, whereby the non-defaulting party may request for termination of the Joint Venture Contract and the dissolution of the Joint Venture Company.

LETTER FROM THE BOARD

THE EXPLORATION RIGHTS TRANSFER AGREEMENT

Date

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

Parties

SSM and the Joint Venture Company

Exploration Rights to be transferred

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

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

The Company has been advised that:

1. In accordance with 中華人民共和國礦產資源法實施細則 (Detailed Rules for the Implementation of the Mineral Resources Law) of the PRC, subject to approval and other procedures stipulated in the relevant laws and regulations in the PRC, these exploration permits confer the following rights to the holders thereof:
 - to conduct exploration work within the areas, duration and objectives stipulated in the exploration permit;
 - to install power supply lines, water supply pipelines and telecommunications lines in the exploration areas and adjacent areas;
 - to access and pass through exploration areas and adjacent areas;
 - to use land temporarily according to project requirements;

LETTER FROM THE BOARD

- to have priority in obtaining the right to explore newly discovered types of minerals within the exploration areas and the right to mine mineral resources within the exploration areas; and
 - to sell mineral products recovered during exploration according to the approved project.
2. Pursuant to a regulation issued by the Ministry of Land Resources of the PRC in January 2006, if an exploration rights holder applies for mining rights within the exploration area in compliance with relevant provisions, approval shall be granted to protect the legal rights and interests of the exploration rights holder.
 3. Under the current effective regulations of the PRC, the maximum time period for an exploration permit will be 3 years, and if it is necessary to continue the exploration works, the holder of the exploration permit shall apply for extension and registration 30 days before the expiry of the exploration permit. Each extension will not be longer than 2 years. The three exploration permits to be transferred by SSM to the Joint Venture Company are all in their validity time period. The Company understands that the Joint Venture Company will apply for renewal of such exploration permits before their expiry once it has acquired the exploration permits.

Consideration

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

Conditions

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

Other principal terms

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

LETTER FROM THE BOARD

THE MINING RIGHTS TRANSFER AGREEMENT

Date

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

Parties

SLM and the Joint Venture Company

Mining Rights to be transferred

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

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

The Company has been advised that:

1. In accordance with 中華人民共和國礦產資源法實施細則 (Detailed Rules for the Implementation of the Mineral Resources Law) of the PRC, subject to approval and other procedures stipulated in the relevant laws and regulations in the PRC, the mining permit confers the following rights to the holder thereof:
 - to conduct mining activities in accordance with the mining scope and duration as stipulated in the mining permit;
 - to sell mineral products;
 - to construct facilities for production and subsistence within the mining area as required for mining;
 - to legally obtain land use rights in accordance with production and construction requirements; and
 - other rights as stipulated by laws and statutory regulations.
2. Under the current effective regulations of the PRC, the maximum time period for a mining permit will be 30 years for a large scale mine, 20 years for a medium scale mine and 10 years for a small scale mine. If it is necessary to continue the mining works, the holder of the mining permit shall apply for extension and registration 30 days before the expiry of the mining permit. The mining permit to be transferred by SLM to the Joint Venture Company is in its validity time period.

LETTER FROM THE BOARD

Consideration

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

Conditions

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

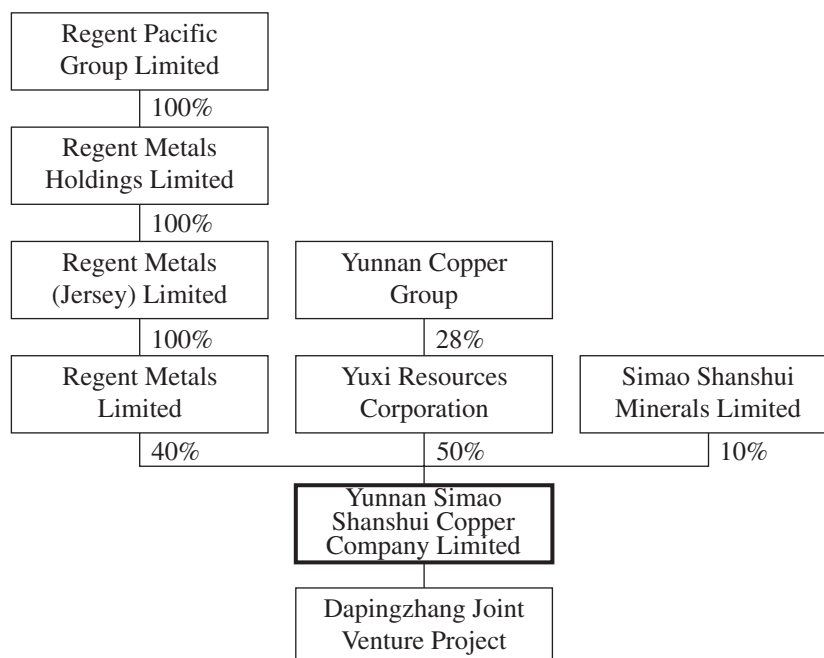
Other principal terms

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

LETTER FROM THE BOARD

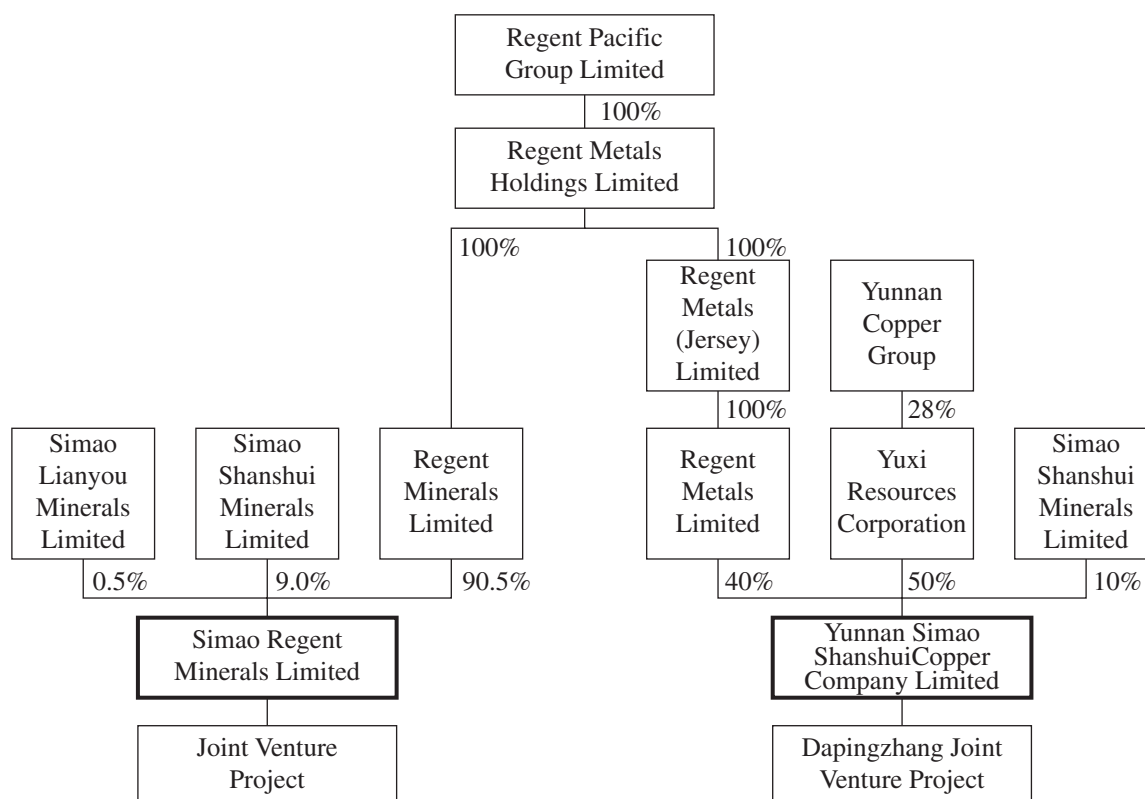
3. EQUITY STRUCTURE OF THE JOINT VENTURE COMPANY

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



LETTER FROM THE BOARD

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



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

4. SOURCES OF FUNDS

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

5. THE INTRODUCTION AGREEMENT

Date

4 September 2006

Parties

The Company and Stephen Dattels

LETTER FROM THE BOARD

To the best knowledge of the Directors having made reasonable enquiry, Stephen Dattels is independent of SSM, SLM and the Company and its connected persons.

Obligations of Stephen Dattels

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

Consideration

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

Based on the 21,514,256 Consideration Shares to be issued under the Introduction Agreement and the closing price of the Shares of HK\$0.305 as quoted on the HK Stock Exchange on 31 August 2006 (being the last trading day immediately prior to suspension of trading in the Shares on 1 September 2006), the total amount of consideration payable to Stephen Dattels is HK\$6,561,848 (approximately US\$841,263). Compared to the closing price of the Shares of HK\$0.345 as quoted on the HK Stock Exchange on the Latest Practicable Date, the value of the Consideration Shares amount to HK\$7,422,418 (approximately US\$951,592). The total amount of consideration was arrived at after arm's length negotiations between the Company and Stephen Dattels, taking into account, among other things, the business potential of the Joint Venture Company. Such consideration will be satisfied by the issue of the Consideration Shares only and in no event will the Company be liable to satisfy such consideration in cash or otherwise.

Conditions precedent

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

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

LETTER FROM THE BOARD

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

If the conditions set out above are not satisfied within 180 Business Days after the date of the Introduction Agreement (i.e. 30 May 2007) or, to the extent possible or appropriate, waived by the Company, the Company shall be entitled to terminate the Introduction Agreement whereupon all the liabilities of the parties shall cease.

As at the Latest Practicable Date, conditions (2) and (6) set out above have been fulfilled.

Termination of the Introduction Agreement

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

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

Approvals by the Shareholders

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

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 1,467,687,324 Shares in issue. The 21,514,256 Consideration Shares therefore represent approximately 1.47% of the existing issued voting share capital of the Company and approximately 1.44% of the enlarged issued voting share capital of the Company, assuming that (a) none of the outstanding options of the Company to subscribe for 107,168,000 new Shares under Share Option Scheme (2002) is exercised; (b) none of the outstanding Convertible Bonds convertible into 503,880,250 new Shares is converted; and (c) no Shares are repurchased by the Company. The issue of the Consideration Shares will not therefore result in a change of control of the Company.

Change of shareholdings in the Company

As at the Latest Practicable Date:

1. the Company has 1,467,687,324 voting Shares in issue;
2. there are outstanding options to subscribe for an aggregate of 107,168,000 Shares under the Share Option Scheme (2002);
3. there are outstanding Convertible Bonds with, in aggregate, a principal amount of US\$16,890,000 convertible into an aggregate of 503,880,250 Shares. The initial issue amount of the Convertible Bonds was US\$20,000,000; and
4. the combined voting rights of the Company held by the Concert Party Group are 464,989,090 Shares, representing approximately 31.68 % of the existing issued voting share capital of the Company and approximately 31.22 % of the enlarged issued voting share capital of the Company following completion of the issue of the Consideration Shares (being 21,514,256 Shares), assuming that (a) none of the outstanding options of the Company to subscribe for 107,168,000 new Shares is exercised; (b) none of the outstanding Convertible Bonds convertible into 503,880,250 new Shares is converted; and (c) no Shares are repurchased by the Company.

LETTER FROM THE BOARD

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

Name of Shareholder	Number of Shares currently held	Approximate percentage shareholding	Number of Shares after completion of the issue of the Consideration Shares	Approximate percentage shareholding
Concert Party Group				
James Mellon	414,037,311	28.21%	414,037,311	27.80%
Jayne Sutcliffe	45,125,691	3.07%	45,125,691	3.03%
Anderson Whamond	<u>5,826,088</u>	<u>0.40%</u>	<u>5,826,088</u>	<u>0.39%</u>
	464,989,090	31.68%	464,989,090	31.22%
Other Directors	4,244,444	0.29%	4,244,444	0.29%
Stephen Dattels	—	—	21,514,256	1.44%
Public	<u>998,453,790</u>	<u>68.03%</u>	<u>998,453,790</u>	<u>67.05%</u>
Total	<u><u>1,467,687,324</u></u>	<u><u>100.00%</u></u>	<u><u>1,489,201,580</u></u>	<u><u>100.00%</u></u>

Listing approval for the Consideration Shares

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

6. FINANCIAL EFFECTS OF THE TRANSACTIONS ON THE GROUP

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

7. REASONS FOR, AND BENEFITS OF, THE TRANSACTIONS

At present, the Company holds a 40% interest in the Dapingzhang Joint Venture Project. The Company is of the view that by entering into the Joint Venture Contract and the Introduction Agreement, it will be able to further strengthen its existing investment in the minerals processing industry in the PRC. The three exploration permits to be acquired by and transferred to the Joint Venture Company under the Exploration Rights Transfer Agreement and under which the Exploration Rights are granted will confer upon the Joint Venture Company an exclusive right to explore the areas for mineral occurrences before the expiration of such permits on 14 November 2006, 30 December

LETTER FROM THE BOARD

2007 and 30 December 2007, respectively. In addition, the mining permit to be acquired by and transferred to the Joint Venture Company pursuant to the Mining Rights Transfer Agreement and under which the Mining Right is granted will allow the holder thereof to extract any minerals contained or found in the Permitted Area up to December 2011.

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

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

8. INFORMATION ON THE GROUP AND RML

The Company is a limited liability company incorporated under the laws of the Cayman Islands whose Shares are listed on HK Stock Exchange and Frankfurt Stock Exchange. It is engaged principally in investment holding.

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

As at the Latest Practicable Date and excluding the Transactions, the Group holds a 40% equity interest in the Dapingzhang Joint Venture Company, that is currently producing a bulk copper, zinc, lead concentrate with recoverable gold and silver values at the Dapingzhang Mine in Yunnan Province, the PRC.

9. INFORMATION ON SSM AND SLM

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

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

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that SSM has a 10% equity interest in the Dapingzhang Joint Venture Company in which the Company has an indirect 40% interest, SSM and SLM and their respective ultimate beneficial owners are independent third parties and not acting in concert with the Company and its connected persons.

10. INFORMATION ON THE YINZISHAN MINE

The Yinzishan Mine is located near Simao City in Yunnan Province in the PRC. The exploration permits to be acquired by the Joint Venture Company from SSM under the Joint Venture Contract cover over an aggregate of 57 km², whilst the mining permit to be acquired by the Joint Venture Company from SLM under the Joint Venture Contract covers 1 km². The areas covered by these exploration and mining permits are in close proximity to the Dapingzhang Mine. The Directors believe that such areas overlie the same favourable regional geological belt as found at the Dapingzhang Mine.

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

Save as disclosed above, the Directors are not aware of any claims in relation to exploration rights made or notified by any third parties against the Company.

11. EXPLORATION TECHNIQUES TO BE USED AND THE TECHNICAL STAFF TO BE EMPLOYED FOR THE JOINT VENTURE PROJECT

The Company shall use a number of exploration techniques for the mapping and sampling of the mineral resources at the Yinzishan Mine, including mapping, drilling, geological logging, and assaying, which will allow an updated three dimensional understanding of the occurrence of economic mineralization to be built and the exploration to be fine tuned and more precisely focused.

The Directors believe that the successful implementation of the Joint Venture Project will require a team of professional and experienced personnel consisting of geologists, technical engineers, surveyors and project managers. At this stage, the Company proposes to establish a professional technical team comprising three geologists and a surveyor to undertake the Joint Venture Project. If, upon completion of the supplementary exploration within the Yinzishan Mine and the Feasibility Study, the Yinzishan Mine is determined to have mining value, the Joint Venture Company will enlarge the scale of production and may therefore employ additional specialist technical people, subject to the approval of the board of directors of the Joint Venture Company.

LETTER FROM THE BOARD

12. INFORMATION ON THE DAPINGZHANG JOINT VENTURE PROJECT AND DAPINGZHANG JOINT VENTURE COMPANY

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

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

Cube Consulting was engaged to undertake an estimation of the Dapingzhang Joint Venture Project's copper, zinc, gold, silver and lead resources located at the Dapingzhang Mine based on information available up to the end of August 2006 in accordance with the JORC Code (2004).

The aim of Cube Consulting's mineral resources estimation was to:

- Estimate the Dapingzhang global resources based on information available up to the end of August 2006.
- Provide an independent review of the interpretation of mineralization and apply an appropriate resource estimate process incorporating the current geological model (being a Volcanogenic Massive Sulphide mineralization source) into the resources estimate.
- Provide technical input to resource classification and reporting of resources in accordance with the JORC Code (2004).

LETTER FROM THE BOARD

A summary of the mineral resources and contained metal estimate for Dapingzhang, as estimated by Cube Consulting in September 2006 is presented below:

Table 1: Mineral Resources:

	Indicated Resource						Inferred Resource					
	Tonnes (mt)	Copper Grade (%Cu)	Zinc Grade (%Zn)	Gold Grade (Aug/t)	Silver Grade (Agg/t)	Lead Grade (%Pb)	Tonnes (mt)	Copper Grade (%Cu)	Zinc Grade (%Zn)	Gold Grade (Aug/t)	Silver Grade (Agg/t)	Lead Grade (%Pb)
Massive	3.8	1.91	2.65	1.03	35.2	0.29	2.1	2.58	1.83	0.52	24.9	0.27
Disseminated	<u>14.7</u>	<u>0.44</u>	<u>0.05</u>	<u>0.11</u>	<u>3.6</u>	<u>0.01</u>	<u>5.8</u>	<u>0.41</u>	<u>0.03</u>	<u>0.08</u>	<u>3.1</u>	<u>0.01</u>
Total Massive & Disseminated	18.55	0.74	0.59	0.30	10.15	0.07	7.92	0.99	0.51	0.20	8.94	0.08

Table 2: Contained Metal

Total	Copper (<i>'000 tonnes</i>)	Zinc (<i>'000 tonnes</i>)	Gold (<i>'000 tonnes</i>)	Silver (<i>'000 tonnes</i>)	Lead (<i>'000 tonnes</i>)
Indicated	137	110	178	6065	12
Inferred	<u>79</u>	<u>40</u>	<u>52</u>	<u>2278</u>	<u>7</u>
TOTAL	<u><u>216</u></u>	<u><u>150</u></u>	<u><u>230</u></u>	<u><u>8,334</u></u>	<u><u>19</u></u>

Shareholders should note that in all resources and reserves tables, significant figures do not imply precision and are rounded in accordance with the guidelines of the JORC Code (2004).

Both massive and disseminated mineralisation is open to the North-east (down dip extension) and North-west (strike extension). The Company believes that the potential for substantial expansion of the resources, with similar tonnage and grade characteristics, is good following completion of further drilling and resource estimation study.

The resource for the Dapingzhang Mine is based on results from a total of 25,000 meters of drilling in an area covering one-third of the total mine licence area that consists of 2.75 km². In-filling and exploration drilling is continuing within the remaining mine licence area at the Dapingzhang Mine and recently a further 20,000 meter drilling programme was approved for completion by the end of 2006 with the aim of substantially upgrading and extending the resources.

Cube Consulting has also been engaged to undertake mine design work, including open pit optimisation, mine planning, pit design, ore reserves, production schedule, pre-stripping, among others based on the current Mineral Resources estimate. As part of Cube Consulting's engagement, it has been tasked to formulate recommendations to account for mining selectively when current drilling is completed, namely the direction and depth limits of mining by open pit methods.

LETTER FROM THE BOARD

The resource estimate was prepared by Patrick John Adams of Cube Consulting and Kai Qiang Fan, Chief Geologist of the Company and Head of Exploration for the Dapingzhang Joint Venture Company which is operating the Dapingzhang Mine. Both are Members of the Australasian Institute of Mining and Metallurgy and have the necessary experience relevant to the style of mineralisation, the type of deposit and the activity undertaken to qualify as a Competent Person under the JORC Code (2004).

13. PLACING OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES

In order to finance the Joint Venture Project and raise further working capital for the Group, on 31 August 2006, the Company entered into the Term Sheet with the Placees pursuant to which, subject to the conclusion of the Subscription Agreement, the Company will raise US\$6,250,000 (approximately HK\$48,750,000) by way of a placing of the Redeemable Convertible Preference Shares. On 11 October 2006, the Company entered into the Subscription Agreement with the Purchasers incorporating the terms and conditions of, and superseding, the Term Sheet.

The Directors propose to seek approval (a) from the Disinterested Shareholders at the EGM to issue to the Independent Placees the Redeemable Convertible Preference Shares pursuant to the Placing and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares for an aggregate amount of US\$2,500,000 (approximately HK\$19,500,000); and (b) from the Independent Shareholders at the EGM to issue to the Interested Directors the Redeemable Convertible Preference Shares pursuant to the Placing and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares for an aggregate amount of US\$3,750,000 (approximately HK\$29,250,000), on the terms and conditions of the Subscription Agreement. Details of the Placing are as follows:

14. THE SUBSCRIPTION AGREEMENT

Date

11 October 2006

Parties

Issuer

The Company

LETTER FROM THE BOARD

Purchasers

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

As at the Latest Practicable Date, MLP Investments (Caymans), Ltd. was interested in 42,749,539 fully-paid Shares (representing approximately 2.91% of the existing issued share capital of the Company) and US\$10,000,000 of the Convertible Bonds convertible into 298,330,491 Shares.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers (other than the Interested Directors) and their respective ultimate beneficial owners are independent third parties not connected with and not acting in concert with the Company, the directors, chief executive officer or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

Amount to be raised

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

Consideration

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

Issue amount

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

LETTER FROM THE BOARD

Conditions

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

1. legal opinions as to Cayman Islands law and English law having been delivered to the Purchasers;
2. approval by the Disinterested Shareholders and by the Independent Shareholders for the allotment and issue of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Independent Placees and to the Interested Directors, respectively, having been obtained; and
3. the Listing Committee of the HK Stock Exchange having granted approval in principle of the listing of and permission to deal in the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares.

If the conditions precedent are not satisfied or, to the extent permissible, waived by the Purchasers on or prior to the date of completion of the Placing, the parties to the Subscription Agreement shall be released and discharged from their respective obligations relating to the Redeemable Convertible Preference Shares (save for any antecedent breach).

Completion of the Placing is not conditional upon the completion of the Joint Venture Contract and the Introduction Agreement. As at the Latest Practicable Date, none of the conditions precedent set out above has been fulfilled.

Completion

Pending satisfaction of the conditions precedent, completion of the Placing shall take place on 30 November 2006 when the Redeemable Convertible Preference Shares will be issued, or such other date not later than 31 December 2006 as shall be agreed between the Company and the Purchasers.

Undertaking

The Company undertakes that, among other things, neither it nor any of its subsidiaries or affiliates over which it exercises management or voting control nor any person acting on its or their behalf will, for a period from (and including) the date of the execution of the Subscription Agreement up to (and including) the day which is 90 days after the date of issue of the Redeemable Convertible Preference Shares, without the prior written consent of the Purchasers, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale, pledge or disposal) any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity derivatives, equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by the delivery of Shares or such other securities, in cash or otherwise) save for (a) Shares issued pursuant to the conversion provisions of the Redeemable Convertible Preference Shares, (b) Shares issued pursuant to the conversion of the Convertible Bonds, and (c) the issue of options, and the exercise of any options under, the Share Option Scheme (2002).

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Termination

The Purchasers may, at any time prior to payment of the net subscription monies for the Redeemable Convertible Preference Shares to the Company, terminate the Subscription Agreement upon occurrence of certain events as set out in the Subscription Agreement.

15. PRINCIPAL TERMS OF THE REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Maturity Date

30 November 2011

Redemption

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

If any of the following triggering events occurs:

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

then, for a period of 45 days after the occurrence of such event, any holder of the Redeemable Convertible Preference Shares shall have the right, upon giving not less than 15 days' and not more than 45 days' notice in writing to the Company, to require the Company, subject to relevant legislation, to redeem all but not some only of the Redeemable Convertible Preference Shares held by the holder thereof on the expiry date of the notice.

Conversion

Conversion price

The Initial Conversion Price is HK\$0.290 per Share, subject to adjustments upon the occurrence of certain events, among others, including:

1. any alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
2. capitalisation of profits or reserves;
3. where the aggregate of interim and final dividends and distributions in respect of a financial year produces a yield in excess of 0%, 10%, 13%, 15% and 18% for the financial years ended 31 March 2007, 2008, 2009, 2010 and 2011 respectively;

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4. rights issue of Shares or options over Shares at less than the then current market price of the Shares;
5. rights issue of other securities of the Company (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);
6. issues at less than the then current market price of the Shares;
7. where there is any change made to the rights of conversion;
8. other offers to Shareholders; and
9. other events where it is considered from an economic point of view that adjustment should be made in the interests of fairness and equity. In such event, the Company will consult an independent investment bank to determine what adjustment, if any, to the Initial Conversion Price is fair and reasonable.

Please refer to the notice of EGM on pages 81 to 108 of this circular for further details of the Initial Conversion Price adjustment mechanism. The Directors take the view that the Initial Conversion Price adjustment mechanism is in line with common market practice. The Company will publish an announcement upon adjustment of the Initial Conversion Price.

The Initial Conversion Price of HK\$0.290 per Share represents:

1. the average of the closing prices per Share as quoted on the HK Stock Exchange for the five consecutive trading days ending on 30 August 2006, being the trading day immediately preceding the date of the Term Sheet;
2. a discount of approximately 4.92% over the closing price per Share as quoted on the HK Stock Exchange of HK\$0.305 on 31 August 2006 (which was the day of signing of the Term Sheet), being the last closing price per Share immediately prior to suspension of the Shares for trading on 1 September 2006;
3. a discount of approximately 0.34% over the average of the closing prices per Share as quoted on the HK Stock Exchange of HK\$0.291 for the ten consecutive trading days ending on 30 August 2006, being the trading day immediately preceding the date of the Term Sheet;
4. a discount of approximately 15.94% over the closing price per Share as quoted on the HK Stock Exchange of HK\$0.345 on the Latest Practicable Date;
5. a premium of approximately 288.22% of the net asset value per share of the Company as at 31 March 2006.

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

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Conversion period

The period during which the Redeemable Convertible Preference Shares may be converted at the option of the holders thereof shall commence on or after 30 November 2006 up to the close of business on 23 November 2009 (or if such Redeemable Convertible Preference Shares shall have been called for redemption before the Maturity Date, the close of business on such earlier date which is 7 Business Days before any date fixed for redemption of the Redeemable Convertible Preference Shares by the Company).

Conversion Shares

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

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

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

B = issue amount of the Redeemable Convertible Preference Share (expressed in Hong Kong dollars at the fixed exchange rate of US\$1.00 = HK\$7.80) to be converted

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

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

Upon the conversion of the Redeemable Convertible Preference Shares in full and assuming that there is no adjustment, the Company will have to issue and allot an aggregate of 168,103,449 Shares, representing approximately 11.45% of the existing issued share capital of the Company (among which, approximately 4.58% and 6.87% are issued to the Independent Placess and the Interested Directors respectively) and approximately 10.28% of the issued share capital of the Company as enlarged by the issue of the Shares upon conversion of the Redeemable Convertible Preference Shares in full (among which, approximately 4.11% and 6.17% are issued to the Independent Placess and the Interested Directors respectively), taking no account of the Consideration Shares and assuming that (a) none of the outstanding options of the Company to subscribe for 107,168,000 new Shares under the Share Option Scheme (2002) is exercised; (b) none of the outstanding Convertible Bonds of the Company convertible into 503,880,250 new Shares is converted; and (c) no Shares are repurchased by the Company.

Optional redemption or conversion by the Company

The Company may, subject to relevant legislation and at any time on or after 31 March 2008, upon the giving of not less than 14 days notice in writing to the holders of the Redeemable Convertible Preference Shares, either (a) redeem all but not some only of the Redeemable Convertible Preference

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Shares then outstanding at their issue amount together with all dividends accrued to the date fixed for such redemption; or (b) subject to proviso (2) below, compulsorily convert the Redeemable Convertible Preference Shares at the then prevailing conversion price into new Shares, provided that:

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

Dividend

Holders of the Redeemable Convertible Preference Shares shall be entitled in priority to any payment of dividend to the holders of any other class of shares in the Company to be paid in respect of each financial year or other accounting period of the Company a fixed cumulative preferential dividend of 8.5% per annum, calculated on the issue amount of the Redeemable Convertible Preference Shares and, subject to the relevant legal requirements, payable in two equal installments semi-annually.

Status of the Redeemable Convertible Preference Shares

The Redeemable Convertible Preference Shares shall not confer on the holders thereof the right to receive notice of, attend, speak or vote at any general meeting of the Company, except when a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the Redeemable Convertible Preference Shares, or for the winding-up of the Company, or for sanctioning the sale of the undertakings of the Company, in which case the holders of the Redeemable Convertible Preference Shares shall only be entitled to vote on such resolution.

Further issues

The Company may from time to time create and issue further preference shares ranking as regards participation in the profits and assets of the Company *pari passu* with, but not in priority to, the Redeemable Convertible Preference Shares. Any such further preference shares of the Company

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may either carry rights and restrictions as regards participation in the profits and assets of the Company which are identical to the Redeemable Convertible Preference Shares or with any other series of further preference shares of the Company or rights and restrictions differing therefrom in any respect.

Transferability

Save as the restrictions set out in the Subscription Agreement which are applicable to the Purchasers, the Redeemable Convertible Preference Shares are freely transferable.

16. CHANGE OF SHAREHOLDINGS IN THE COMPANY

Upon the conversion of the Redeemable Convertible Preference Shares in full and assuming that there is no adjustment, the Company will have to issue and allot an aggregate of 168,103,449 Shares, representing approximately 11.45% of the existing issued voting share capital of the Company and taking no account of the Consideration Shares, approximately 10.28% of the enlarged issued voting share capital of the Company following completion of the issue of the Redeemable Convertible Preference Shares, comprising (a) an aggregate of 87,413,793 Shares to the members of the Concert Party Group; (b) an aggregate of 13,448,276 Shares to the Interested Directors other than the Concert Party Group; and (c) an aggregate of 67,241,380 Shares to the Independent Placees.

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

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

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(1)	(2)	(3)	(4)	(5)	(6)	(7)
Name of Shareholder	Number of Shares currently held	Approximate percentage shareholding	Number of Shares after the Placing but before the issue of the Consideration Shares	Approximate percentage shareholding	Number of Shares after the Placing and after the issue of the Consideration Shares	Approximate percentage shareholding
Concert Party Group						
James Mellon	414,037,311	28.21%	488,002,828	29.83%	488,002,828	29.45%
Jayne Sutcliffe	45,125,691	3.07%	51,849,829	3.17%	51,849,829	3.13%
Anderson Whamond	<u>5,826,088</u>	<u>0.40%</u>	<u>12,550,226</u>	<u>0.77%</u>	<u>12,550,226</u>	<u>0.76%</u>
Sub-total:	464,989,090	31.68%	552,402,883	33.77%	552,402,883	33.33%
Other Interested Directors						
Jamie Gibson	—	—	6,724,138	0.41%	6,724,138	0.41%
Mark Searle	4,244,444	0.29%	6,934,099	0.42%	6,934,099	0.42%
Julie Oates	—	—	2,689,655	0.16%	2,689,655	0.16%
David Comba	<u>—</u>	<u>—</u>	<u>1,344,828</u>	<u>0.08%</u>	<u>1,344,828</u>	<u>0.08%</u>
Sub-total:	4,244,444	0.29%	17,692,720	1.08%	17,692,720	1.07%
Libra Fund LP	—	—	43,572,414	2.66%	43,572,414	2.63%
Libra Offshore Limited	—	—	10,220,690	0.63%	10,220,690	0.62%
MLP Investments (Caymans), Ltd.	42,749,539	2.91%	56,197,815	3.44%	56,197,815	3.39%
Stephen Dattels	—	—	—	—	21,514,256	1.30%
Public	<u>955,704,251</u>	<u>65.11%</u>	<u>955,704,251</u>	<u>58.42%</u>	<u>955,704,251</u>	<u>57.67%</u>
Total	<u><u>1,467,687,324</u></u>	<u><u>100%</u></u>	<u><u>1,635,790,773</u></u>	<u><u>100.00%</u></u>	<u><u>1,657,305,029</u></u>	<u><u>100.00%</u></u>

17. REASONS FOR, AND BENEFITS OF, THE PLACING AND USE OF PROCEEDS

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

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

1. US\$2,000,000 (approximately HK\$15,600,000) for the Joint Venture Project;
2. approximately US\$2,040,000 (approximately HK\$15,912,000) for financing part of the interest coupon on the outstanding Convertible Bonds;

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

18. FUND RAISING ACTIVITIES DURING THE PAST 12 MONTHS

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

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

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

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

19. APPROVALS BY THE SHAREHOLDERS

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

The proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Interested Directors constitutes a connected transaction for the Company and is subject to the Independent Shareholders' approval requirement under the Listing Rules. An ordinary resolution will be proposed at the EGM for approval by the Independent Shareholders, by way of a poll vote, of the issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Interested Directors in accordance with the terms and conditions set out in the Subscription Agreement. Pursuant to the Listing Rules, the Interested Directors and their associates (the "Abstaining Shareholders") will be required to abstain from voting on such resolution.

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As far as the Directors are aware having made all reasonable enquiries, as at the Latest Practicable Date:

1. the Shares in respect of which the Abstaining Shareholders control or are entitled to exercise control over the voting right are as follows:

Name of Abstaining Shareholder	Number of Shares held	Approximate percentage shareholding
James Mellon (a non-executive Director) and his associates	414,037,311	28.21%
Jayne Sutcliffe (a non-executive Director) and his associates	45,125,691	3.07%
Anderson Whamond (a non-executive Director) and his associates	5,826,088	0.40%
Mark Searle (an independent non-executive Director) and his associates	4,244,444	0.29%

2. neither were there any voting trusts or other agreements or arrangements or understandings (other than an outright sale) entered into by or binding upon the Abstaining Shareholders, nor were there any obligations or entitlements of the Abstaining Shareholders, whereby such persons have or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and
3. there were no discrepancies between the beneficial shareholding interests in the Company of the Abstaining Shareholders and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

20. LISTING APPROVAL FOR THE SHARES TO BE ISSUED PURSUANT TO THE PLACING

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

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21. IMPLICATIONS UNDER THE LISTING RULES

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

The Company is also seeking shareholders' approval for a specific mandate to issue (a) the Consideration Shares and (b) the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing. No Shareholders will be required to abstain from voting under the Listing Rules in relation to the issue of the Consideration Shares. MLP Investments (Caymans), Ltd. (one of the Placees) and its associates, having a material interest in the Placing, will be required to abstain from voting under the Listing Rules in relation to issue of the Redeemable Convertible Preference Shares under the Placing to the Independent Placees.

The proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing to the Interested Directors constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the Independent Shareholders' approval requirement under the Listing Rules. The proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing to the Interested Directors is therefore conditional upon the approval of Independent Shareholders by way of a poll vote at the EGM. Pursuant to the Listing Rules, the Interested Directors and their associates will be required to abstain from voting upon such resolution at the EGM.

The Independent Board Committee comprising only the independent non-executive Director who does not have a material interest in the transaction contemplated under the Placing, has been established to advise the Independent Shareholders in relation to the Placing and the Subscription Agreement. Altus Capital Limited has been appointed as the Independent Financial Advisor to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Placing and the Subscription Agreement.

22. AMENDMENT TO THE ARTICLES OF ASSOCIATION

To allow for the issuance of the Redeemable Convertible Preference Shares, the Company will need to amend its Articles of Association for the creation of the Redeemable Convertible Preference Shares. A new Article 8A will be added to the existing Articles of Association which sets out the terms and conditions of the Redeemable Convertible Preference Shares, the principal terms of which are set out in the section headed "Principal Terms of the Redeemable Convertible Preference Shares" of this circular.

Subject to the approval of the issue of the Redeemable Convertible Preference Shares, a special resolution will be proposed at the EGM for approval by the Shareholders of the amendment to the Articles of Association. The proposed amendment to the Articles of Association will comply with the requirements of Appendix 3 and Part B of Appendix 13 to the Listing Rules.

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23. RECOMMENDATIONS

The maximum investment amount payable by the Joint Venture Company under the Joint Venture Contract and the total amount of consideration represented by the Consideration Shares to be issued by the Company pursuant to the Introduction Agreement were determined after arm's length negotiations between the Company on the one side, and SSM, SLM and Stephen Dattels (as the case may be) on the other. The Directors (including the independent non-executive Directors) believe that the terms of the Joint Venture Contract and the Introduction Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote at the EGM in favour of the resolution approving the issue of the Consideration Shares in accordance with the terms and conditions of the Introduction Agreement.

In addition, the terms and conditions of the Subscription Agreement and the principal terms of the Redeemable Convertible Preference Shares were determined after arm's length negotiations between the Company and the Purchasers. As far as the Independent Placees are concerned, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the entering into of the Subscription Agreement and the issue to the Independent Placees of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares are in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Disinterested Shareholders to vote at the EGM in favour of the resolution approving the issue to the Independent Placees of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares in accordance with the terms and conditions of the Subscription Agreement.

Having taken into account the recommendation and advice from the Independent Financial Advisor in relation to the Placing and the Subscription Agreement, the Independent Board Committee is of the view that the terms and conditions of the Subscription Agreement and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole so far as the Company and the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the entering into of the Subscription Agreement and the issue to the Interested Directors of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 45 and 46 of this circular which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Advisor set out on pages 47 to 54 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Placing and the Subscription Agreement and the transactions contemplated thereunder.

Both the Independent Board Committee and the Independent Financial Advisor recommend the Independent Shareholders to vote at the EGM in favour of the resolution approving the issue of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Interested Directors in accordance with the terms and conditions of the Subscription Agreement.

LETTER FROM THE BOARD

24. EXTRAORDINARY GENERAL MEETING

Set out on pages 81 to 108 is a notice convening the EGM to be held at The Lagoon Ballroom, The Landmark Macau, 555 Avenida de Amizade, Macau on Thursday, 23 November 2006 at 11:00 a.m. for the purposes of considering and, if thought fit, passing the resolutions for approval of (a) the issue of the Consideration Shares by the Shareholders; (b) the issue to the Independent Placees and the Interested Directors of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares by the Disinterested Shareholders and the Independent Shareholders, respectively, by way of a poll vote; and (c) the proposed amendment to the Articles of Association. Pursuant to the Listing Rules, MLP Investments (Caymans), Ltd. and its associates will be required to abstain from voting on the resolution approving the issue to the Independent Placees of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares. The Interested Directors and their associates will be required to abstain from voting on the resolution approving the issue to the Interested Directors of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares.

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

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

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

1. by the chairman of such meeting; or
2. by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
3. by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one tenth of the total voting rights of all shareholders having the right to vote at the meeting; or

LETTER FROM THE BOARD

4. by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right.

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

25. GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

For and on behalf of the Board of
Regent Pacific Group Limited
James Mellon
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 575)

Independent Board Committee:
Patrick Reid

Registered Office:
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

27 October 2006

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of which this letter forms part. Terms defined in the circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, (a) the terms and conditions of the Subscription Agreement and the principal terms of the Redeemable Convertible Preference Shares are in the interests of the Company and the Shareholders as a whole; and (b) the proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares under the Placing to the Interested Directors in accordance with the terms set out in the Subscription Agreement, are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Altus Capital Limited has been appointed as the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Placing and the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the recommendation and advice from the Independent Financial Advisor in relation to the Placing and the Subscription Agreement, we are of the view that the terms and conditions of the Subscription Agreement and the principal terms of the Redeemable Convertible Preference Shares are fair and reasonable and the entering into of the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote at the EGM in favour of the resolution approving the issue of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Interested Directors in accordance with the terms and conditions of the Subscription Agreement.

Yours faithfully,
**The Independent Board Committee
of Regent Pacific Group Limited
Patrick Reid**

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The following is the text of the letter of recommendation and advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

27 October 2006

Independent Board Committee and Independent Shareholders

Regent Pacific Group Limited

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

Dear Sirs,

CONNECTED TRANSACTION RELATING TO THE ISSUE OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES TO THE INTERESTED DIRECTORS

INTRODUCTION

We refer to our appointment as independent financial advisor to advise the Independent Board Committee and Independent Shareholders in respect of the proposed issue and allotment of the Redeemable Convertible Preference Shares and the Shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares to the Interested Directors ("Transaction") pursuant to the Subscription Agreement. Details of the Transaction and the terms and conditions of the Subscription Agreement are set out in the letter from the Board ("Letter") contained in the circular of the Company dated 27 October 2006 ("Circular") to the Shareholders, of which this letter forms part. Terms used in this letter have the same meanings as those defined in the definitions section of the Circular unless the context requires otherwise.

The Transaction constitutes a connected transaction for the Company under the Listing Rules and is conditional upon the approval of the Independent Shareholders by way of a poll vote at the EGM. The Interested Directors and their associates will be required to abstain from voting upon such resolution at the EGM.

The Independent Board Committee has been established to give advice and recommendation to the Independent Shareholders in relation to the Transaction and it comprises solely Mr. Patrick Reid as the other three independent non-executive Directors, being Messrs Mark Searle, Julie Oates and David Comba as Placees under the Placing. We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transaction are in the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

interests of the Company and the Shareholders and whether they are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion to the Independent Board Committee in relation to the Transaction for their consideration in making a recommendation to the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Transaction, we have relied to a considerable extent on the information, statements, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided or made to us by the Directors and representatives of the Company. We assume that all such information, statements, opinions and representations, for which the Directors and representatives of the Company are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We have also relied on certain publicly available information and we have assumed such information to be accurate and reliable, and we have not carried out any independent verification on the accuracy of such information.

The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts or information (which is known to the Company, its representatives and the Directors) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information, facts, and representation provided, or the reasonableness of the opinions expressed by the Company, its representatives and the Directors. We have not carried out any independent verification on the information provided to us by the Company, its representatives and the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs, assets and liabilities of the Company, and the prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. Background

The Company's principal activity is investment holding and it currently holds a 40% indirect interest in the Dapingzhang Joint Venture Company, which commenced operations in April 2006, and is engaged in the exploration, mining and processing of copper and other multi-metal minerals in the PRC. To finance the Dapingzhang Joint Venture Project, the Company had announced on 30 March 2006, the issue of the Convertible Bonds to raise US\$20,000,000 (approximately HK\$156,000,000). The net proceeds from such issue have been fully deployed for their intended purposes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

To further strengthen its existing investment in the minerals processing industry in the PRC, the Company announced on 7 September 2006 that it has, through RML, entered into the Joint Venture Contract with SSM and SLM relating to the establishment of a Sino-foreign co-operative joint venture enterprise to conduct exploration, mining and processing of copper and other multi-metal mineral resources in close proximity to the Dapingzhang Mine.

To finance the capital commitment under the Joint Venture Project and raise further working capital for the Group, the Company had entered into the Term Sheet on 31 August 2006 and the Subscription Agreement dated 11 October 2006 with the Placees pursuant to which, subject to the conclusion of the Subscription Agreement, the Company will raise US\$6,250,000 (approximately HK\$48,750,000) by way of placing of the Redeemable Convertible Preference Shares to the Independent Placees and the Interested Directors.

Based on the above, the Transaction and the entering into of the Subscription Agreement therefore consistent with the business objectives of the Group of reshaping towards its vision of being a company focused on the acquisition, exploration and development of base metal mining properties in the PRC.

2. Reasons for the Placing and use of proceeds

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

It is intended that the proceeds of the Placing of approximately US\$6,250,000 (approximately HK\$48,750,000) be used as follows:

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

Based on our discussions with the management, in addition to the Placing, the Company had explored other forms of fund raising method, including bank borrowings, a rights issue of Shares or a placing of Shares.

Bank borrowings were not considered as the management believes the Company will not be able to borrow at favourable terms due to the exploratory nature of the projects to be conducted under the Joint Venture Contract. In addition, certain restrictions and covenants set out under the terms of the Convertible Bonds have limited the borrowing capacity of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

A rights issue of Shares entails negotiations with underwriters and there is uncertainty as to whether the required funding will be underwritten. It also has relatively high transaction costs in comparison with the amount of funds being raised and longer time to complete. Meanwhile, a placing of Shares will typically require new Shares to be issued at prices below the prevailing market price, and given the declining trend of Shares described above, such discount, where permissible under the Listing Rules, may be substantial.

As Placees have been readily identified, we therefore concur with the Directors that the Placing is an expedient way for raising capital at this juncture and is in the interest of the Company and the Shareholders on the whole.

3. Rationale for placing to the Interested Directors

In order to complete the Placing in an expedient manner, the Company entered into negotiations with a number of potential independent third party placees and the Directors who indicated interest in participating in the Placing. The balance of the Placing not taken up by the independent third party placees was allocated to the Interested Directors.

The placing to the Interested Directors enables the Company to raise the intended amount of capital for the Group's current requirements. Failing which, the Company will have to explore and conduct further capital raising exercises which may be time consuming for management and not cost effective. The taking up of the Redeemable Convertible Preference Shares by the Interested Directors also demonstrated the continued commitment of the Interested Directors towards to the Group. On the basis above, we are of the view that such arrangement is fair and reasonable.

4. Terms of the Redeemable Convertible Preference Shares

Maturity and redemption

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Redeemable Convertible Preference Share at 100% of its issue amount on its Maturity Date of 30 November 2011.

The Redeemable Convertible Preference Shares have a tenure of five years. We believe such maturity is consistent with the potential cash flow generation from the two joint venture projects in the event of a redemption.

Conversion price

The Initial Conversion Price is HK\$0.290 per Share and is determined based on the average of the closing prices of Shares as quoted on the HK Stock Exchange for the five consecutive trading days immediately preceding the date of the Term Sheet.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

The Shares have been trading on a general declining trend since May 2006 where closing prices declined from a high of HK\$0.64 per Share on 12 May 2006 to a low of HK\$0.285 on several days in August 2006, before closing at HK\$0.305 per Share immediately prior to suspension of their trading on 1 September 2006, being the day of signing of the Term Sheet.

Given the declining trend of the Shares and considering the fact that Shares will likely have to be issued at discounts to current market price if the Company conducts a placing of new Shares to raise funds, we are of the view that the Initial Conversion Price is fair and reasonable. As stated in the paragraph headed “6. Net asset value of the Group” below, the Initial Conversion Price of HK\$0.29 represents a significant premium over the net asset value of approximately HK\$0.07 per Share as at 31 March 2006. The subsequent conversion of the Redeemable Convertible Preference Shares, if any, may therefore enhance the net asset value per Share.

As set out in the Letter under the paragraph headed “Conversion price” under the section headed “15. Principal terms of the Redeemable Convertible Preference Shares”, the Initial Conversion Price is subject to adjustments upon the occurrence of certain events. The general principle underlying the adjustment provisions is to preserve the economic position of the holders of the Redeemable Convertible Preference Shares so as to mitigate the impact of actions or events of the Company which may be detrimental to them as contingent equity holders, who do not have the right to vote.

The adjustment provisions can generally be categorised as those relating to:

- (i) changes in the capital structure of the Shares, such as alteration to nominal value of the Shares as a result of consolidation, subdivision or reclassification of Shares;
- (ii) issuance of additional Shares such as a rights issue of Shares and options over Shares;
- (iii) substantial distributions and offers to Shareholders; and
- (iv) other events which the Company determines require an adjustment.

While the adjustments under most circumstances are specifically catered for, the impact to Shareholders due to certain categories listed above could not be quantified at this moment given the vast array of possible actions of the Company, the potential impact of which cannot be clearly specified. We noted however that under such circumstances, the Company is required to engage an independent investment bank to advise on a fair adjustment.

The adjustment provisions are negotiated on an arm’s length basis between the Company and the purchasers of the Redeemable Convertible Preference Shares. We have reviewed the adjustment mechanisms and are of the view that they serve to achieve the general principle stated above and are in line with common market practice. On this basis, we are of the view that the adjustment provisions are fair and reasonable to the Company and the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Dividend

Holders of the Redeemable Convertible Preference Shares are entitled to a fixed dividend of 8.5% per annum, payable in two equal instalments semi-annually.

The only borrowings of the Group during the past 12 months immediately preceding the Latest Practicable Date are the Convertible Bonds issued by the Company on 31 March 2006, which carry an interest rate of 12% per annum. According to the Directors, it is not feasible for the Group to obtain financing on an unsecured basis for the two projects due to (i) lack of majority interest in the Dapingzhang Mine, and (ii) the exploratory nature of the Joint Venture Project. Even if available, the funding cost for such borrowings would likely be higher than 8.5% per annum.

Compared with the Convertible Bonds and possible other forms of borrowings, we are of the view that dividend rate of the Redeemable Convertible Preference Shares is fair and reasonable.

Optional redemption or conversion by the Company

Under the terms of the Redeemable Convertible Preference Shares, the Company may at any time on or after 31 March 2008, (a) redeem all the then outstanding Redeemable Convertible Preference Shares; or (b) compulsorily convert the Redeemable Convertible Preference Shares subject to certain conditions as further described in the Letter.

The options described above provide flexibility to the Company to, where possible, redeem or convert the Redeemable Convertible Preference Shares depending on its then cash flow positions, which is favourable to the Company and the Shareholders on the whole.

5. Impact on shareholding interests of Shareholders

As at the Latest Practicable Date, the Company had 1,467,687,324 Shares in issue, of which 955,704,251 Shares (or approximately 65.11%) were held by Shareholders who are considered as public. On this basis, upon conversion of the Redeemable Convertible Preference Shares in full and assuming that:

- (a) there is no adjustment and taking no account of the Consideration Shares and the outstanding options, the Company will have to issue and allot an aggregate of 168,103,449 Shares, representing approximately 11.45% of the existing issued voting share capital and approximately 10.28% of the enlarged share capital. The shareholding of Shareholders who are considered as public will decrease to about 58.42%, representing a dilution of approximately 10.27%; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

- (b) the Consideration Shares and all outstanding options were exercised or converted in full (as the case may be), the Company will have to issue and allot an aggregate of 296,785,705 Shares, representing approximately 20.22% of the existing issued voting share capital and approximately 16.82% of the enlarged share capital. The shareholding of Shareholders who are considered as public will decrease to about 54.16%, representing a dilution of approximately 16.82%.

As at the Latest Practicable Date, there were outstanding Convertible Bonds which are convertible into 503,880,250 Shares. Assuming the full conversion of the outstanding Convertible Bonds, the Consideration Shares and the outstanding options, the enlarged share capital of the Company would become 2,100,249,830 Shares, of which 955,704,251 Shares (or approximately 45.50%) will be held by Shareholders who are considered as public. On this basis, upon conversion of the Redeemable Convertible Preference Shares in full, the 168,103,449 Shares to be issued and allotted will represent approximately 8.00% of the 2,100,249,830 Shares voting share capital of the Company and approximately 7.41% of the enlarged share capital. The shareholding of Shareholders who are considered as public will therefore decrease from approximately 45.50% to about 42.13%, representing a dilution of approximately 7.41%.

The Initial Conversion Price is determined based on prevailing market prices of Shares and as further discussed below, it represent a significant premium over the net asset value per Share. Given the benefits of the Placing in terms of cost effectiveness and short lead time, we are of the view that the potential dilution effect on shareholding interests of Shareholders, while not favourable, is acceptable.

6. Net asset value of the Group

Based on its audited consolidated balance sheet as at 31 March 2006, the Group had net assets of approximately US\$13,153,000 (approximately HK\$102.6 million), or approximately HK\$0.07 per Share based on the 1,467,687,324 Shares in issue. The Initial Conversion Price of HK\$0.29 represents a significant premium over the net asset value per Share as at 31 March 2006. The subsequent conversion of the Redeemable Convertible Preference Shares, if any, may therefore enhance the net asset value per Share.

7. Working capital of the Group as a result of the Placing

The issuance of the Redeemable Convertible Preference Shares will raise gross proceeds of US\$6,250,000. The working capital position of the Group will therefore improve immediately after the Placing.

The redemption of the Redeemable Convertible Preference Shares, if any, will not occur until their maturity in November 2011. No cash outflow as a result of their redemption will be necessary if the Redeemable Convertible Preference Shares are converted prior to the Maturity Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

RECOMMENDATION

In summary, we believe the issuance of the Redeemable Convertible Preference Shares is consistent with the business objectives and development of the Group and their terms are fair and reasonable. Compared to other fund raising methods, the Placing is an expedient way for the Company to raise capital at this juncture. While we note that there will be potential dilution on the public Shareholders of between approximately 7.41% and approximately 16.82%, we are of the view that the extent of dilution is acceptable, taking into account the benefits of the Placing. The Transaction enables the Company to raise the intended amount of capital for the Group's current requirements in a timely and cost effective manner.

Based on the above, we are of the view that the Transaction and the Subscription Agreement are in the interests of the Company and the Shareholders, and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the Transaction at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Arnold Ip
Executive Director

Sean Pey, Chang
Executive Director

*The following is the text of the report (the “**Technical Report**”) prepared by Mr. Patrick John Adams BSc MAusIMM MAIG, a professional geologist with 20 years experience in the exploration for, and estimation and reporting of mineral resources and a director of Cube Consulting of 1111 Hay Street, West Perth, Western Australia 6872. A copy of the Technical Report is available for inspection by Shareholders during normal business office hours at the Company’s principal place of business in Hong Kong up to the date of the EGM and at the EGM.*

INTRODUCTION

Scope

Cube Consulting was contracted by the Company to provide an independent technical report to comment on the possible existence and extent of natural resources occurring on the areas covered by the three exploration permits and one mining permit, which together constitute the Yinzishan Mine and are located near Simao City in Yunnan Province, the PRC.



Figure 1 — Yunnan Province, the PRC [1]

The Technical Report is based entirely on the information provided to Cube Consulting by the Company and observations made during a site visit by the author on 4-5 August 2006.

Data input*Reports and documents*

Report Title	Originator	Date
1. Annual report of the Company for the year ended 31 March 2006	The Company	July 2006
2. Microsoft Powerpoint “hw mine2.ppt”	The Company	August 2006
3. Microsoft Powerpoint “hwmine permits.ppt”	The Company	August 2006
4. Photographs	The author	
5. http://earthsci.org/mineral/mindep/depfile/vms.jpg	—	
6. http://www.geocities.com/ijkuk/vms.gif	—	
7. The Geological Report for Dapingzhang copper property in Yunnan Province, PRC	Yunnan Provincial Geology Survey Bureau	July 2001

Data inputs are referenced throughout the Technical Report as a number in square brackets from the list above ([1] for “Annual report of the Company for the year ending 31 March 2006”, for example).

Summary of work on site undertaken by Cube Consulting

1. Visit the Highway Mine;
2. Inspection of ore stockpile;
3. Inspection of current ore feed to mill;
4. Inspection of mill and processing facility;
5. Inspection of mine administration offices;
6. Geological briefing by the geological and management staff of the Highway Mine;
7. Inspection of the mineralisation and mining operation via Portal 6;
8. Inspection of upper level audits Portal 5 and 4;
9. Inspection of nearby field occurrences of oxide copper mineralisation; and
10. General inspection of exploration permits along roads within the permit areas.

Permits

The exploration and mining permits constituting the Yinzishan Mine and forming the subject of this technical report are summarised in Table 1 below. The locations of the exploration and mining permits are shown on a plan of the regional geology as mapped by the Yunnan Provincial Geology Survey Bureau [7], Figure 2.

Permit Number	Owner	Date Issued	Type	Renewal Date
Mining Permit 5327010110012	SLM	8 Dec 2001	Underground copper mine	Dec 2011
Exploration Permit 5300000511513	SSM	15 Nov 2005	Copper multi-metal general survey	14 Nov 2006
Exploration Permit 5300000521795	SSM	31 Dec 2005	Multi-metal general survey	30 Dec 2007
Exploration Permit 5300000521798	SSM	31 Dec 2005	Copper, silver, zinc multi-metal general survey	30 Dec 2007

Table 1 — Details of the exploration and mining permits

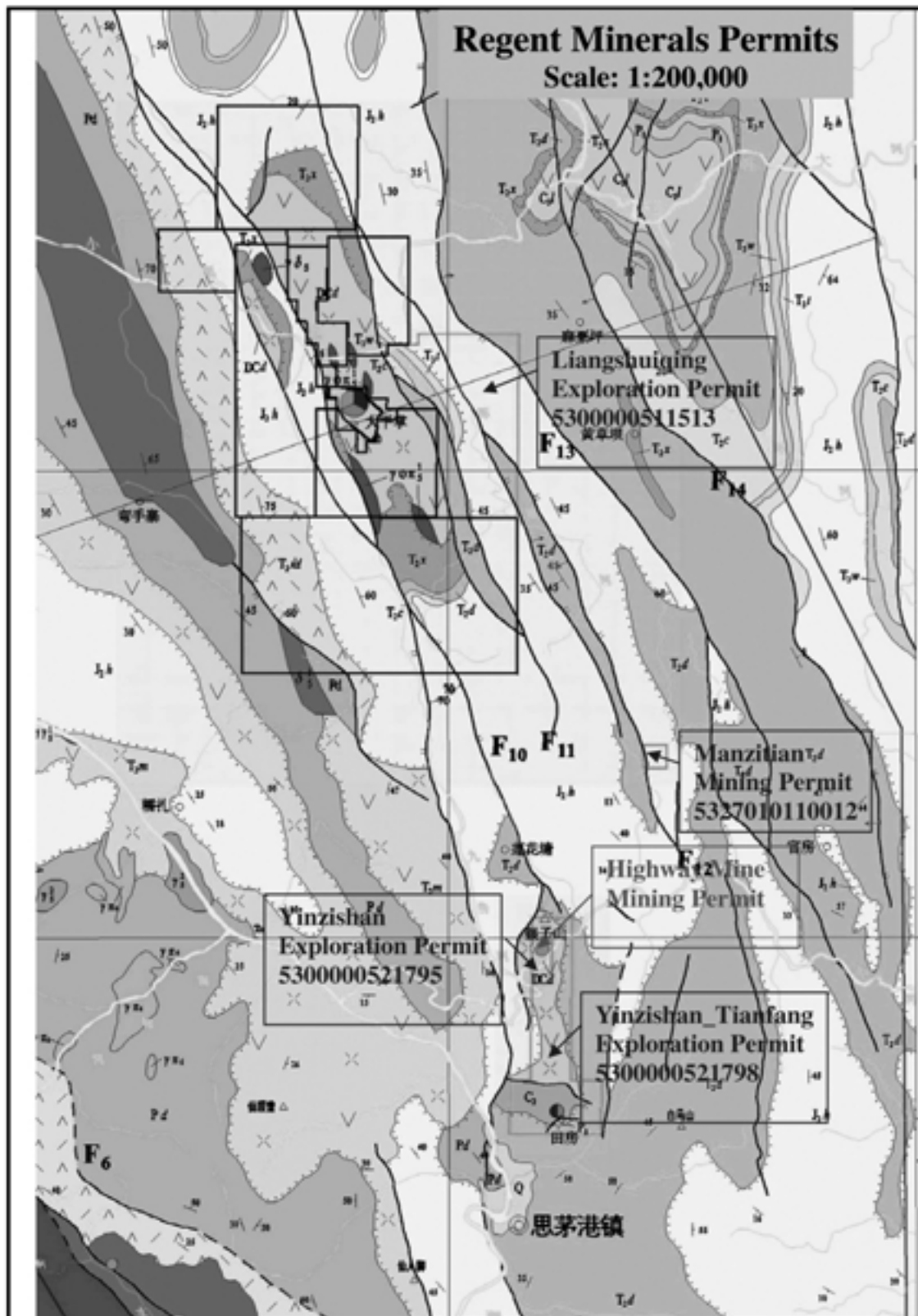


Figure 2 — Regional Geology — Locations of the exploration and mining permits [3]

DETAILS OF THE EXPLORATION AND MINING PERMITS**Introduction**

The exploration permits (5300000511513, 5300000521795 and 5300000521798) and the mining permit (5327010110012) to be acquired by the Joint Venture Company from SSM and SLM, respectively, cover an aggregate area of approximately 57 km². The Highway Mine shown in red on Figure 2, is a small scale, shallow underground mine currently owned and operated by Simao Dongrui Mining Ltd., an independent third party. The operation is situated within a small, 0.1 km² mining permit wholly enclosed by the exploration permits (5300000521795 and 5300000521798) as illustrated in Figure 8. Because of its proximity to the main access road between Simao City and Simaogang the Highway Mine offers an excellent opportunity to examine one of the mineralised occurrences within the exploration permits that is being actively worked. The Highway Mine workings are located in one of the potential host lithologies within the exploration permit areas. The author spent half a day in and around the Highway Mine and another full day driving through the permit areas on route to the site of the Dapingzhang Mine, which is immediately adjacent to the area covered by the third exploration permit (5300000511513). The author has not visited the area covered by the mining permit (5327010110012).

Location and Climate

The exploration permits (5300000511513, 5300000521795 and 5300000521798) are located in the south western part of Yunnan Province. One is adjacent to the Dapingzhang Mine and the other two are approximately 40 km² south east of the Dapingzhang Mine. The Company currently has an indirect 40% equity interest in Yunnan Simao Copper Company Limited, the holder of the relevant exploration and mining permits of the Dapingzhang Mine. The Highway Mine is immediately adjacent to the sealed two-lane road connecting Simao and Lancang, approximately 60 km² from Simao, Figure 3 and Figure 4. It is located in the northern parts of the exploration permits (5300000521795 and 5300000521798). These two exploration permits are located adjacent to the Lancang (Mekong) River at the south end of the Hengduan Mountain Range, in an area of moderately high relief, exceeding 1570 metres and are cut by deep river valleys. The area is categorised as an earthquake prone zone with productive seismic movements. It has been subject to eighteen earthquakes between 1923 and 1996, with six registering Richter 6 and two registering Richter 7 [7].

The regional climate is tropical monsoon, with modifications as altitude increases. The wet season extends from May to October and the dry from November to April. Annual precipitation, 87% of which falls during the wet season, is reported as 1,500mm. Average temperatures for the lower lying regions are above 20°C with those at higher altitudes recorded as 16°C. There is little seasonal temperature change [7].

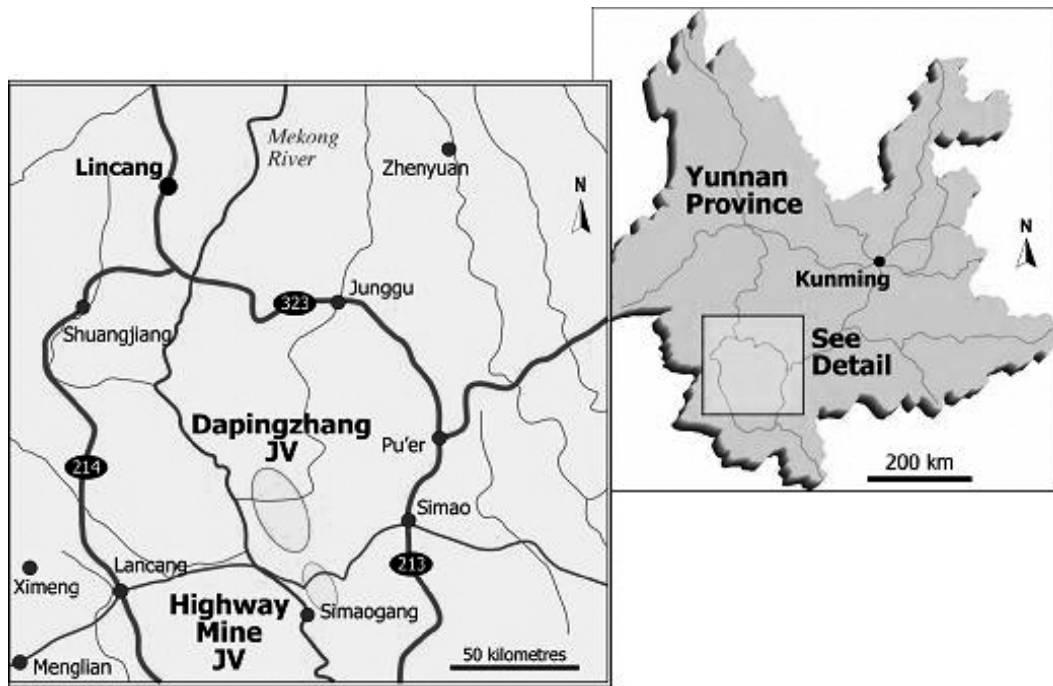


Figure 3 — Simao — Lancang Location Map [1]



Figure 4 — Highway Mine — Sealed Road to Simao — Looking North-west [4]

Geology and mineralisation of the areas covered by the exploration permits (5300000521795 and 5300000521798) and the Highway Mine

The Highway Mine is currently operated on a number of levels including Level 6, with a number of other levels worked out. The author entered the mine operations at the road level portal, Portal 6, seen in Figure 6 and walked the extents of the workings on this level as detailed in the plan, Figure 5.

Inspections of regional geology within the two southern exploration permits were made at a number of roadside cutting sites between the Lancang River and the eastern permit boundaries and inspections of the southern extents by means of road cuttings on the road from Simaogang to the Highway Mine.

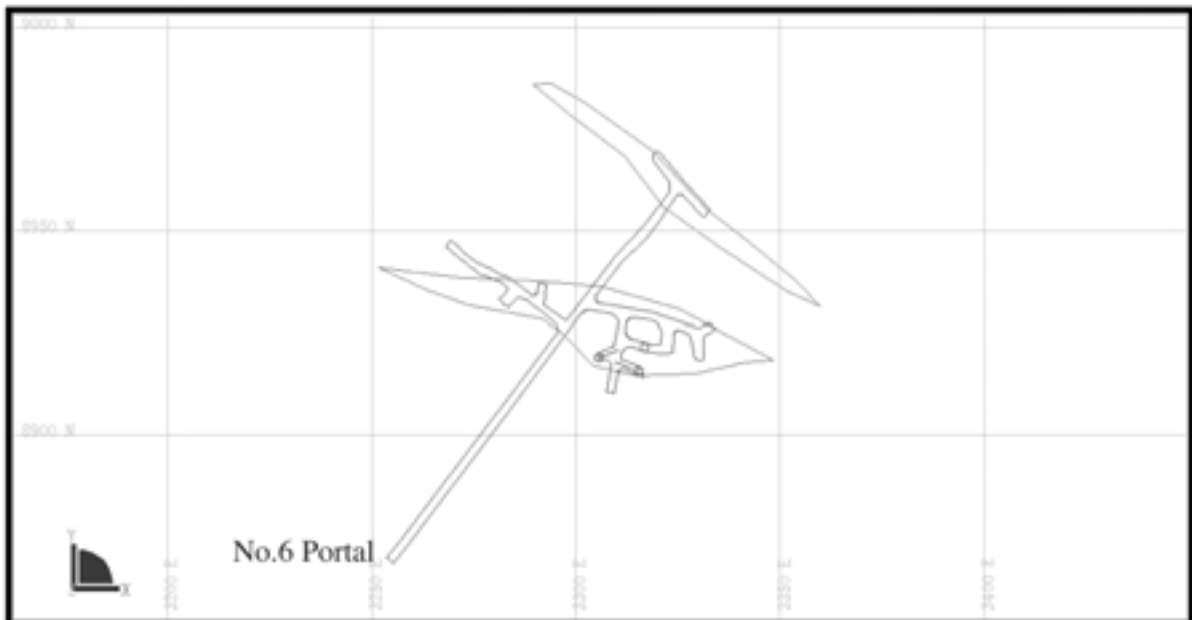


Figure 5 — Highway Mine — Plan of Portal 6 [2]



Figure 1 — Highway Mine Portal 6 [4]

The Regional Geology Map supplied by the Company, Figure 8, indicates that the areas covered by the two southern exploration permits and the Highway Mine are located within inter-bedded Devonian volcanics consisting of dacite, tuff and rhyolite. The geological staff of the Highway Mine believe the deposit to be a Volcanogenic massive sulphide (VMS) deposit type, and that current mining is situated in the stockwork zones possibly approaching the system vent and massive sulphide occurrences, as seen in Figure 7.

The mine lithological assemblage observed by the author in Portal 6 walls was strongly chlorite altered volcanic rock with some hematite alteration as seen in Figure 9 and Figure 10.

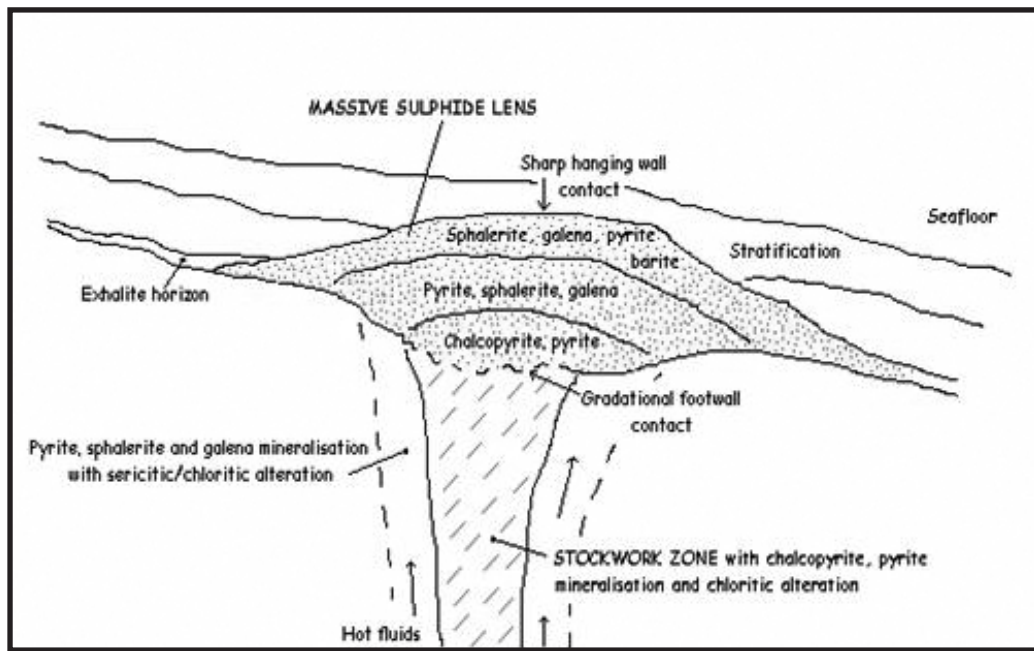


Figure 7 — Idealised Volcanogenic Massive Sulphide Deposit [6]

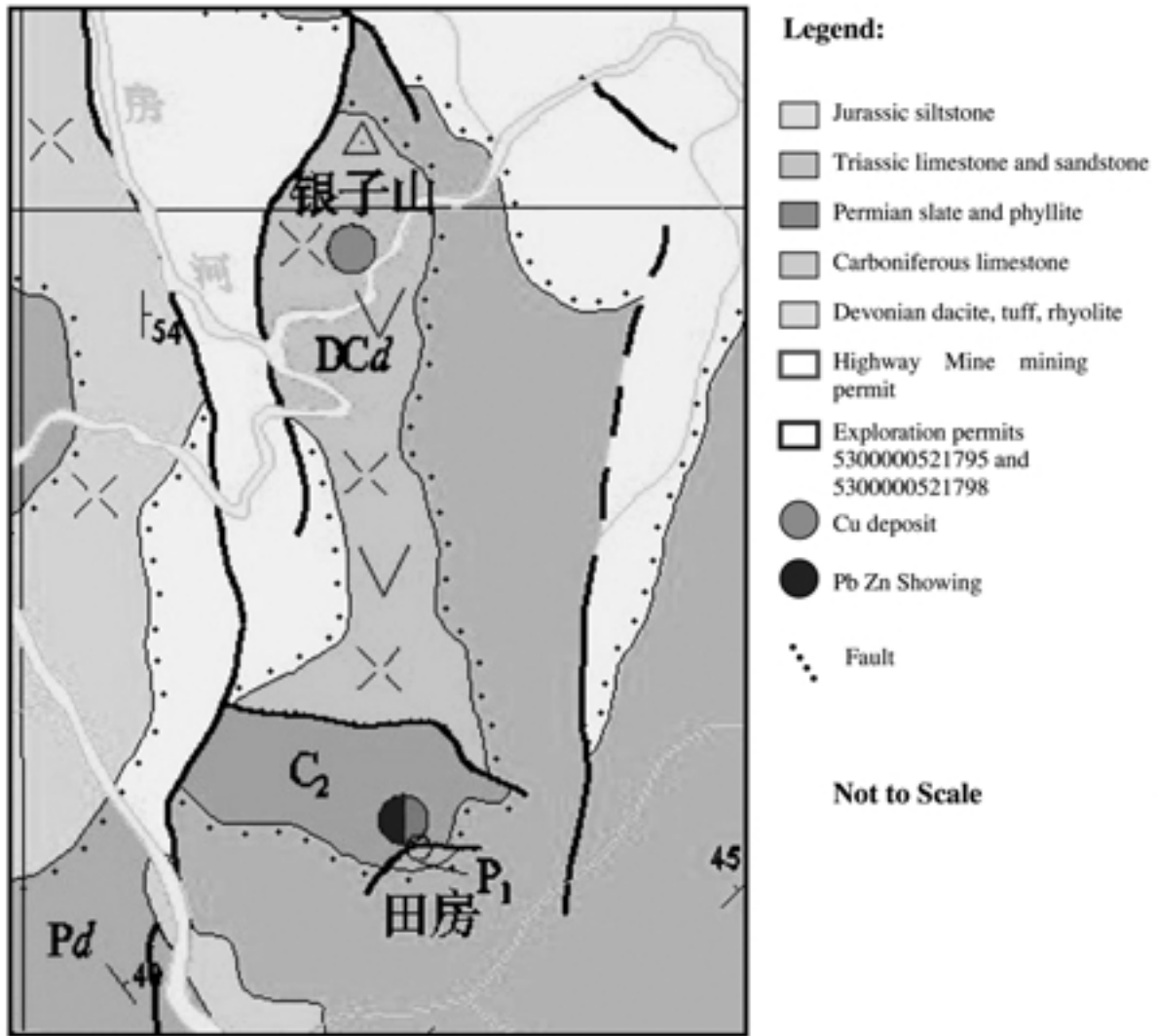


Figure 8 — Regional Geology — Southern Exploration Permits [2]



Figure 9 — Highway Mine Portal 6 Wall rock [2]

The mine rock at the Portal opening is pyrite rich with the content of disseminated chalcopyrite increasing along the tunnel towards the working face. The grades at the face are currently reported to be of the order of 0.8% Copper. This represents the highest grade material mined to date. The presence of metal zonation is characteristic of the VMS style deposit. The pyrite rich extrusive volcanics with progressively increasing chalcopyrite content can be an indication that the mining may be progressing closer to the massive sulphide concentration in the vent of the system. This is consistent with the geological model for mineralisation presented.

Inspection of field occurrences in the near vicinity of the Highway Mine confirms outcrops of oxide copper mineralisation within the exploration permits within volcano genic hosts. Significantly some of the surface occurrences mapped by local geologists align with the mine workings on a similar north-west/south-east trend (approximately azimuth 320°) to the mineralisation being drilled and mined at the Dapingzhang Mine. The southern exploration permits cover the extent of outcropping Dacite, Rhyolite and Tuff as mapped by the Yunnan Provincial Geology Survey Bureau [7] and include areas of carboniferous limestone in the south.



Figure 10 — Highway Mine Portal 6 Wall rock disseminated Chalcopyrite [4]

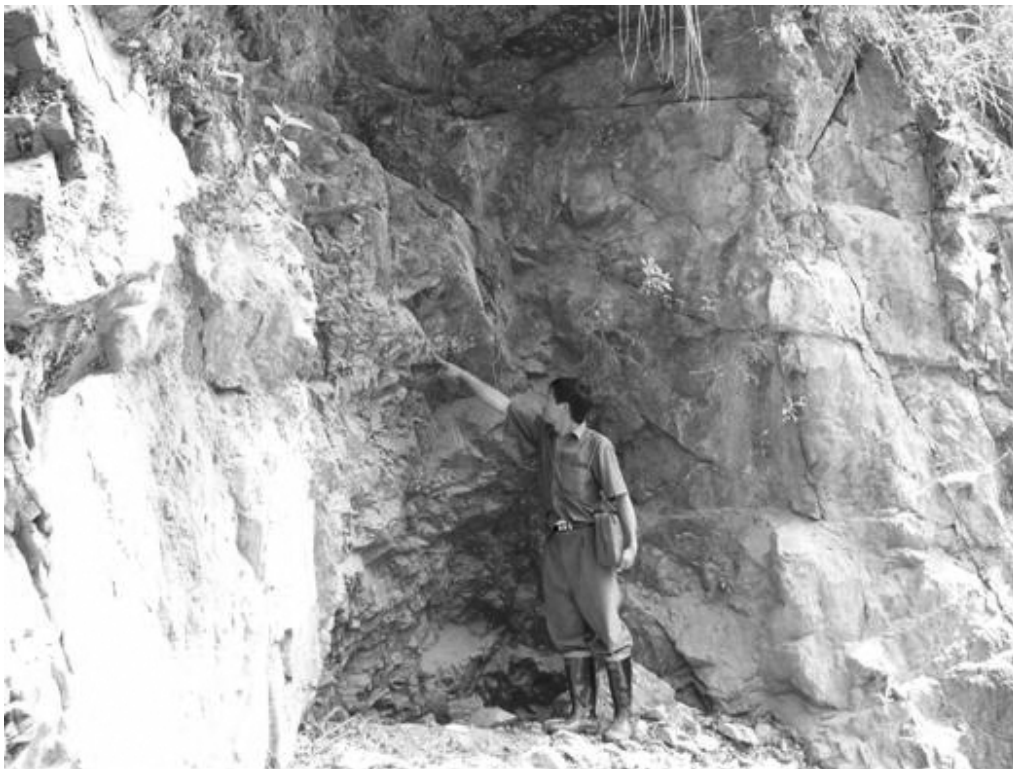


Figure 11 — Surface occurrences of copper minerals within 0.5 km of the Highway Mine [4]



Figure 12 — Surface occurrences of copper minerals within 0.5 km of the Highway Mine [3]

Geology and mineralisation of the area covered by the exploration permit (5300000511513)

The northern-most exploration permit (5300000511513) is immediately adjacent to the Dapingzhang Mine workings and was inspected while the author visited the Dapingzhang Mine. It covers an area of volcanics of the Dawazi Formation, and includes keratophyre, breccia tuff, tuffaceous mudstones and silicates as well as parts of the Dapingzhang Mine lithology [7]. The exploration drilling currently being undertaken by the Company and its partners in the Dapingzhang Mine indicate that the trend of the mineralisation may extend to the north east and into the areas of this exploration permit. This permit includes lithologies that are considered by the author to be prospective for sulphide mineralisation.

Conclusion

The Highway Mine exhibits a number of significant characteristics of VMS style mineralisation. The observed geology in the vicinity of the Highway Mine confirms that the mine is located within a lithology that is prospective for copper in a VMS environment. Material being removed from the mine contains disseminated copper mineralisation in association with pyrite and minor amounts of other sulphide minerals. The geology observed in outcrop in road cuttings within the two southern exploration permits (5300000521795 and 5300000521798) conforms to that depicted on the Yunnan Provincial Geology Survey Bureau Regional Geology map [6].

The northern exploration permit covers an area that is located to the east of the Dapingzhang Mine. This eastern extent of the Dapingzhang Mine area is an area that is significant because current drilling indications are that the sulphide mineralisation at Dapingzhang Mine may extend in that general direction.

EXPLORATION WORK UNDERTAKEN, RESOURCES AND RESERVES CALCULATED

To the author's knowledge, exploration of the areas covered by the exploration permits to date consists of regional scale mapping (at scales of 1:1,000,000 between 1962-1964 and 1:200,000 between 1977-1983) and stream sediment sampling (at a scale of 1:200,000 between 1990-2000) by the Yunnan Provincial Geology Survey Bureau and limited outcrop sampling by the current owners of the exploration permits. There has been some systematic exploration of the areas covered by the exploration permits by geophysical methods, including airborne magnetic surveys in 1975 and a regional gravity survey in 1985. The area covered by the mining permit (5327010110012) to be acquired by the Joint Venture Company from SLM has been subject to a limited amount of detailed geological mapping (at a scale of 1:5,000) and underground mapping and sampling (at a scale 1:1,000) and is reported to contain a resource of 8,775 tonnes at an average copper grade of 5.54%. There has been no drilling undertaken on the areas covered by the exploration and mining permits. Because there is no significant three-dimensional data from a sampling programme such as diamond drilling or face sampling, there has not been any systematic, scientific study made to determine the resources of any mineral occurrences within the areas covered by the exploration and mining permits and therefore no reserve estimations are available. In the absence of detailed geological and assay data the author is unable to make any predictions in regard to resources and reserves and believes that the reported calculated resources may be an incomplete inventory of any resources.

PROPOSED WORK PROGRAM

The Company's geologists have formulated a program of work for the areas covered by the exploration and mining permits upon completion of the Joint Venture Contract:

1. Mapping and sampling of all the existing tunnels of the mine subject to the mining permit (5327010110012) to understand the controls on mineralisation. This would allow an updated three-dimensional understanding of the occurrences of economic mineralisation to be built. In addition sampling from the mines would allow the exploration of surrounding permits to be fine-tuned and more precisely focused.
2. Undertaking an exploration program to include:-
 - (a) surface and underground diamond drilling programs on a contract basis using the China based, Huafang Drilling Company or Bradley of Canada;
 - (b) geophysical survey, including a ground geophysical survey (TEM) conducted by the MLR Geophysical Institute on a contract basis; and
 - (c) complete a resource model and estimation to optimize production.

3. Continuation of mining to maintain mill operation and cash flow.

The Company proposes to establish a professional technical team comprising three geologists and a surveyor to undertake the work. Cube Consulting agrees that the program as proposed is an adequate and achievable program to develop the potential of the areas covered by the three exploration permits.

RISK SUMMARY

Project Strengths

In the author's opinion, the three exploration permits and the mining permit constituting the Yinzishan Mine and forming the subject of the Technical Report are located over lithological units that have demonstrated potential for the extraction of copper mineralisation. This makes them a valuable addition to the Group's holdings in copper mineralisation.

The presence of the small mine subject to the mining permit (5327010110012) allows the Group to acquire another cash generating operation, albeit a small one. The three exploration permits provide the Group with a significant land holding in a region prospective for copper and other sulphide mineralisation. The underground workings at the mine subject to the mining permit (5327010110012) should allow the Company's geologists to quickly focus their exploration for potential massive sulphide ore bodies both within the mining lease and the surrounding tenements. It is the nature of VMS deposits that a number of vents often occur, each offering a possible source of economic mineralisation. In the case of the two southern exploration permits (5300000521795 and 5300000521798), observed field occurrences of oxide copper mineralisation indicate that the mineralised system is extensive and systematic exploration may result in addition sources of mineralised material. The proximal location of the northern exploration permit (5300000511513) to Dapingzhang Mine makes it a strategic acquisition with potential sulphide extensions to the Dapingzhang Mine system in a north-easterly direction.

Project Risks

As with all geological occurrences there is no absolute certainty that further economic sources of minerals will be found in the immediate vicinity.

There are two special factors that may impact on the exploration and recovery of minerals on the properties: the first, is that the exploration and mining permits are located within an active seismic zone and any development of open pit or underground mines will need to consider this risk in its design; the second is the large volume of water run-off during the wet season, this has the potential to close access roads and enter mine workings. With appropriate engineering consideration both factors are able to be managed.

CONCLUSION

The observed mineral occurrences at Highway Mine and Dapingzhang Mine were consistent with the VMS geological model for mineralisation proposed by the Simao Dongrui Mining Ltd and the Company's geologists.

The mine subject to the mining permit (5327010110012) is a small scale mining operation with a cash flow. It offers significant strategic exploration advantages to the Company with regard to the exploration tenements.

Successful exploration on the three exploration permits has the potential to significantly increase cash flow generated by the operation. Cube Consulting concurs with the program of work proposed by the Company.

To the author's knowledge there is no additional information available that may constitute special factors affecting the exploration business or the recovery of minerals on the areas covered by the exploration and mining permits that are the subject of the Technical Report.

Patrick J. Adams

Director Resource Services

Cube Consulting Pty Ltd

1111 Hay St

West Perth

Western Australia 6872

31 August 2006

1. RESPONSIBILITY STATEMENT

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

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

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorized and issued share capital of the Company were, and after completion of the Introduction Agreement and the Placing will be, as follows:

<i>Authorised:</i>		<i>US\$</i>
5,000,000,000	ordinary shares of US\$0.01	50,000,000.00
550,000,000	unclassified shares of US\$0.01 each which may be issued as ordinary shares of US\$0.01 each of as non-voting convertible deferred shares of US\$0.01 each	5,500,000.00
6,250	Redeemable Convertible Preference Shares of US\$0.01 each (subject to the passing of a special resolution at the EGM for the increase in the authorised share capital of the Company)	<u>62.50</u>
		<u><u>55,500,062.50</u></u>
<i>Issued and fully-paid:</i>		
1,467,687,324	Shares in issue as at the Latest Practicable Date	<u><u>14,676,873.24</u></u>
<i>To be issued and credited as fully-paid:</i>		
21,514,256	Shares to be issued upon completion of the Introduction Agreement	215,142.56
6,250	Redeemable Convertible Preference Shares of US\$0.01 each to be issued upon completion of the Subscription Agreement	<u>62.50</u>
		<u><u>215,205.06</u></u>

3. DIRECTORS' DISCLOSURE OF INTERESTS

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

1. Securities of the Company

a. Ordinary shares of US\$0.01 each

Name of Director	Note	Capacity in which the Shares are held	Long/Short position	Number of Shares*	Approximate % holding**
James Mellon		Beneficial owner	Long position	43,216,180	2.94%
	A	Beneficiary of a trust	Long position	370,821,131	25.27%
Jamie Gibson		—	—	—	—
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Patrick Reid		—	—	—	—
Mark Searle		Beneficial owner	Long position	4,194,444	0.29%
	B	Beneficiary of a trust	Long position	50,000	0.00%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	1.17%
	C	Beneficiary of a trust	Long position	27,965,226	1.91%
Anderson Whamond	D	Beneficiary of a trust	Long position	5,826,088	0.40%

* These numbers do not include the numbers of the Shares to be issued upon conversion of the Redeemable Convertible Preference Shares and upon exercise of the outstanding options under the Share Option Scheme (2002) held by the Directors, which are disclosed in sub-paragraphs (b) and (c) respectively below.

** The total issued ordinary share capital of the Company as at the Latest Practicable Date consisted of 1,467,687,324 Shares.

b. *Redeemable Convertible Preference Shares of US\$0.01 each*

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding	Number of Shares to be issued on conversion
James Mellon	A	Beneficiary of a trust	Long position	2,750	44.00%	73,965,517
Jamie Gibson		Beneficial owner	Long position	250	4.00%	6,724,138
Clara Cheung		—	—	—	—	—
David Comba		Beneficial owner	Long position	50	0.80%	1,344,828
Julie Oates		Beneficial owner	Long position	100	1.60%	2,689,655
Patrick Reid		—	—	—	—	—
Mark Searle		Beneficial owner	Long position	100	1.60%	2,689,655
Jayne Sutcliffe		Beneficial owner	Long position	250	4.00%	6,724,138
Anderson Whamond	D	Beneficiary of a trust	Long position	250	4.00%	6,724,138

c. *Options of the Company*

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

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

Name of Director	Date of grant	Total number of Shares subject to the option [#]	Subscription price per Share (HK\$)	Exercise period [#]	Number of Shares subject to vested options [#]	Consideration for grant of option (HK\$)
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 - 8 September 2014	7,333,333	10.00
	4 April 2006	45,600,000	0.300	4 April 2007 - 3 April 2016	—	10.00
Clara Cheung	9 September 2004	3,500,000	0.266	9 September 2005 - 8 September 2014	2,333,333	10.00
	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.

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 % holding
James Mellon	—	—	—	—	—
Jamie Gibson	—	Beneficial owner	Long position	225,000	0.80%
Clara Cheung	—	—	—	—	—
David Comba	—	—	—	—	—
Julie Oates	—	—	—	—	—
Patrick Reid	—	—	—	—	—
Mark Searle	—	—	—	—	—
Jayne Sutcliffe	—	Beneficial owner	Long position	150,000	0.54%
Anderson Whamond	—	Beneficial owner	Long position	150,000	0.54%

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

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

Notes:

- A. The 370,821,131 Shares are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.

It is intended that the 2,750 Redeemable Convertible Preference Shares will be held by a company wholly owned by this settlement.

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

- C. The 27,965,226 Shares and the 350,000 ordinary 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 are held by a pension fund, of which Anderson Whamond is the sole beneficiary.

It is intended that the 250 Redeemable Convertible Preference Shares will be held by this pension fund.

E. AstroEast.com Limited and bigsave Holdings plc are indirect 50.99% and 64.26% owned subsidiaries of the Company respectively. The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the Company's financial statements.

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

None of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SUBSTANTIAL SHAREHOLDERS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the following persons (other than James Mellon, whose interests are set out in detail under the section headed "Directors' Disclosure of Interests") had the following interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company which would fall to be disclosed 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), or were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

1. Substantial shareholders of the Company

Name of Shareholder	Note	Class of shares	Capacity in which the Shares are held	Long/Short position	Total interests		Derivative interests
					(Number of Shares)	Approximate % holding**	(Number of Shares)
Israel Alexander Englander	A&B	Ordinary shares	Interest of controlled corporation	Long position	354,528,306	24.16%	311,778,767
Millennium Partners, LP	A&B	Ordinary shares	Interest of controlled corporation	Long position	354,528,306	24.16%	311,778,767
Millennium Management, LLC	A&B	Ordinary shares	Interest of controlled corporation	Long position	354,528,306	24.16%	311,778,767
Michael Austin	A&C	Ordinary shares	Interest of controlled corporation	Long position	149,165,430	10.16%	149,165,430

Name of Shareholder	Note	Class of shares	Capacity in which the Shares are held	Long/Short position	Total interests		Derivative interests
					(Number of Shares)	Approximate % holding**	(Number of Shares)
Clive Harris	A&C	Ordinary shares	Interest of controlled corporation	Long position	149,165,430	10.16%	149,165,430
Highbridge Capital Management LLC	A&C	Ordinary shares	Investment manager	Long position	149,165,430	10.16%	149,165,430
Highbridge GP, Ltd	A&C	Ordinary shares	Interest of controlled corporation	Long position	149,165,430	10.16%	149,165,430
JPMorgan Chase & Co	A&D	Ordinary shares	Interest by controlled corporation	Long position	85,198,198	5.80%	56,384,329
The State of Wisconsin Investment Board		Ordinary shares	Beneficial owner	Long position	73,000,940	4.97%	Nil
Highbridge International LLC	A&C	Ordinary shares	Beneficial owner	Long position	74,582,715	5.08%	74,582,715
Finistere Limited		Ordinary shares	Trustee of a trust	Long position	70,653,197	4.81%	Nil

** The total issued ordinary share capital of the Company as at the Latest Practicable Date consisted of 1,467,687,324 ordinary shares.

2. Interests in other members of the Group

Name of subsidiary	Name of shareholder	Class of shares	Long/Short position	Number of shares	Approximate % holding
AstroEast.com Limited	Red Dragon Resources Corporation	Ordinary shares	Long position	3,750,000	13.38%
AstroEast.com Limited	Fabrezan Investments Limited	Ordinary shares	Long position	5,250,000	18.75%

Notes:

A. On 31 March 2006, the Company issued the Convertible Bonds 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) J.P. Morgan Securities Ltd purchased Convertible Bonds with principal amounts of US\$12,000,000, US\$2,500,000, US\$2,500,000 and US\$3,000,000 respectively. The Convertible Bonds may give rise to the issue, in aggregate, of 596,661,718 Shares.

MLP Investments (Caymans), Ltd. subscribed for 500 Redeemable Convertible Preference Shares pursuant to the Subscription Agreement, which may give rise to the issue of 13,448,276 Shares on conversion.

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 (Note: the “derivative interests” of MLP Investments (Caymans), Ltd. (please see Note B below) also include the number of Shares to be issued on conversion of the Redeemable Convertible Preference Shares subscribed by it pursuant to the Subscription Agreement).

- 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. and the Redeemable Convertible Preference Shares subscribed by MLP Investments (Caymans), Ltd. pursuant to the Subscription Agreement.
- 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 J.P. Morgan Securities Ltd.

Save for such interests, the Directors are not aware of any other persons who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company which would fall to be disclosed 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), or who were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. DIRECTORS' INTEREST IN CONTRACTS

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

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

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

As at the Latest Practicable Date, an amount of GBP1,066,577.39 (approximately US\$1,885,495.51 or HK\$14,706,864.98), inclusive of accrued interest, was outstanding under the facilities agreements.

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

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

Save for the above, no connected transactions (as defined in Chapter 14A of the Listing Rules) or significant contracts (as referred to in Paragraph 40, Part B of Appendix 1 to the Listing Rules) of the Company, to which the Company or any of its subsidiaries was a party and in which a Director or Directors has/had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

Save as disclosed in this circular, none of the Directors has, since 31 March 2006, being the date to which the latest published audited consolidated financial statements of the Group have been made up, any direct or indirect interest in any assets acquired or disposed of by or leased or proposed to be acquired or disposed of by or leased to any member of the Group.

6. SERVICE CONTRACTS

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

7. COMPETING INTERESTS

The Directors, including the independent non-executive Directors, 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 Red Dragon Resources Corporation may pursue investment opportunities in the PRC that may compete with the Company, but to-date this has not happened. Red Dragon Resources Corporation is a listed company on the TSX Venture Exchange in Toronto and certain Directors are shareholders of this company and James Mellon is a director and shareholder of Red Dragon Resources Corporation.

8. LITIGATION

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

9. EXPERTS

The following are the qualifications of the experts who have given their opinion or advice which is contained in this circular:

Name	Qualifications
Cube Consulting	Mining consultant
Altus Capital Limited	A corporation licensed to conduct business in type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities as set out in Schedule 5 to the SFO.

Each of Cube Consulting and the Independent Financial Advisor has confirmed that neither of them have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Cube Consulting and the Independent Financial Advisor has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name in the form and context in which they are included.

The report prepared by Cube Consulting was dated 31 August 2006 and was given for incorporation in this circular.

The letter from the Independent Financial Advisor was dated 27 October 2006 and was given for incorporation in this circular.

Cube Consulting has no interest in any assets which have been within 2 years immediately preceding the date of this circular acquired or disposed of by or leased to any member of the Group.

10. WORKING CAPITAL

It is estimated that the funding requirement of the Joint Venture Company for the next 24 months will be US\$2,000,000. The financing for the Transactions is anticipated to be achieved by means of the internal resources of the Group and the funding to be raised from the Placing. The Directors are therefore of the opinion that the Group will have sufficient working capital for its present requirements for at least the next 24 months from the date of publication of this circular.

As at the Latest Practicable Date, the Joint Venture Company has not yet conducted supplementary exploration within the Yinzishan Mine and the Feasibility Study. If, upon completion of the supplementary exploration and the Feasibility Study, the Yinzishan Mine is determined to have potential mining value, the Joint Venture Company will, subject to the approval of its board of directors, enlarge the scale of production and it is not until then the Group will be in the position to give an estimate of further finance required to enable the Group to exploit any reserves within the Yinzishan Mine and commence recoveries thereof on a commercial scale.

11. NO MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2006, the date of the latest published audited accounts of the Group.

12. MISCELLANEOUS

- (a) The registered office of the Company is at Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and principal place of business is Suite 1401, Henley Building, 5 Queen's Road Central, Hong Kong. The Company's Hong Kong branch share registrar and transfer office is Tengis Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (b) The Company Secretary is Ms Fung Yuk Bing, Stella, who is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries.
- (c) The Finance Director of the Company is Ms Cheung Mei-Chu, Clara, who is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom, as required under Rule 3.24 of the Listing Rules.
- (d) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

13. DOCUMENTS AVAILABLE FOR INSPECTION

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

- 1. the Term Sheet;
- 2. the Subscription Agreement;
- 3. the Joint Venture Contract;
- 4. the Exploration Rights Transfer Agreement;
- 5. the Mining Rights Transfer Agreement;
- 6. the Introduction Agreement;
- 7. the Technical Report; and
- 8. the contracts referred to under the paragraph "Directors' interest in contracts" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 575)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the Company will be held at The Lagoon Ballroom, The Landmark Macau*, 555 Avenida de Amizade, Macau on Thursday, 23 November 2006 at 11:00 a.m. to consider and, if thought fit, pass (with or without amendments) the following resolutions (*Shuttle buses of The Landmark Macau will depart from the New Macau Maritime Ferry Terminal at 10:15 a.m. and 10:45 a.m.):

AS ORDINARY RESOLUTIONS

1. **“THAT** the directors (the **“Directors”**) of the Company be and they are hereby authorised to issue 21,514,256 ordinary shares of US\$0.01 par value each in the share capital of the Company to Stephen Dattels on the terms of an introduction agreement (the **“Introduction Agreement”**) between the Company and Stephen Dattels, a copy of which is produced to the meeting and initialled by the Chairman of the meeting for identification **AND THAT** the Directors be and they are hereby authorised to do all such things and acts and sign all such documents which they consider desirable or expedient to implement and/or give effect to any matter relating to or in connection with the transactions contemplated under the Introduction Agreement.”
2. **“THAT**, subject to the passing of Resolution 4, the Directors be and they are hereby authorised to issue (i) up to 3,750 fixed dividend-bearing non-voting redeemable convertible preference shares of US\$0.01 each par value in the share capital of the Company (**“Redeemable Convertible Preference Shares”**) having the rights set out in resolution 4 to certain Directors at a subscription price of US\$1,000 per share and otherwise materially on the terms of a subscription agreement between the Company, certain of its Directors, Libra Fund L.P., Libra Offshore Ltd and MLP Investments (Caymans), Ltd., a copy of which is produced to the meeting and initialled by the Chairman of this meeting for identification (the **“Subscription Agreement”**) and (ii) the ordinary shares of US\$0.01 par value each in the capital of the Company to be issued upon conversion of such Redeemable Convertible Preference Shares **AND THAT** the Directors be and they are hereby authorised to do all such things and acts and sign all such documents which they consider desirable or expedient to implement and/or give effect to any matter in relation thereto or in connection therewith.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. “**THAT**, subject to the passing of Resolution 4, the Directors be and they are hereby authorised to issue (i) up to 1,620 Redeemable Convertible Preference Shares to Libra Fund L.P., 380 Redeemable Convertible Preference Shares to Libra Offshore Ltd and 500 Redeemable Convertible Preference Shares to MLP Investments (Caymans), Ltd. at a subscription price of US\$1,000 per share and otherwise materially on the terms of the Subscription Agreement and (ii) the ordinary shares of US\$0.01 par value each in the capital of the Company to be issued upon conversion of such Redeemable Convertible Preference Shares **AND THAT** the Directors be and they are hereby authorised to do all such things and acts and sign all such documents which they consider desirable or expedient to implement and/or give effect to any matter in relation thereto or in connection therewith.”

AS A SPECIAL RESOLUTION

4. “**THAT**, subject to the passing of either or both of Resolutions 2 and 3, the share capital of the Company be increased from US\$55,500,000 comprising 5,000,000,000 ordinary shares of US\$0.01 par value 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 par value each (“**Deferred Shares**”) to US\$55,500,062.50 comprising 5,000,000,000 Ordinary Shares, 550,000,000 unclassified shares of US\$0.01 each which may be issued as Ordinary Shares or as Deferred Shares and 6,250 Redeemable Convertible Preference Shares of US\$0.01 par value each **AND THAT** the articles of association (the “**Articles of Association**”) of the Company be amended by the insertion of a new article, to be designated Article 8A, into the Articles of Association setting out the rights attaching to the Redeemable Convertible Preference Shares as follows:

“REDEEMABLE CONVERTIBLE PREFERENCE SHARES

8A The rights attaching to the Redeemable Convertible Preference Shares are as follows:

1. **Income**

Out of the profits and share premium of the company available for distribution and resolved by the Board to be distributed, the holders of the Convertible Preference Shares shall be entitled in priority to any payment of dividend to the holders of any other class of shares (other than any Further Preference Shares referred to in paragraph 6 below) to be paid in respect of each financial year or other accounting period of the Company a fixed cumulative preferential dividend (“**preferential dividend**”) at the rate of 8.5% per cent per annum on the subscription price for the time being paid up or credited as paid up thereon, such dividend to be paid half-yearly on 30 November and 31 May (or, if any such date shall be a Saturday, Sunday or public holiday in New York, on the first business day following such date) (“**fixed dividend dates**”) in each year in respect of the half-years ending on those respective dates. Payments of preferential dividends shall be made to holders on the Register at any date selected by the Directors up to 42 days prior to the relevant fixed dividend date. Dividends may only be paid out of profits of the Company (including retained earnings) or, subject to section 37(6) of the Law, the share premium of the Company. The holders of the Convertible Preference Shares shall not be entitled to any further dividends declared by the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. Capital

On a return of capital on winding-up or (other than on conversion, redemption or purchase of shares) otherwise, the holders of the Convertible Preference Shares shall be entitled in priority to any payment to the holders of any other class of shares (other than any Further Preference Shares referred to in paragraph 6 below which may rank *pari passu* with, but not in priority to, the Convertible Preference Shares) to the repayment of a sum equal to the nominal capital paid up or credited as paid up on the Convertible Preference Shares held by them respectively together with a premium of US\$999.99 per share and a sum equal to all arrears and accruals (if any) of the said preferential dividend irrespective of whether or not such dividend has been declared or earned or become due and payable, to be calculated down to and including the date of commencement of the winding-up (in the case of a winding-up) or the return of capital (in any other case). The holders of the Convertible Preference Shares shall not be entitled to any further right of participation in the assets of the Company.

3. Voting and General Meetings

- 3.1 The holders of the Convertible Preference Shares shall, by virtue of and in respect of their holdings of Convertible Preference Shares, have the right to receive notice of, attend, speak and vote at a general meeting of the Company only if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the Convertible Preference Shares, or for the winding-up of the Company, or for sanctioning the sale of the undertaking of the Company, in which case they shall only be entitled to vote on such resolution.

Save as aforesaid, whether or not the conversion rights set out in paragraph 4 of this Article shall have expired, the Convertible Preference Shares shall not confer on the holders thereof the right to receive notice of, attend, speak or vote at any general meeting of the Company but they shall entitle the holders to receive copies of notices of general meetings for information only.

- 3.2 Whenever the holders of the Convertible Preference Shares are entitled to vote at a general meeting of the Company, upon any resolution proposed at such a general meeting, on a show of hands every holder thereof who is present in person or (being a corporation) by a representative shall have one vote and on a poll every holder thereof who is present in person or by proxy or (being a corporation) by a representative shall have one vote in respect of each fully-paid Convertible Preference Share registered in the name of such holder.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. Conversion

(a) *Conversion Right*

- (i) *Conversion Period*: Subject as hereinafter provided, holders of the Convertible Preference Shares have the right to convert their Convertible Preference Shares into Ordinary Shares at any time during the Conversion Period.
- (ii) *Conversion Right*: The right of a holder of Convertible Preference Shares to convert any Convertible Preference Shares into Ordinary Shares is called the “**Conversion Right**”. Subject to and upon compliance with, the provisions of this paragraph, the Conversion Right attaching to any Convertible Preference Share may be exercised, at the option of the holder thereof at any time on and after 30 November 2006 up to the close of business (at the place where the certificate evidencing such Convertible Preference Share is deposited for conversion) on 23 November 2009 (but in no event thereafter) or if such Convertible Preference Share shall have been called for redemption before the Final Redemption Date (as defined in paragraph 5.3), the close of business on such earlier date which is seven (7) days before any date fixed for redemption of the Convertible Preference Shares by the Company (the “**Conversion Period**”). The number of Ordinary Shares to be issued on conversion of a Convertible Preference Share will be determined by dividing the subscription price of the Convertible Preference Share to be converted (translated into Hong Kong Dollars at the fixed rate of US\$1.00 = HK\$7.80) by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). If more than one Convertible Preference Share held by the same holder is converted at any one time by the same holder, the number of Ordinary Shares to be issued upon such conversion will be calculated on the basis of the aggregate subscription price of the Convertible Preference Shares to be converted.
- (iii) *Fractions of Ordinary Shares*: Fractions of Ordinary Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Ordinary Shares by operation of law or otherwise occurring after 30 November 2006 which reduces the number of Ordinary Shares outstanding, the Company will upon conversion of Convertible Preference Shares pay in cash (in United States dollars by means of a United States dollar cheque drawn on a bank in New York) a sum equal to such portion of the subscription price of the Convertible Preference Share or Convertible Preference Shares evidenced by the certificate deposited in connection with the exercise of Conversion Rights as corresponds to any fraction of an Ordinary Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds US\$10.
- (iv) *Conversion Price*: The price at which Ordinary Shares will be issued upon conversion (the “**Conversion Price**”) will initially be HK\$0.29 per Ordinary Share but will be subject to adjustment in the manner provided in paragraph 4(c) and paragraphs 4(d)(iii), (v) and (vi).

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (v) *Meaning of “Ordinary Shares”*: As used in this Article, the expression “Ordinary Shares” means ordinary shares of par value US\$0.01 each of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

(b) *Conversion Procedure*

- (i) *Conversion Notice*: To exercise the Conversion Right attaching to any Convertible Preference Share, the holder thereof must complete, execute and deposit at his own expense during normal business hours at the specified office of the Company a notice of conversion (a “**Conversion Notice**”) in duplicate in the form (for the time being current) obtainable from the specified office of the Company or any agent of the Company, together with the relevant Convertible Preference Share certificate and any amounts required to be paid by the holder of Convertible Preference Shares under paragraph 4(b)(ii). “**Specified Office**” shall mean the Registration Office if such has been designated by the Company or the Office if not.

The conversion date in respect of a Convertible Preference Share (the “**Conversion Date**”) must fall at a time when the Conversion Right attaching to that Convertible Preference Share is expressed in these Conditions to be exercisable and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the later of (a) the date of the surrender of the certificate in respect of such Convertible Preference Share and (b) (if they are not delivered on the same day) delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Company consents to such withdrawal. “Stock Exchange Business Day” means any day (other than a Saturday or Sunday) on which the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) or the Alternative Stock Exchange (as defined in paragraph 4(c) below), as the case may be, is open for business.

- (ii) *Stamp Duty etc.*: A holder of Convertible Preference Shares delivering a certificate in respect of a Convertible Preference Share for conversion must pay to the Company any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the Cayman Islands, Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Company in respect of the allotment and issue of Ordinary Shares and listing of the Ordinary Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (the “**Taxes**”) and such holder of Convertible Preference Shares must pay to the relevant authorities all, if any, Taxes arising by reference to any disposal or deemed disposal of a Convertible Preference

NOTICE OF EXTRAORDINARY GENERAL MEETING

Share in connection with such conversion. The holder of Convertible Preference Shares must also pay the conversion charges of the agent through whom conversion is effected and the Company will pay all other expenses arising on the issue of Ordinary Shares on conversion of Convertible Preference Shares. The holder of Convertible Preference Shares (and, if applicable, the person other than the holder of Convertible Preference Shares to whom the Shares are to be issued) must provide the Company with details of the relevant tax authorities to which the Company must pay monies received in settlement of Taxes payable pursuant to this paragraph 4(b)(ii). The Company is under no obligation to determine whether a holder of Convertible Preference Shares is liable to pay any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this paragraph 4(b)(ii).

- (iii) *Registration:* As soon as practicable, and in any event not later than five Trading Days (as defined below) after the Conversion Date, the Company will, in the case of Convertible Preference Shares converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant certificate and amounts payable by the relevant holder of Convertible Preference Shares deposited as required by sub-paragraphs (i) and (ii), register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Ordinary Shares in the Register and will, if the holder of Convertible Preference Shares has also requested in the Conversion Notice, take all necessary actions to procure that the beneficial interest in the Ordinary Shares is delivered through the Central Clearing and Settlement System of Hong Kong for so long as the Ordinary Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Company's share registrar in Hong Kong (currently Tengis Limited) notified to holders of Convertible Preference Shares in accordance with paragraph 7 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single certificate will be issued in respect of all Ordinary Shares issued on conversion of Convertible Preference Shares subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Convertible Preference Share shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions referred to in paragraph 4(c) and the relevant Registration Date (as defined below) falls on a date when the relevant adjustment has not yet been

NOTICE OF EXTRAORDINARY GENERAL MEETING

reflected in the then current Conversion Price, the provisions of this sub-paragraph (iii) shall be applied mutatis mutandis to such number of Ordinary Shares as is equal to the excess of the number of Ordinary Shares which would have been required to be issued on conversion of such Convertible Preference Share if the relevant retroactive adjustment had been given effect as at the said Registration Date over the number of Ordinary Shares previously issued (or which the Company was previously bound to issue) pursuant to such conversion.

The person or persons specified for that purpose will become the holder of record of the number of Ordinary Shares issuable upon conversion with effect from the date he is or they are registered as such in the Register (the “**Registration Date**”). The Ordinary Shares issued upon conversion of the Convertible Preference Shares will in all respects rank pari passu with the Ordinary Shares in issue on the relevant Registration Date. Save as set out in these Articles, a holder of Ordinary Shares issued on conversion of Convertible Preference Shares shall not be entitled to any rights the record date for which precedes the relevant Registration Date. If the record date for the payment of any dividend or other distribution in respect of the Ordinary Shares is on or after the Conversion Date in respect of any Convertible Preference Share, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this sub-paragraph (iii) prior to the time such retroactive adjustment shall have become effective), the Company will pay to the converting holder of Convertible Preference Shares or his designee an amount (the “**Equivalent Amount**”) equal to any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice.

(c) *Adjustments to Conversion Price*

The Conversion Price will be subject to adjustment in the following events:

- (1) *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Ordinary Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

NOTICE OF EXTRAORDINARY GENERAL MEETING

Where:

A is the nominal amount of one Ordinary Share immediately after such alteration; and

B is the nominal amount of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(2) *Capitalisation of Profits or Reserves:*

(i) If and whenever the Company shall issue any Ordinary Shares credited as fully paid to the Members by way of capitalisation of profits or reserves (including any share premium account) including Ordinary Shares paid up out of distributable profits or reserves and/or share premium account issued (except any Scrip Dividend) and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

(ii) In the case of an issue of Ordinary Shares by way of a Scrip Dividend where the Current Market Price of such Ordinary Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Ordinary Shares by the following fraction:

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

Where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue;

NOTICE OF EXTRAORDINARY GENERAL MEETING

B is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an Independent Investment Bank shall certify is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date.

(3) *Distributions:*

Where the aggregate of interim and final distributions in respect of a financial year produces a yield greater than 0 per cent., 10 per cent., 13 per cent., 15 per cent and 18 per cent. for the financial years ended 31 March 2007, 2008, 2009, 2010 and 2011 respectively, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Ordinary Shares by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Ordinary Share immediately preceding the announcement of such Distribution; and

B is the Distribution per Ordinary Share in excess of the yield,

where "yield" is calculated based on the Current Market Price of a Ordinary Share immediately preceding the announcement of such Distribution.

(4) *Rights Issues of Ordinary Shares or Options over Ordinary Shares:* If and whenever the Company shall issue Ordinary Shares to all or substantially all Members as a class by way of rights, or issue or grant to all or substantially all Members as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at less than the Current Market Price per Ordinary Share on the last Trading Day preceding the date of the announcement of the terms of the

NOTICE OF EXTRAORDINARY GENERAL MEETING

issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

Where:

- A is the number of Ordinary Shares in issue immediately before such announcement;
- B is the number of Ordinary Shares which the aggregate amount (if any) payable for the Ordinary Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares comprised therein would purchase at such Current Market Price per Ordinary Share; and
- C is the aggregate number of Ordinary Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (5) *Rights Issues of Other Securities*: If and whenever the Company shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe or purchase Ordinary Shares) to all or substantially all Members as a class by way of rights or grant to all or substantially all Members as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any securities (other than Ordinary Shares or options, warrants or other rights to subscribe or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Ordinary Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (6) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in paragraph 4(c)(4) above) any Ordinary Shares (other than Ordinary Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Ordinary Shares) or the issue or grant (otherwise than as mentioned in paragraph 4(c)(4) above) of options, warrants or other rights to subscribe or purchase Ordinary Shares in each case at a consideration receivable which is less than the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

Where:

- A is the number of Ordinary Shares in issue immediately before the issue of such additional Ordinary Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Ordinary Shares;
- B is the number of Ordinary Shares which the aggregate consideration receivable for the issue of such additional Ordinary Shares would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares in issue immediately after the issue of such additional Ordinary Shares.

References to additional Ordinary Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Ordinary Shares, mean such Ordinary Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the issue of such options, warrants or other rights.

- (7) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph 4(c)(7), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in paragraphs 4(c)(4), 4(c)(5) or 4(c)(6)), or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Convertible Preference Shares) which by their terms of issue carry rights of conversion into, or

NOTICE OF EXTRAORDINARY GENERAL MEETING

exchange or subscription for, Ordinary Shares to be issued by the Company on conversion, exchange or subscription at a consideration receivable which is less than the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

Where:

- A is the number of Ordinary Shares in issue immediately before such issue;
- B is the number of Ordinary Shares which the aggregate consideration receivable by the Company for the Ordinary Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities

- (8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph 4(c)(7) (other than in accordance with the terms of such securities) so that the consideration per Ordinary Share (for the number of Ordinary Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

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

Where:

- A is the number of Ordinary Shares in issue immediately before such modification;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- B is the number of Ordinary Shares which the aggregate consideration receivable by the Company for the Ordinary Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Ordinary Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank, consider appropriate (if at all) for any previous adjustment under this paragraph 4(c)(8) or paragraph 4(c)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) *Other Offers to Members:* If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Members generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraph 4(c)(4), paragraph 4(c)(5), paragraph 4(c)(6) or paragraph 4(c)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Ordinary Share on the last Trading Day preceding the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue of the securities.

- (10) *Other Events:* If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this paragraph 4, the Company shall, at its own expense, consult an Independent Investment Bank, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair

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and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to this paragraph 4 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this paragraph 4 as may be advised by the Independent Investment Bank to be in their opinion appropriate to give the intended result.

- (11) *More than One Event in Quick Succession*: Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate for that purpose to give such intended result.
- (12) *Rounding and Minor Adjustments*: On any adjustment, the resultant Conversion Price, if not an integral multiple of 1/100 Hong Kong cent, shall be rounded to the nearest 1/100 Hong Kong cent., 0.005 being rounded down. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustments shall be given to holder of Convertible Preference Shares in accordance with paragraph 7 as soon as practicable after their determination.
- (13) *No Discount to Par Value*: The Conversion Price may not be reduced below the price that, on conversion of the Convertible Preference Shares, Ordinary Shares would fall to be issued at a discount to their nominal value or to be issued in any other circumstances not permitted by applicable law.
- (14) *No upward reset*: No adjustment involving an increase in Conversion Price will be made, except in the case of consolidation of the Ordinary Shares referred to in paragraph 4(c)(1) or to correct an error.
- (15) *Selection of Independent Investment Bank*: If the Company fails to select an Independent Investment Bank when required for the purposes of this paragraph 4, a holder of Convertible Preference Shares holding more than

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50 per cent, in subscription price of the Convertible Preference Shares for the time being outstanding may by a resolution of holders of Convertible Preference Shares select such bank (as the case may require) at the expense of the Company.

- (16) *Post-Record Date Adjustments*: If the Conversion Date in relation to any Convertible Preference Share shall be after the record date for any such issue, distribution or grant as is mentioned in paragraphs 4(c)(2) to 4(c)(5) and 4(c)(9), or any such issue as is mentioned in paragraphs 4(c)(6) and 4(c)(7) which is made to the Members or any of them, but before the relevant adjustment becomes effective under paragraph 4(c), the Company shall (conditional on such adjustment becoming effective) procure that there be issued to the converting holder of Convertible Preference Shares or in accordance with the instructions contained in the Conversion Notice such additional number of Ordinary Shares as, together with the Ordinary Shares issued or to be issued on conversion of the relevant Convertible Preference Share, is equal to the number of Ordinary Shares which would have been required to be issued on conversion of such Convertible Preference Share if the relevant adjustment (more particularly referred to in the said Conditions above) to the Conversion Price had in fact been made and become effective immediately after the relevant record date. Such additional Ordinary Shares will be allotted as at, and within one month after, the relevant Conversion Date or, if the adjustment results from the issue of Ordinary Shares, the date of issue of Ordinary Shares. Certificates for such Ordinary Shares will be dispatched within such period of one month.
- (17) *Employee Share Scheme*: Notwithstanding any of the provisions of this paragraph 4, no adjustment will be made to the Conversion Price when Ordinary Shares or other securities (including rights or options) are issued, offered or granted to employees (including Directors) of the Company pursuant to the Ordinary Share Option Scheme 2002 (as defined in paragraph 4(d)(iii) below).

For the purposes of these Articles:

“**Alternative Stock Exchange**” means at any time, in the case of the Ordinary Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, any of the London Stock Exchange, the London Alternative Investment Market, the Toronto Stock Exchange, the American Stock Exchange, the New York Stock Exchange or the Nasdaq Stock Market on which the Ordinary Shares are then listed or quoted or dealt in.

“**Closing Price**” for the Ordinary Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

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“**Current Market Price**” means, in respect of a Ordinary Share at a particular date, the average of the Closing Prices for one Ordinary Share (being a Ordinary Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said five Trading Day period the Ordinary Shares shall have been quoted ex-dividend and during some other part of that period the Ordinary Shares shall have been quoted cum-dividend then:

- (i) if the Ordinary Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share; or
- (ii) if the Ordinary Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Ordinary Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Ordinary Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share.

“**Consideration Receivable**” shall mean the price at which Ordinary Shares are subscribed or converted or exchanged into plus the consideration, if separate, for the grant of the right or option to acquire Ordinary Shares or securities convertible or exchangeable into Ordinary Shares.

“**Distribution**” means any dividend or distribution (whether of cash or assets in specie) by the Company for any financial period (whenever paid or made and however described) (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Ordinary Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under paragraph 4(c)(2)(i)) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend).

“**Fair Market Value**” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend

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paid or to be paid per Ordinary Share shall be the amount of such cash dividend per Ordinary Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment banks) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

“**Independent Investment Bank**” means an independent investment bank of international repute (acting as expert) selected by the Company.

“**Relevant Cash Dividend**” means any cash dividend specifically declared by the Company.

“**Trading Day**” means a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange, is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

“**Scrip Dividend**” means any Ordinary Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the shareholders concerned would or could otherwise have received and which would not have constituted a Distribution (and for the avoidance of doubt to the extent that no adjustment is to be made under paragraph 4(c)(3) in respect of the amount by which the Current Market Price of the Ordinary Shares exceeds the Relevant Cash Dividend or part thereof).

(d) *Undertakings*

The Company undertakes that so long as any Convertible Preference Share remains outstanding, save with the approval of a resolution passed at a meeting duly convened and held in accordance with these Articles by holders of Convertible Preference Shares holding not less than 75 per cent., in subscription price of the Convertible Preference Shares for the time being outstanding (an “**Extraordinary Resolution**”):

- (i) it will use its best endeavours (a) to maintain a listing for all the issued Ordinary Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Ordinary Shares issued on the exercise of the Conversion Rights attaching to the Convertible Preference Shares on the Hong Kong Stock Exchange, and if the Company is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Ordinary Shares on an Alternative Stock Exchange

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as from time to time selected by the Company and will forthwith give notice to the holders of Convertible Preference Shares in accordance with paragraph 7 below of the listing or delisting of the Ordinary Shares (as a class) by any of such stock exchange;

- (ii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Ordinary Shares arising on conversion of the Convertible Preference Shares;
- (iii) (a) it will not issue or pay up any securities, by way of capitalisation of profits or reserves unless, in any such case, such issuance or payment gives rise (or would, if the adjustment would be one per cent. or more of the Conversion Price then in effect, otherwise give rise) to an adjustment of the Conversion Price, provided that the Company may issue or pay up any security by way of capitalisation of profits or reserves (a) by the issue of fully paid Ordinary Shares to its Members and other persons entitled to them, (b) by the issue of Ordinary Shares paid up in full out of profits or reserves in accordance with applicable law and issued in lieu of a cash dividend or (c) by the issue of fully paid share capital (other than Ordinary Shares) to the holders of share capital of the same class and other persons entitled thereto, subject in each case to the provisions of paragraph 4(c);

(b) it will not issue or grant any additional options, other than pursuant to the Company's existing employee share option scheme, which is known as "Share Option Scheme 2002", nor will it create any other scheme under which options, warrants or other securities which can be converted into shares are granted to Company officers, directors or employees;
- (iv) it will not issue any other class of ordinary share capital carrying any rights which are more favourable than the rights attaching to Ordinary Shares but so that nothing in this paragraph 4(d)(iv) shall prevent (a) the issue, offer or grant of Ordinary Shares or other securities to employees (including directors) of the Company or any of its Subsidiaries or associated companies, or the Company's holding company or subsidiaries of such holding company, by virtue of their office or employment pursuant to any employee share option scheme, (b) a consolidation or subdivision of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa, or (c) any alteration to the Articles of the Company made in connection with the matters described in this paragraph 4(d)(iv) or which are supplemental or incidental to any of the foregoing (including amendments made to enable or facilitate procedures relating to such matters and amendments dealing with the rights and obligations of holders of securities (including Ordinary Shares) dealt with under such procedures) or (d) any issue of share capital which results (or would, if the adjustment would be one per cent. or more of the Conversion Price then in effect, otherwise result) in an adjustment of the Conversion Price;

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- (v) it will procure that no securities (whether issued by the Company or any of its Subsidiaries) issued without rights to convert into or subscribe for Ordinary Shares shall subsequently be granted such rights at a consideration per Ordinary Share which is less than the Current Market Price per Ordinary Share at close of business on the Trading Day last preceding the date of the announcement of the proposed inclusion of such rights unless the same gives rise (or would, if the adjustment would be one per cent. or more of the Conversion Price then in effect, give rise) to an adjustment of the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing par values;
- (vi) it will not make any issue, grant or distribution or take any other action the effect of which would be to reduce the as adjusted Conversion Price below the par value of the Ordinary Shares;
- (vii) it will simultaneously with the announcement of the terms of any issue pursuant to paragraph 4(c)(6) or 4(c)(7) and the announcement of any proposed modification pursuant to paragraph 4(c)(8) give notice to the holders of Convertible Preference Shares in accordance with paragraph 7 (such notice to be signed by an authorised officer of the Company) advising them of the date on which the relevant adjustment of the Conversion Price is likely to become effective and of the effect of exercising their rights of conversion before then;
- (viii) if an offer is made to all (or as nearly as may be practicable all) its Members, or all (or as nearly as may be practicable all) such Members other than the offeror and/or any associate or associates of the offeror to acquire all or a majority of the issued share capital of the Company, or if any person proposes a scheme with regard to such acquisition, it will give notice of such offer or scheme to the holders of Convertible Preference Shares at the same time as any notice thereof is sent to its Members (or as soon as practicable thereafter) stating that details concerning such offer or scheme may be obtained from the specified offices of the Company and, where such an offer or scheme has been recommended by the Board of Directors of the Company or where such an offer has become or been declared unconditional in all respects, use its reasonable endeavours to procure that a like offer or scheme is extended to the holders of Convertible Preference Shares and the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of Conversion Rights;
- (ix) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund (except, in each case, as permitted by law or by means of a purchase or reduction of the share capital of the Company permitted by paragraph 4(c) or where the reduction has resulted in an adjustment to the Conversion Price under paragraph 4(c));

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- (x) unless so required by applicable law or regulation or in order to establish a dividend or other rights attaching to the Ordinary Shares or entitlements of its Members, it will not close the Register or take any other action which prevents the transfer of Ordinary Shares generally and ensure that the Convertible Preference Shares may be converted legally and the Ordinary Shares issued on conversion may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while the Register is closed or such other action is effective, nor take any action which prevents the conversion of the Convertible Preference Shares or the issue of Ordinary Shares in respect of them; and
- (xi) it will pay the expenses of the issue of, and all expenses of obtaining and maintaining a listing for, Ordinary Shares arising on conversion of the Convertible Preference Shares.

(e) *Notices Relating to the Conversion Rights*

- (i) *Requirement to give notice:* If after the date of issue of the Convertible Preference Shares:
 - (a) the Company authorises the grant, issue or offer to the holders of Ordinary Shares of options, rights or warrants to subscribe for or purchase either any Ordinary Shares or any securities convertible into, or exchangeable for or which confer rights to purchase, Ordinary Shares;
 - (b) the Company declares, or pays or makes a Distribution, or authorises the grant, issue or offer to the holders of Ordinary Shares of rights or warrants to subscribe for or purchase any shares or securities other than Ordinary Shares or any securities convertible into or exchangeable for or which confer rights to purchase Ordinary Shares which will, upon declaration or payment, or when made, or upon grant, issue or offer give rise to an adjustment to the Conversion Price pursuant to paragraph 4(c);
 - (c) there is a re-classification of the Ordinary Shares (including a sub-division or consolidation of the Company's outstanding Ordinary Shares) or a consolidation, merger or amalgamation to which the Company is a party or any sale or transfer of all or substantially all of the assets or business of the Company which will, upon such event, give rise to an adjustment to the Conversion Price pursuant to paragraph 4(e);
 - (d) the Company authorises the issue of any securities convertible into or exchangeable for Ordinary Shares or rights or warrants to subscribe for or purchase Ordinary Shares or securities (other than those referred to in paragraphs i(a) or i(b) above) which will, or authorises the issue of any Ordinary Shares which will, (or, if in any such case

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a relevant consideration or offering price fixed by the Board of Directors of the Company to be recommended at a relevant general meeting of shareholders is adopted, will) upon issue give rise to an adjustment to the Conversion Price pursuant to paragraph 4(c); or

- (e) there is a voluntary or involuntary dissolution, liquidation or winding-up of the Company,

the Company shall forthwith give written notice thereof to the holders of Convertible Preference Shares and, in addition, it will at least 14 days before the applicable (in the case of paragraph (A) below) record date or (in the case of paragraph (B) below) record date or date of submission, whichever is earlier, or (in the case of paragraph (C) below) date of submission, or (in the case of paragraph (D) below) date of issue or (in the case of paragraph (E) below) record date or effective date, whichever is earlier, give notice to the holders of Convertible Preference Shares stating, as the case may require:

- (A) the record date in the Cayman Islands for such grant, issue or offer of options, rights or warrants, dividend, distribution or payment or such re-classification (and, in the case of the grant, issue or offer of options, rights or warrants, the period during which such options, rights or warrants may be exercised);
- (B) the date in the Cayman Islands (1) on which such re-classification, consolidation, merger, amalgamation, sale, transfer, dissolution, liquidation or winding-up is to be submitted to a general meeting of shareholders of the Company for approval, and (2) which is the record date for the same (if applicable), and (3) on which such re-classification, consolidation, merger, amalgamation, sale, transfer, dissolution, liquidation or winding-up is expected to become effective, and (4) as of which it is expected that holders of Ordinary Shares will be entitled, if at all, to exchange their Ordinary Shares for securities or other property deliverable upon such re-classification, consolidation, merger, amalgamation, sale, transfer, dissolution, liquidation or winding-up;
- (C) (in the event of the declaration of a Distribution referred to in paragraph i(b) above, the payment of which must be submitted for approval to a general meeting of its shareholders or to a meeting of the Board of Directors of the Company before such Distribution may be paid or made) the date of such submission;
- (D) (in the event of an issue referred to in paragraph i(d) above) the date of such issue; or
- (E) (in the event of such re-classification, consolidation, merger, amalgamation, sale, transfer, dissolution, liquidation or winding-up not being submitted to a general meeting of shareholders of the Company for approval) (1) the record date for the same (if applicable), and (2) the date when the same becomes effective;

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provided that if the exact date of any such submission referred to in paragraph (B) or (C) above is not known at the time of such notice to the holders of Convertible Preference Shares, such notice shall indicate the approximate date thereof and the Company shall give a second notice to the holders of Convertible Preference Shares as soon as practicable, specifying the exact date of submission, and provided further that if the period referred to in paragraph (A) above or the effective date or exchange date referred to in paragraph (B) above or the date of issue or effective date referred to in paragraph (D) or (E) above is not known at the time of such first notice to the holders of Convertible Preference Shares the Company shall give a second notice (which shall be in writing) to the holders of Convertible Preference Shares at least 14 days before the commencement of such period or (as the case may be) before such date specifying such period (and the date of its commencement) and/or such date and shall also (in a case within paragraph (A), (B) or (E) above) cause such second notice to be given to holders of Convertible Preference Shares at least 14 days before the commencement of the applicable period or (as the case may be) before the effective date or exchange date except where such period or date has already been specified in the first notice to the holders of Convertible Preference Shares. However, in the case of any issue referred to in paragraph (i)(d) above, the Company need not give any notice mentioned above before the date on which the relevant consideration per Ordinary Share for such issue is fixed by the Company but in such case the Company shall promptly upon the fixing of such consideration give notice in accordance with this paragraph. Nothing in this paragraph shall obligate the Company to disclose any information which is not public information to the holders of Convertible Preference Shares or where it is not legally permissible to disclose such information.

- (ii) *Where Adjustment to Conversion Price Required:* If the event referred to in the notice required pursuant to paragraph 4(e) would result in an adjustment to the Conversion Price, such notice shall also state the Conversion Price in effect at the time such notice is required to be given and the Conversion Price which will result after giving effect to such event or, if such adjusted Conversion Price is not then determinable, the fact that an adjustment in the Conversion Price may result.
- (iii) *Notice of Adjustment:* If, while any Conversion Right is or is capable of being or becoming exercisable, there shall be any adjustment to the Conversion Price, the Company shall (1) as soon as practicable notify the holders of Convertible Preference Shares of particulars of the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price, the date on which the adjustment takes effect and (2) promptly after the adjustment takes effect, give notice to the holders of Convertible Preference Shares stating that the Conversion Price has been adjusted and setting out the event giving rise to the adjustment, the Conversion Price in effect before the adjustment, the adjusted Conversion Price and the effective date of the adjustment.

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- (iv) *Notification of Closed Periods:* The Company shall give not less than 15 days' nor more than 60 days' notice to the holders of Convertible Preference Shares of any days during the Conversion Period on which the Company's register of shareholders is to be closed by reason of Hong Kong or Cayman Islands law or regulation or for the purpose of establishing any dividend or other rights attaching to the Ordinary Shares. The notice shall state the reason for such closure.
- (v) *Notification of end of Conversion Period:* The Company shall give not less than 60 days' nor more than 90 days' notice to the holders of Convertible Preference Shares in writing prior to the end of the Conversion Period, which notice shall specify the Conversion Rights of the holders of Convertible Preference Shares and the Conversion Price then in effect (as adjusted pursuant to paragraph 4, if applicable).

5. Redemption and purchase

- 5.1 Where a holder of Convertible Preference Shares has given a Conversion Notice in respect thereof, such Convertible Preference Shares may be converted in such a manner permitted by law as the Directors consider in the best interests of the Company. Without prejudice thereto, Convertible Preference Shares may be redeemed at par at the option of the Company and in the case of any such redemption, the redemption moneys payable on redemption shall be sufficient for, and shall be applied for the purpose of, the exercise of the conversion rights in paying up Ordinary Shares into which the Convertible Preference Shares are converted so that such Ordinary Shares are issued credited as fully paid.
- 5.2 The Company shall have the right, subject to relevant legislation, at any time on or after 31 March 2008, upon the giving of not less than 14 days notice in writing to the holders of Convertible Preference Shares, at the Company's option, either:
 - (a) redeem all but not some only of the Convertible Preference Shares for the time being outstanding at their subscription price together with all dividends accrued to the date fixed for redemption (the "**Redemption Date**"); or
 - (b) compulsorily convert, subject to the second proviso below, all but not some only of the Convertible Preference Shares at the then prevailing Conversion Price into Ordinary Shares

provided

- (c) that, in either case, within a period of thirty (30) consecutive Trading Days ending within five (5) Trading Days prior to the date on which the relevant notice of redemption or conversion is given to the holders of Convertible Preference Shares, the price of an Ordinary Share (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case

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may be, the equivalent quotation sheet of an Alternative Stock Exchange) on the Hong Kong Stock Exchange for twenty (20) Trading Days shall have been at least one hundred and fifty per cent. (150 per cent.) of the Conversion Price in effect on each of such Trading Days; and

- (d) that, if the Company reasonably believes that a notice to compulsorily convert all of the Preference Shares could result in the declared Concert Party Group comprising James Mellon, Jayne Sutcliffe and Anderson Whamond who are regarded as acting in concert for the purpose of the Takeovers Code and have registered the combined voting rights of the Company held by them (being 646,989,090 Shares in aggregate) with the Securities and Futures Commission under the transitional provisions in Rule 26.6 of the Hong Kong code on Takeovers and Mergers, as amended from time to time (and/or other persons with whom the Connected Persons might then be acting in concert) having to make a mandatory general offer (“MGO”) for the Ordinary Shares, the Company may exclude all or part of the Preference Shares held by the Connected Persons from the compulsory purchase notice so that no such MGO will result. Such excluded Convertible Preference Shares may instead be made the subject of a redemption notice or left outstanding (and, if left outstanding, may be made the subject of notices to redeem or compulsorily convert at such date or dates thereafter as the Company may at its discretion determine, provided that any such future notice may only be given if proviso (c) above is satisfied at the relevant time).

5.3 Unless previously redeemed, converted or purchased and cancelled, the Convertible Preference Shares, subject to the Law, will be redeemed at one hundred per cent. of their subscription price on 30 November 2011 (or so soon thereafter as the Company shall be able to comply with the provisions section 37 of the Law, regarding the redemption of redeemable shares) (the “**Final Redemption Date**”).

5.4 Any notice given under sub-paragraph 5.2 above shall specify the applicable Redemption Date and the place at which the certificates for the Convertible Preference Shares are to be presented for redemption. Upon the Redemption Date or Final Redemption Date, as applicable, the Company shall redeem the Convertible Preference Shares to be redeemed on that date and each holder of the Convertible Preference Shares concerned shall be bound to deliver to the Company at such place the certificates for such of the Convertible Preference Shares concerned as are held by him or, in lieu of such certificate, an indemnity in appropriate form. Upon such delivery, the Company shall pay to such holder the amount due to him in respect of such redemption. If any certificate so delivered to the Company evidences any Convertible Preference Shares not to be redeemed on the relevant Redemption Date, a fresh certificate for such Convertible Preference Shares shall be issued free of charge to the holder delivering such certificate to the Company.

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- 5.5 There shall be paid on each Convertible Preference Share redeemed under sub-paragraph 5.2 above or 5.3 below the amount paid up thereon together with a premium of US\$999.99 per share and a sum equal to all arrears and accruals (if any) of the preferential dividend thereon irrespective of whether or not such dividend has been declared or earned or become due and payable, to be calculated down to and including the Redemption Date.
- 5.6 As from the Redemption Date of Convertible Preference Shares to be redeemed under sub-paragraph 5.2 above, the preferential dividend shall cease to accrue thereon and such Convertible Preference Shares shall be treated as having been redeemed, whether or not the certificate therefor shall have been delivered and the redemption moneys paid, and such redemption moneys, if remaining unpaid, shall constitute a debt of the Company subject to all the provisions of these Articles relating to moneys payable on or in respect of a share.
- 5.7 If any holder of any of the Convertible Preference Shares to be redeemed shall fail or refuse to deliver up the certificate or certificates held by him at the time and place fixed for the redemption of such shares or shall fail or refuse to accept payment of the redemption moneys payable in respect thereof, the redemption moneys payable to such holder shall be set aside and paid into a separate interest-bearing account with the Company's bankers (designated for the benefit of such holder) and such setting aside shall be deemed for all purposes hereof to be a payment to such holder and all the said holder's rights as a holder of the relevant Convertible Preference Shares shall cease and determine as from the date fixed for the redemption of such shares and the Company shall thereby be discharged from all obligations in respect thereof. The Company shall not be responsible for the safe custody of the moneys so placed on deposit or for interest thereon except such interest as the said moneys may earn while on deposit less any expenses incurred by the Company in connection therewith.
- 5.8 The receipt of the registered holder for the time being of any Convertible Preference Shares or in the case of joint registered holders the receipt of any of them for the moneys payable on redemption thereof or application of the same as provided on any conversion thereof shall constitute an absolute discharge to the Company in respect thereof.
- 5.9 Subject to compliance with the Law but without any further consent or sanction on the part of the holders of the Convertible Preference Shares, the Company may at any time purchase Convertible Preference Shares (1) in the market, or (2) by tender (available alike to all holders of Convertible Preference Shares).
- 5.10 If any of the following triggering events ("**Triggering Events**") occurs:
- (a) full revocation by any governmental or regulatory authority of the People's Republic of China of mining permit 5300000520208 and 5327010110012 issued to Simao Shanshui Minerals Ltd and Simao Lianyou Minerals Limited, respectively; and/or

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- (b) expropriation by any governmental or regulatory authority of the People's Republic of China of more than half the asset, property and economic interest of Yunnan Simao Shanshui Copper Company Limited and/or Simao Regent Minerals Limited,

then, for a period of 45 days after the occurrence of such Triggering Event, any holder of Convertible Preference Shares shall have the right (the “**Redemption Right**”), upon giving not less than 15 and nor more than 45 days notice in writing to the Company, to require the Company, subject to the Law, to redeem all but not some only Convertible Preference Shares held by that holder of Convertible Preference Shares on the expiry date of the notice.

- 5.11 To exercise the Redemption Right arising from paragraph 5.10, the holder of a Convertible Preference Share must complete, execute and deposit at his own expense during normal business hours at the specified office of the Company a notice of redemption (a “**Redemption Notice**”) in duplicate in the form (for the time being current) obtainable from the specified office of the Company or any agent of the Company, together with the relevant Convertible Preference Share certificate.

6. Further issues

The Company may from time to time create and issue further preference shares (in this Article called “**Further Preference Shares**”) ranking as regards participation in the profits and assets of the Company *pari passu* with (but not in priority to) the Convertible Preference Shares. Any such Further Preference Shares may either carry rights and restrictions as regards participation in the profits and assets of the Company which are identical in all respects with the Convertible Preference Shares or with any other series of Further Preference Shares or rights and restrictions differing therefrom in any respect including but without prejudice to the generality of the foregoing in that:

- 6.1 the rate of dividend may differ;
- 6.2 the Further Preference Shares may rank for dividend as from such date as may be provided by the terms of issue thereof and the dates for payment of dividend may differ;
- 6.3 the Further Preference Shares may be redeemable on such terms and conditions as may be prescribed by the terms of the issue thereof and/or the Articles of Association of the Company for the time being;
- 6.4 the Further Preference Shares may be convertible into Ordinary Shares or any other class of shares ranking as regards participation in the profits and assets of the Company after the Further Preference Shares.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. Indemnity in lieu of return of share certificate

Where these Articles require the delivery of a share certificate by a Member to the Company, such obligations may be satisfied instead by the delivery of an indemnity in form and substance satisfactory to the Directors, in circumstances where the relevant share certificate has been mislaid, destroyed etc.” ”

By Order of the Board of
Regent Pacific Group Limited
Stella Fung
Company Secretary

Directors of the Company:

James Mellon (*Chairman*)*
Jamie Gibson (*Chief Executive Officer*)
Clara Cheung
David Comba#
Julie Oates#
Patrick Reid#
Mark Searle#
Jayne Sutcliffe*
Anderson Whamond*

* Non-Executive Directors

Independent Non-Executive Directors

Hong Kong, 27 October 2006

Notes:

1. Shareholders are recommended to read the shareholders' circular dated 27 October 2006 issued by the Company, which contains detailed information concerning the resolutions proposed for the meeting being convened by this notice.
2. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting if he so wishes.
3. In order for it to be valid, the form of proxy, accompanied by the power of attorney (if applicable) or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited with the Company Secretary at the Company's principal place of business in Hong Kong at Suite 1401, Henley Building, 5 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the meeting or its adjourned meeting.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. In the case of joint registered holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names of the holders stand in the Register of Members of the Company in respect of such joint holding.

5. In the case of a conflict between the English text of this notice and its Chinese translation, the English text will prevail.