

Director's Report

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

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

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

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

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

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SUMMARY FINANCIAL INFORMATION

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

Results:

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

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SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

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

RESERVES

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

SUBSIDIARIES AND ASSOCIATES

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

PROPERTY, PLANT AND EQUIPMENT

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

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SHARE CAPITAL AND SHARE OPTIONS

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

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

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

- i. An aggregate of 326,000 new Ordinary Shares were issued and allotted on 26 September 2005 for a total consideration of HK\$86,716 (approximately US\$11,117), being HK\$0.266 per share, upon exercise of options under the Share Option Scheme (2002) of the Company (referred to below in this note).
- ii. An aggregate of 107,992,423 new Ordinary Shares were issued and allotted on 16 December 2005 to those shareholders who elected to receive part or all of their special interim dividend of 22 HK cents per share for the year ended 31 March 2006, declared by the Company on 18 November 2005, by way of new Ordinary Shares credited as fully paid (the "**Scrip Dividend Shares**"). The market value of the Scrip Dividend Shares was fixed at HK\$0.153 per share.
- iii. 70,653,197 new Ordinary Shares were issued and allotted on 15 March 2006 to Finistere Limited upon further completion of the cooperation agreement dated 23 June 2005 (details of which were set out in the shareholders' circular issued by the Company on 20 January 2006).
- iv. 86,728,147 new Ordinary Shares were issued and allotted on 18 March 2006 to Indigo Securities Limited upon conversion of 86,728,147 Deferred Shares.

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

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SHARE CAPITAL AND SHARE OPTIONS (Continued)

The Company has two share option schemes:

a. Share Option Scheme (2002)

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

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

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

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

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SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. Share Option Scheme (2002) (Continued)

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

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

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

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

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SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. Share Option Scheme (2002) (Continued)

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

i. *Directors, Chief Executive and substantial shareholders*

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

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

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

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

ii. *Participants in excess of individual limit*

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

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SHARE CAPITAL AND SHARE OPTIONS (Continued)

a. Share Option Scheme (2002) (Continued)

iii. Full-time employees

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

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

iv. Suppliers of goods and services

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

v. Other participants

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

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SHARE CAPITAL AND SHARE OPTIONS (Continued)

b. Employee Share Option Scheme

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

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

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

i. Directors, Chief Executive and substantial shareholders

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

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

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

ii. Participants in excess of individual limit

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

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SHARE CAPITAL AND SHARE OPTIONS (Continued)

b. Employee Share Option Scheme (Continued)

iii. Full-time employees

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

iv. Suppliers of goods and services

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

v. Other participants

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

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

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PUBLIC FLOAT

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

DIRECTORS

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

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

* non-executive Directors

independent non-executive Directors

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

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

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

Director's Report

DIRECTORS (Continued)

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

1. **James Mellon**, aged 49, British, was appointed as an executive Director of the Company in July 1991 and the Chairman of the Board of Directors of the Company in April 1994 and held such positions until May 2002, except for the period from December 2000 to April 2001 during which he stepped down from the role of the Chairman. In May 2002, Mr Mellon was re-designated as a non-executive Director of the Company and resigned as the Chairman in May 2003. In October 2005, he resumed as the non-executive Chairman of the Board. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group and funds managed by the Group. Since the completion of a restructuring scheme of Regent Pacific Group and the Group's divestment in Charlemagne Capital Limited (formerly known as Regent Europe Limited) in June 2000 (the "**Restructuring Scheme**"), Mr Mellon has been non-executive Chairman of Charlemagne Capital Limited, which is currently listed on the AIM.
2. **Jamie Alexander Gibson**, aged 40, British, joined Regent Pacific Group in April 1996 and was appointed as an executive Director and Chief Operating Officer of the Company in January 2002. On 16 May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers and Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also a director of a number of subsidiaries of Regent Pacific Group and Yunnan Simao Shanshui Copper Company Limited which is the Sino-foreign equity joint venture enterprise established for the Dapingzhang Copper Mine and is a 40% owned associate of the Company.
3. **Cheung Mei Chu, Clara**, aged 32, Chinese, joined Regent Pacific Group in March 2002 and was appointed as the Finance Director of the Company on 12 January 2004. Ms Cheung is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Prior to joining the Company, she has gained extensive experience in auditing and accounting with Deloitte Touche Tohmatsu. She is also a director of certain subsidiaries of Regent Pacific Group and Yunnan Simao Shanshui Copper Company Limited.

Director's Report

DIRECTORS (Continued)

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

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

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

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

Director's Report

DIRECTORS (Continued)

6. **Thomas Patrick Reid**, aged 63, is a Canadian Citizen and lives in Toronto, Ontario, Canada. He has been appointed as an independent non-executive Director of the Company on 27 October 2005. Mr Reid was elected to the Ontario Legislature in 1967, and served for five terms, retiring in 1984. He joined the Ontario Mining Association, a trade association representing the producing mines, and suppliers of equipment and services to the industry in Ontario. He retired after twenty years at the end of 2004. Mr Reid has been a partner in a number of businesses, and a political panelist on television. He has attended and been a speaker at mining related conferences around the globe. Presently, Mr Reid has his own consulting firm and serves as an independent director on the boards of directors of three Canadian listed companies, namely a director of Canstar Resources on the TSX-V, the chairman and director of Probe Mines on the TSX-V and a director of Valencia Ventures on the TSX-V.
7. **Stawell Mark Searle**, aged 63, British, has been an independent non-executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Currently, Mr Searle is a director of Invesco Perpetual European Absolute Return Trust Plc. (a listed company on the London Stock Exchange).
8. **Jayne Allison Sutcliffe**, aged 42, British, was appointed as the Group Corporate Finance Director in August 1991. Upon completion of the Restructuring Scheme (as defined above), Mrs Sutcliffe became a non-executive Director of the Company (a listed company on the AIM). Since then, she has been the Chief Executive of Charlemagne Capital Limited. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group.
9. **Alexander Anderson Whamond**, aged 46, British, was appointed as an executive Director of the Company in January 1999. Upon completion of the Restructuring Scheme (as defined above), Mr Whamond became a non-executive Director of the Company. He commenced his career in 1982 with White Weld Securities Limited. Subsequently, he worked at both Salomon Brothers and Morgan Stanley International in London. Prior to joining Regent Pacific Group in March 1998 as the head of the Group's head of Corporate Investments, Mr Whamond was a Managing Director of Peregrine Securities International Limited and a member of the executive committee of Peregrine Investment Holdings Limited. He is also director of certain subsidiaries of Regent Pacific Group and a private equity fund managed by the Group.

Director's Report

DIRECTORS (Continued)

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

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

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

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

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

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

Director's Report

Directors' Interests in Securities and Options

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

I. Securities of the Company

a. Ordinary shares of US\$0.01 each

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

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

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

Director's Report

Directors' Interests in Securities and Options (Continued)

I. Securities of the Company (Continued)

b. *Deferred shares of US\$0.01 each*

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

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

c. *Options of the Company*

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

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

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

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

Director's Report

Directors' Interests in Securities and Options (Continued)

I. Securities of the Company (Continued)

c. Options of the Company (Continued)

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

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

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

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

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

Director's Report

Directors' Interests in Securities and Options (Continued)

2. Securities of associated corporations

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

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

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

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

Director's Report

Directors' Interests in Securities and Options (Continued)

Notes:

- A. The 360,862,396 shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.
- A company wholly owned by the above trustee further acquired 2,037,000 shares in the Company on 3 April 2006.
- B. The 50,000 shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.
- C. The 27,965,226 shares in the Company and the 350,000 shares in bigsave Holdings plc are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.
- D. The 5,826,088 shares in the Company are held by a pension fund, of which Anderson Whamond is the sole beneficiary.
- E. AstroEast.com Limited and bigsave Holdings plc are indirect 51% and 64.3% owned subsidiaries of the Company respectively. The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the financial statements in this report.

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

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

Director's Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

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

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

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

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

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

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

Director's Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

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

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

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

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

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

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

Director's Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

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

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

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

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

Director's Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

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

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

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

MANAGEMENT CONTRACTS

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

RELEVANT TRANSACTIONS

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

Director's Report

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

SUBSTANTIAL SHAREHOLDERS

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

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

Director's Report

SUBSTANTIAL SHAREHOLDERS (Continued)

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

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

Director's Report

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

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

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

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

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

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

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

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

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

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

Director's Report

BORROWINGS

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

RETIREMENT SCHEME

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

AUDITORS

The Financial Statements were audited by Grant Thornton.

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

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

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

Director's Report

CORPORATE GOVERNANCE REPORT

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

On Behalf of the Board

James Mellon

Chairman

18 July 2006