



# Regent Pacific Group Limited

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code : 575)

06

interim report

For the six months ended 30 September 2006

## RESULTS

The directors (the “**Directors**” or the “**Board**”) of Regent Pacific Group Limited (the “**Company**” and collectively with its subsidiaries, the “**Group**”) announce the **unaudited** results of the Group for the six months ended 30 September 2006, together with comparative figures for the corresponding period ended 30 September 2005, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

		(Unaudited) For the six months ended 30 September	
		2006 US\$'000	2005 (restated) US\$'000
	<i>Note</i>		
Revenue:	3		
Asset management and corporate finance income		212	244
Corporate investment income		162	54
Other income		76	—
Fair value gain		2,776	1,966
		3,226	2,264
Expenses:			
Employee benefit expenses		(1,697)	(3,725)
Rental and office expenses		(93)	(85)
Information and technology expenses		(107)	(84)
Marketing costs and commissions		(43)	(49)
Professional fees		(504)	(335)
Investment advisory fee		(78)	(109)
Finance costs	5	(1,291)	—
Other operating expenses		(356)	(188)
		(943)	(2,311)
Operating loss	4		
Share of profits of associates		888	13,175
Share of profit of a jointly controlled entity		2,942	—
		2,887	10,864
Profit before taxation			
Taxation	6	—	—
		2,887	10,864
<b>Attributable to:</b>			
Equity holders of the Company		2,525	11,003
Minority interests		362	(139)
		2,887	10,864
Dividend	7	—	33,872
Earnings per share (US cent)	8		
- Basic		0.18	0.92
- Diluted		0.15	0.92

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

		(Unaudited) As at 30 September 2006 US\$'000	(Audited) As at 31 March 2006 (restated) US\$'000
<b>Non-current assets:</b>			
Intangible asset		1,876	1,876
Property, plant and equipment		34	34
Interests in associates		2,475	1,587
Interest in a jointly controlled entity		23,184	—
Available-for-sale financial assets	9	620	620
		<u>28,189</u>	<u>4,117</u>
<b>Current assets:</b>			
Cash and bank balances		1,928	22,067
Financial assets at fair value through profit and loss	10	6,444	5,267
Trade receivables	11	134	175
Prepayments, deposits and other receivables		1,568	4,275
		<u>10,074</u>	<u>31,784</u>
<b>Current liabilities:</b>			
Derivative financial instruments	14	(35)	(27)
Trade payables, accruals and other payables	12	(1,363)	(3,916)
		<u>(1,398)</u>	<u>(3,943)</u>
<b>Net current assets</b>		<u>8,676</u>	<u>27,841</u>
<b>Total assets less current liabilities</b>		<u>36,865</u>	<u>31,958</u>
<b>Non-current liability</b>			
Borrowing		(16,707)	(18,352)
<b>Net assets</b>		<u>20,158</u>	<u>13,606</u>
<b>Equity</b>			
Equity attributable to the Company's equity holders			
Share capital	13	14,677	13,726
Reserves		4,666	(573)
		<u>19,343</u>	<u>13,153</u>
Minority interests		815	453
<b>Total equity</b>		<u>20,158</u>	<u>13,606</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 September 2006*

	(Unaudited)	
	For the six months ended	
	30 September	
	2006	2005
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash used in operating activities	(1,994)	(5,360)
Net cash (used in)/generated from investing activities	(18,224)	5,559
Net cash generated from financing activities	79	11
Net (decrease)/increase in cash and cash equivalents	(20,139)	210
Cash and cash equivalents at the beginning of the period	22,067	1,063
Cash and cash equivalents at the end of the period	1,928	1,273
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	1,928	1,273

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

Equity attributable to equity holders of the Company (Unaudited)

	Share capital	Accumulated losses	Share premium	Employee share-based payment reserve	Convertible bonds reserve	Capital redemption reserve	Investment revaluation reserve	Foreign currency exchange reserve	Minority interests	Total equity
2006	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 31 March 2006	13,726	(52,460)	50,233	216	56	1,204	—	178	453	13,606
Prior year adjustment (note 2.5)	—	(453)	—	—	—	—	453	—	—	—
At 1 April 2006 as restated	13,726	(52,913)	50,233	216	56	1,204	453	178	453	13,606
Profit for the period	—	2,525	—	—	—	—	—	—	362	2,887
Foreign currency translation adjustment	—	—	—	—	—	—	—	318	—	318
Total recognised income and expense for the period	13,726	(50,388)	50,233	216	56	1,204	453	496	815	16,811
Exercise of share options	23	—	56	—	—	—	—	—	—	79
Conversion of convertible bonds	928	—	2,008	—	(9)	—	—	—	—	2,927
Employee share-based payment	—	—	—	341	—	—	—	—	—	341
At 30 September 2006	14,677	(50,388)	52,297	557	47	1,204	453	496	815	20,158

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

Equity attributable to equity holders of the Company (Unaudited and restated)

	Share capital	Accumulated losses	Share premium	Employee share-based payment reserve	Capital redemption reserve	Investment revaluation reserve	Foreign currency exchange reserve	Minority interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2005									
At 1 April 2005	11,936	(60,589)	81,876	—	1,204	—	16,960	448	51,835
Profit for the period	—	11,003	—	—	—	—	—	(139)	10,864
Foreign currency translation adjustment	—	—	—	—	—	—	(16,772)	—	(16,772)
Total recognised income and expense for the period	11,936	(49,586)	81,876	—	1,204	—	188	309	45,927
Exercise of share options	3	—	8	—	—	—	—	—	11
Fair value adjustment of investments	—	—	—	—	—	453	—	—	453
Employee share-based payment	—	—	—	11	—	—	—	—	11
At 30 September 2005	11,939	(49,586)	81,884	11	1,204	453	188	309	46,402

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

The condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the "HK Listing Rules") on The HK Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by The Hong Kong Institute of Certified Public Accountants.

The condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended 31 March 2006.

The accounting policies used in the preparation of this condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006 except that the Group has changed certain of its accounting policies following its adoption of revised Hong Kong Financial Reporting Standards and HKASs ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2006. The change to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

### 2. ADOPTION OF NEW HKFRS

In the current interim period, the Group has adopted, for the first time, a number of new HKFRS which are relevant to its operations.

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2005 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2005 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 March 2006.

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

#### 2.1 ADOPTION OF AMENDMENT TO HKAS 39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT –THE FAIR VALUE OPTION ("AMENDMENT TO HKAS 39")

Prior to the adoption of Amendment to HKAS 39, the Group has classified all its investments to financial assets at fair value through profit and loss. Any changes in fair value were recognised in the income statement as they arise.

On the adoption of Amendment to HKAS 39, the Group re-designated its investments to (i) financial assets at fair value through profit and loss and (ii) available-for-sale financial assets. The changes in fair value of financial assets at fair value through profit and loss are recognised in the income statement while changes in fair value of available-for-sale financial assets are recognised in reserve.

The effect on adoption of Amendment to HKAS 39 to the financial statements is laid out in notes 2.3 to 2.5.

## 2.2 OTHER STANDARDS ADOPTED

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

## 2.3 THE EFFECT OF CHANGE IN THE ACCOUNTING POLICIES ON THE CONSOLIDATED INCOME STATEMENT IS SUMMARISED BELOW:

	Effect of adopting Amendment to HKAS 39 <i>US\$'000</i>
Period ended 30 September 2005	
Decrease in unrealised gain on financial assets at fair value through profit and loss	(453)
Decrease in profit for the period	(453)
	<i>US cent</i>
Decrease in basic earnings per share	(0.04)



2.4 THE EFFECT OF CHANGE IN THE ACCOUNTING POLICIES ON THE CONSOLIDATED BALANCE SHEET IS SUMMARISED BELOW:

	Effect of adopting Amendment to HKAS 39 <i>US\$'000</i>
At 31 March 2006	
Increase in available-for-sale financial assets	620
Decrease in financial assets at fair value through profit and loss	(620)
	<hr/>
Change in balance sheet	<hr/> —

2.5 THE EFFECT OF CHANGE IN THE ACCOUNTING POLICIES ON THE CHANGE IN RESERVES IS SUMMARISED BELOW:

	Effect of adopting Amendment to HKAS 39 <i>US\$'000</i>
At 31 March 2006	
Decrease in retained earnings	(453)
Increase in investment revaluation reserve	453
	<hr/>
Change in reserves	<hr/> —

2.6 NEW STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the following standards will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	:	Capital Disclosures <sup>1</sup>
HKFRS 7	:	Financial Instruments – Disclosures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

### 3. SEGMENTED INFORMATION

#### PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

The Group comprises three business segments as follows:

Asset management : management of assets entrusted by the shareholders of various mutual funds

Corporate finance : provision of investment advisory services to associates

Corporate investment : investment in corporate entities, both listed and unlisted

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

*For the six months ended 30 September 2006*

	(Unaudited)					
	Asset management	Corporate finance	Corporate investment	Inter-segment elimination	Others	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue from external customers	288	—	162	—	—	450
Inter-segment revenue	—	—	—	—	—	—
	<u>288</u>	<u>—</u>	<u>162</u>	<u>—</u>	<u>—</u>	<u>450</u>
Segment results	(579)	(1,229)	2,156	—	—	348
Unallocated operating expenses						—
Finance costs						(1,291)
Operating loss						(943)
Share of profits of associates						888
Share of profit of a jointly controlled entity						2,942
Taxation						—
Profit for the period						<u>2,887</u>

For the six months ended 30 September 2005

(Unaudited and restated)

	Asset management <i>US\$'000</i>	Corporate finance <i>US\$'000</i>	Corporate investment <i>US\$'000</i>	Internet retailing <i>US\$'000</i>	Inter-segment elimination <i>US\$'000</i>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue from external customers	244	—	54	—	—	—	298
Inter-segment revenue	1	—	2	—	(3)	—	—
	<u>245</u>	<u>—</u>	<u>56</u>	<u>—</u>	<u>(3)</u>	<u>—</u>	<u>298</u>
Segment results	(1,870)	(880)	442	(3)	—	—	(2,311)
Unallocated operating expenses							—
Operating loss							(2,311)
Share of profits of associates							13,175
Taxation							—
Profit for the period							<u>10,864</u>

The segment assets and liabilities at 30 September 2006 and capital expenditure for the six months then ended are as follows:

(Unaudited)

	Asset management <i>US\$'000</i>	Corporate finance <i>US\$'000</i>	Corporate investment <i>US\$'000</i>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
Segment assets	474	16	7,492	4,622	12,604
Interests in associates	—	—	—	2,475	2,475
Interest in a jointly controlled entity	—	—	—	23,184	23,184
Total assets	<u>474</u>	<u>16</u>	<u>7,492</u>	<u>30,281</u>	<u>38,263</u>
Segment liabilities	<u>135</u>	<u>—</u>	<u>37</u>	<u>17,933</u>	<u>18,105</u>
Depreciation and amortisation	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8</u>
Capital expenditure	<u>19,940</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,940</u>

The segment assets and liabilities at 31 March 2006 and capital expenditure for the year then ended are as follows:

(Audited)					
	Asset management	Corporate finance	Corporate investment	Others	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Segment assets	747	15	6,455	27,097	34,314
Investment in associates	—	—	—	1,587	1,587
Total assets	<u>747</u>	<u>15</u>	<u>6,455</u>	<u>28,684</u>	<u>35,901</u>
Segment liabilities	<u>527</u>	<u>702</u>	<u>48</u>	<u>21,018</u>	<u>22,295</u>
Depreciation and amortisation	<u>18</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18</u>
Other non-cash expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>216</u>	<u>216</u>
Capital expenditure	<u>5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5</u>

#### SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

The Group's business is managed on a world-wide basis. Asia Pacific is a major market for its asset management business and its corporate investments.

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

There are no sales between the geographical segments.

For the period ended 30 September 2006

	North America US\$'000	Asia Pacific US\$'000	Western Europe US\$'000	Total US\$'000
Revenue from external customers	88	281	81	450
Capital expenditure incurred during the period	—	19,940	—	19,940

For the period ended 30 September 2005

	North America US\$'000	Asia Pacific US\$'000	Western Europe US\$'000	Total US\$'000
Revenue from external customers	22	243	33	298
Capital expenditure incurred during the period	—	3	—	3

## 4. OPERATING LOSS

	(Unaudited) For the six months ended 30 September	
	2006 US\$'000	2005 (restated) US\$'000
After charging:		
Auditors' remuneration	68	27
Bad debts written off	117	—
Depreciation on owned fixed assets	8	9
Operating lease rental on property	46	43
After crediting:		
Interest income on bank deposits*	47	8
Dividend income from available-for-sale financial assets*	71	46

\* Included in revenue

## 5. FINANCE COSTS

	(Unaudited)	
	For the six months ended	
	30 September	
	2006	2005
	<i>US\$'000</i>	<i>US\$'000</i>
Interest on convertible bonds	1,291	—

## 6. TAXATION

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

Share of associates' taxation for the six months ended 30 September 2006 of US\$14,000 (2005: US\$1,224,000) is included in the income statement as share of profits of associates. Pursuant to a notice dated 30 June 2006 issued by the Simao Provincial Tax Bureau, the Company's jointly controlled entity is exempt from income tax from year 2006 to year 2007 and is subject to a reduced income tax rate of 15% for a period of three years from 2008 to 2010.

## 7. DIVIDEND

	(Unaudited)	
	For the six months ended	
	30 September	
	2006	2005
	<i>US\$'000</i>	<i>US\$'000</i>
Special interim, paid, of Nil (2005: 2.837 US cents) per share	—	33,872

## 8. EARNINGS PER SHARE

- a. The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of US\$2,525,000 (2005: US\$11,003,000 (as adjusted)) and on the weighted average of 1,439,107,391 (2005: 1,193,640,706) shares of the Company in issue during the period.
- b. The diluted earnings per share for the period ended 30 September 2006 is calculated based on the profit attributable to equity holders of the Company for the period of US\$3,033,000 (2005: US\$11,003,000 (as adjusted)) and on 2,084,998,131 (2005: 1,196,507,068) shares, which was the sum of the weighted average number of shares in issue during the period of 1,439,107,391 (2005: 1,193,640,706) shares plus the weighted average number of 645,890,740 (2005: 2,866,362) shares, of which 623,536,527 (2005: Nil) shares are deemed to be converted at a consideration of HK\$0.2615 per share if all the Company's outstanding convertible bonds have been converted and 5,372,722 (2005: 2,866,362) shares and 16,981,491 (2005: Nil) shares are deemed to be issued at HK\$0.266 and HK\$0.300 respectively as if all the Company's share options have been exercised.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	(Unaudited) As at 30 September 2006 <i>US\$'000</i>	(Audited) As at 31 March 2006 (restated) <i>US\$'000</i>
At 1 April	620	—
Re-designated from financial assets at fair value through profit and loss	—	620
At 30 September/31 March	<u>620</u>	<u>620</u>

Available-for-sale financial assets include the following:

	(Unaudited) As at 30 September 2006 <i>US\$'000</i>	(Audited) As at 31 March 2006 (restated) <i>US\$'000</i>
Unlisted securities		
club debenture, at cost	19	19
equity security	601	601
	<u>620</u>	<u>620</u>

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	(Unaudited) As at 30 September 2006 <i>US\$'000</i>	(Audited) As at 31 March 2006 (restated) <i>US\$'000</i>
At 1 April	5,267	6,612
Re-designated to available-for-sales financial assets	—	(620)
Additions	—	1,734
Disposal	(1,195)	(3,414)
Changes in fair value – unrealised portion	2,372	955
At 30 September/31 March	<u>6,444</u>	<u>5,267</u>

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

	(Unaudited) As at 30 September 2006 <i>US\$'000</i>	(Audited) As at 31 March 2006 (restated) <i>US\$'000</i>
Listed securities		
equity security – overseas	5,537	3,408
Unlisted securities		
equity security	907	1,859
	<u>6,444</u>	<u>5,267</u>



11. TRADE RECEIVABLES

	(Unaudited) As at 30 September 2006 <i>US\$'000</i>	(Audited) As at 31 March 2006 2006 <i>US\$'000</i>
1 to 3 months old	110	174
More than 3 months old but less than 12 months old	24	1
	<u>134</u>	<u>175</u>

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

12. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	(Unaudited) As at 30 September 2006 <i>US\$'000</i>	(Audited) As at 31 March 2006 <i>US\$'000</i>
Due within 1 month or on demand	3	97
More than 6 months	29	45
Trade payables	32	142
Accruals and other payables	1,331	3,774
	<u>1,363</u>	<u>3,916</u>

Included in trade payables were those payables placed in trust accounts amounting to US\$29,000 as at 30 September 2006 (31 March 2006: US\$28,000).

## 13. SHARE CAPITAL

	Number of shares	Total US\$'000
Authorised:		
Ordinary shares of US\$0.01 each	5,000,000,000	50,000
Unclassified shares*	550,000,000	5,500
At 30 September 2006/ 31 March 2006	5,550,000,000	55,500
	Number of ordinary shares of US\$0.01 each	US\$'000
Issued and fully paid:		
At 1 April 2006	1,372,599,856	13,726
Exercise of share options	2,306,000	23
Conversion of convertible bonds	92,781,468	928
At 30 September 2006	1,467,687,324	14,677

\* *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*

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, 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.

During the six months ended 30 September 2006, an aggregate of 95,087,468 new ordinary shares were issued and allotted with details set out below:

- a. On 24 May 2006, 59,666,539 new ordinary 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, being at a conversion price of HK\$0.2615 per share.
- b. On 24 May 2006, 33,114,929 new ordinary 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, being at a conversion price of HK\$0.2615 per share.
- c. On 25 July 2006, an aggregate of 1,316,000 new ordinary shares were issued and allotted for a total consideration of HK\$350,056 (approximately US\$44,879), 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).
- d. On 11 September 2006, an aggregate of 990,000 new ordinary shares were issued and allotted for a total consideration of HK\$263,340 (approximately US\$33,762), being HK\$0.266 per share, upon exercise of options under the Share Option Scheme (2002) of the Company.

No new ordinary shares were issued and allotted subsequent to 30 September 2006 or prior to the date of this report.

At the Company's extraordinary general meeting held on 23 November 2006, the authorised share capital of the Company was increased from US\$55,500,000 comprising 5,000,000,000 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\$55,500,062.50 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 ("Redeemable Convertible Preference Shares" or "RCPS") of US\$0.01 each.

### *Redeemable Convertible Preference Shares*

On 11 October 2006, the Company entered into a subscription agreement (the "Subscription Agreement") with (i) Libra Fund LP; (ii) Libra Offshore Limited; (iii) MLP Investments (Caymans), Ltd; and (iv) certain Directors of the Company, namely James Mellon, Jayne Sutcliffe, Anderson Whamond, Jamie Gibson, Mark Searle, Julie Oates and David Comba (collectively the "Purchasers") relating to the issue by the Company of, and the subscription by the Purchasers for, 6,250 Redeemable Convertible Preference Shares at US\$1,000 per share in cash, in order to raise US\$6.25 million (approximately HK\$48.75 million) (the "Placing"). The Placing was approved by the independent and disinterested shareholders of the Company at the extraordinary general meeting held on 23 November 2006 under the requirements of the HK Listing Rules.

The Placing was completed on 30 November 2006, on which date an aggregate of 6,250 Redeemable Convertible Preference Shares were issued and allotted to the following Purchasers on the terms and conditions set out in the Subscription Agreement:

Name of Purchasers	Subscription amount (US\$)	Number of RCPS allotted
Libra Fund LP	1,620,000	1,620
Libra Offshore Limited	380,000	380
MLP Investments (Caymans), Ltd	500,000	500
James Mellon	2,750,000	2,750
Jayne Sutcliffe	250,000	250
Anderson Whamond	250,000	250
Jamie Gibson	250,000	250
Mark Searle	100,000	100
Julie Oates	100,000	100
David Comba	50,000	50
	6,250,000	6,250

Set out below are the principal terms of the Redeemable Convertible Preference Shares:

a. Maturity date

30 November 2011 (the “Maturity Date”)

b. 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:

- i. full revocation by any governmental or regulatory authority of The People’s Republic of China (“PRC”) of the mining permits 5300000520208 or 5327010110012 issued to Simao Shanshui Minerals Limited and Simao Lianyou Minerals Limited respectively; and
- ii. expropriation by any PRC governmental or regulatory authority of more than half of the assets, property and economic interests of Yunnan Simao Shanshui Cooper Company Limited (a 40% owned Sino-foreign equity joint venture enterprise in respect of the Dapingzhang copper mine) and/or Simao Regent Minerals Limited (a 90.5% owned co-operative joint venture enterprise to be established in respect of the Yinzishan mine),

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.

c. Conversion

i. *Conversion price*

The initial 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 Ordinary 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;
4. rights issue of Ordinary Shares or options over Ordinary Shares at less than the then current market price of the Ordinary Shares;
5. rights issue of other securities of the Company (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares);
6. issues at less than the then current market price of the Ordinary 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.

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.

ii. *Conversion period*

The period during which the Redeemable Convertible Preference Shares may be converted at the option of the holders thereof commenced on 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 (as defined in the Subscription Agreement) before any date fixed for redemption of the Redeemable Convertible Preference Shares by the Company).

iii. *Conversion shares*

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

d. *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 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 Ordinary 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 Ordinary 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 (comprising James Mellon, Jayne Sutcliffe and Anderson Whamond as registered under Rule 26.6 of The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")), 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).

e. 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.

f. Listing

No application was made to the HK Stock Exchange or any other stock exchange for the listing of, and permission to deal in, the Redeemable Convertible Preference Shares. However, the Company has applied to the HK Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares to be issued upon conversion of the Redeemable Convertible Preference Shares.

g. 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.

h. 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 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.

i. 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.

No Redeemable Convertible Preference Shares were converted into Ordinary Shares prior to the date of this report.

*Share Option Scheme (2002)*

The Company's 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.

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.

As at 1 April 2006, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 20,274,000 (1 April 2005: 20,600,000) ordinary shares at the exercise price of HK\$0.266 per share, representing 1.48% (1 April 2005: 1.86%) of the Company's then issued voting share capital and 1.46% (1 April 2005: 1.83%) of the enlarged voting share capital. Amongst the outstanding options, options in respect of an aggregate of 6,540,663 shares or 32.26% were vested (1 April 2005: Nil). During the six-month period ended 30 September 2006, options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 89,200,000 ordinary shares at the exercise price of HK\$0.300 per share were granted (2005: Nil). No options were cancelled (2005: Nil) or lapsed (2005: Nil). Vested options in respect of an aggregate of 2,306,000 (2005: 326,000) shares were exercised at HK\$0.266 per share. Accordingly, as at 30 September 2006 and the date of this report, there were/are outstanding options entitling the holders to subscribe, in stages, for an aggregate of 107,168,000 ordinary shares (30 September 2005: 20,274,000 shares) at the exercise prices ranging from HK\$0.266 to HK\$0.300 per share, representing 7.30% (30 September 2005: 1.83%) of the Company's issued voting share capital as at 30 September 2006 and 6.80% (30 September 2005: 1.80%) of the enlarged voting share capital. Amongst the outstanding options, options in respect of an aggregate of 11,101,332 shares or 10.36% were/are vested (30 September 2005: options in respect of an aggregate of 6,540,633 shares or 32.26%). Exercise in full of the outstanding options would result in the issue of 107,168,000 additional ordinary shares for aggregate proceeds, before expenses, of HK\$31,539,488 (approximately US\$4,043,524).

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

i. *Directors, Chief Executive and substantial shareholders*

As at 1 April 2006, 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.



During the six-month period ended 30 September 2006, no options were exercised or cancelled or lapsed. 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 30 September 2006 and 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.

*iii. Full-time employees*

As at 1 April 2006, 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 5,774,000 ordinary shares at the exercise price of HK\$0.266 per share.

During the six-month period ended 30 September 2006, no options were cancelled or lapsed. 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. Vested options in respect of an aggregate of 1,316,000 shares were exercised on 25 July 2006 at HK\$0.266 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK\$0.335. Further, vested options in respect of an aggregate of 990,000 shares were exercised on 11 September 2006 at HK\$0.266 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK\$0.400. Accordingly, as at 30 September 2006 and the date of this report, there were/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 39,068,000 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 period 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 period or prior to the date of this report.

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

	30 September 2006		31 March 2006	
	Number	Weighted average exercise price (HK\$)	Number	Weighted average exercise price (HK\$)
Outstanding at 1 April	20,274,000	0.27	20,800,000	0.27
Granted	89,200,000	0.30	—	—
Forfeited	—	—	—	—
Exercised	(2,306,000)	0.27	(326,000)	0.27
Expired	—	—	(200,000)	1.06
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Outstanding at 30 September/31 March	107,168,000	0.29	20,274,000	0.27

The weighted average share price of these shares at the date of exercise was HK\$0.29. All remaining share options as at 30 September 2006 have been accounted for under HKFRS 2.

The fair value of share options granted during the six-month period ended 30 September 2006 was determined using the Binomial valuation model. Significant inputs into the calculation included a closing share price at the date of grant of option of HK\$0.300 and the exercise prices as illustrated above. Furthermore, the calculation takes into account a dividend yield of 22% and a volatility of 95%, based on the Company's expected share price. A risk-free interest rate of 4.607% was used.

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

In total, US\$341,000 of employee compensation expense has been included in the consolidated income statement for the six months ended 30 September 2006 (30 September 2005: US\$11,000) which gave rise to additional paid-in capital. No liabilities were recognised due to share-based payment transactions.

14. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 September 2006, there were outstanding forwards and futures trading contracts amounting to approximately to US\$984,000 (31 March 2006: US\$1,964,000) and US\$486,000 (31 March 2006: US\$492,000) respectively undertaken by the Group in the foreign exchange and equity market.

In the course of the Group's normal trading in derivatives, margin deposits of varying amounts of cash are held by the Group's brokers. As at 30 September 2006, the amount of these margin deposits was US\$395,000 (31 March 2006: US\$382,000).

15. OPERATING LEASE COMMITMENTS

	(Unaudited) As at 30 September 2006 <i>US\$'000</i>	(Audited) As at 31 March 2006 <i>US\$'000</i>
At 30 September 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
–within 1 year	68	94
–in the 2nd to 5th year, inclusive	—	8
	<u>68</u>	<u>102</u>
Equipment		
–within 1 year	5	—
–in the 2nd to 5th year, inclusive	17	—
	<u>90</u>	<u>102</u>

## 16. CAPITAL COMMITMENTS

	(Unaudited) As at 30 September 2006 <i>US\$'000</i>	(Audited) As at 31 March 2006 <i>US\$'000</i>
Commitment for the investment in a jointly controlled entity Contracted but not provided for	2,000	17,000

## 17. CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 30 September 2006.

## 18. MATERIAL RELATED PARTY TRANSACTIONS

Set out below is a summary of material related party contract or transaction of the Group during the period. Such transaction was entered into in the ordinary course of business of the Group.

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

On 11 October 2006, the Company entered into The Subscription Agreement (as referred to in note 13) with (i) Libra Fund LP; (ii) Libra Offshore Limited; (iii) MLP Investments (Caymans), Ltd; and (iv) certain Directors of the Company, namely James Mellon, Jayne Sutcliffe, Anderson Whamond, Jamie Gibson, Mark Searle, Julie Oates and David Comba relating to the issue by the Company of, and the subscription by the Purchasers for, 6,250 Redeemable Convertible Preference Shares at US\$1,000 per share in cash, in order to raise US\$6.25 million (approximately HK\$48.75 million). The Placing was approved by the independent and disinterested shareholders of the Company at the extraordinary general meeting held on 23 November 2006 under the requirement of the HK Listing Rules.

The Placing was completed on 30 November 2006, on which date an aggregate of 6,250 Redeemable Convertible Preference Shares were issued and allotted to the respective Purchasers on the terms and conditions set out in the Subscription Agreement.

## 19. POST BALANCE SHEET EVENTS

On 30 November 2006, the Company issued US\$6.25 million 8.5% Redeemable Convertible Preference Shares (as referred in note 13).

### REVIEW AND PROSPECTS

The Group recorded a profit attributable to shareholders of US\$2.53 million (2005: US\$11.00 million) for the six-month period ended 30 September 2006, representing earnings per share of 0.18 US cent (2005: 0.92 US cent). The profit was mainly attributable to the Group's share of profit after tax of US\$2.94 million and US\$0.89 million from its associates, Yunnan Simao Shanshui Copper Company Limited ("YSSCCL") and Regent Markets Holdings Limited ("Regent Markets"), respectively. YSSCCL recorded a profit of RMB 58.77 million (approximately US\$7.35 million) from 1 April 2006 (date of incorporation) to 30 September 2006.

The revenue of the corporate investment business division, including the fair value gain, increased significantly to US\$2.94 million (2005: US\$2.02 million), which was mainly due to the marked-to-market increase in the shares of Red Dragon Resources Corporation. The revenue of the asset management business division was US\$0.29 million (2005: US\$0.24 million).

The majority of the Group's operating expenses represented the inclusion of a full six months interest of the US\$20 million Convertible Bonds which was issued on 31 March 2006. This amounted to US\$1.29 million for the six-month period ended 30 September 2006.

The shareholders' equity increased by 47.06% to US\$19.34 million as at 30 September 2006 from US\$13.15 million as at 31 March 2006. The increase was mainly due to (i) conversion of US\$3.1 million of convertible bonds resulting in a total increase of share capital and share premium of US\$2.93 million, and (ii) profit of US\$2.53 million for the period concerned.

I set out below a brief summary of the main elements of the profit attributable to shareholders as follows:

	<i>US\$ million</i>
Share of profit from YSSCCL	2.94
Share of profit from Regent Markets	0.89
Asset management	(1.81)
Corporate investment	1.80
Finance cost	(1.29)
Total profit attributable to shareholders	<u>2.53</u>

On 30 November 2006, the Group successfully issued US\$6.25 million 8.5% Redeemable Convertible Preference Shares due November 2011.

As at the date of this report, the Company's issued share capital consists of 1,467,687,324 shares and on a fully diluted basis it consists of 2,246,839,023 shares.

## YUNNAN SIMAO SHANSHUI COPPER COMPANY LIMITED (YSSCCL)

The Group has a 40% interest in YSSCCL, which is a producing mine with recoverable copper, zinc, lead, gold and silver. YSSCCL is located in South-west Yunnan Province in the PRC, some 310 kilometers from Kunming, the provincial capital of Yunnan.

### *SAFETY*

There were no lost time injuries since YSSCCL's incorporation to 30 September 2006.

### *ENVIRONMENT*

There were no reportable environmental incidents in the reporting period. YSSCCL has appointed Environmental Resources Management for the purposes of developing a comprehensive mine wide environmental, health and safety plan, including the provision of training, among others.

### *COMMUNITY RELATIONS*

On 31 August 2006, YSSCCL and Cuiyun county government entered into an agreement whereby YSSCCL paid RMB 11.36 million (approximately US\$1.42 million) for relocating the farm residents located at Dapingzhang and Dawaz. Pursuant to this agreement, it is Cuiyin county government's responsibility to relocate the hamlets and it is expected that Dapingzhang hamlet will be relocated by March 2007 and the Dawaz hamlet by 31 August 2007.

*MINING, PRODUCTION AND COSTS*

Set out below are the mining, production and operating costs for the six months to 30 September 2006.

**TABLE 1 - SIX MONTHS COPPER PRODUCTION TO 30 SEPTEMBER 2006**

	Units	Half year to September 2006
Ore mined	t	452,419
Grade	%	0.9
Waste stripped	m <sup>3</sup>	681,615
Ore milled	t	339,809
Copper grade	%	0.841
Copper recoveries	%	92.9
Production		
Copper concentrate	t	12,642
Copper concentrate sold	t	10,773
Contained metal in concentrates sold*		
Cu	t	2,109
Au	oz	1,878
Ag	oz	28,751

\* Where there are payable terms

TABLE 2 - OPERATING COSTS FOR SIX MONTHS TO 30 SEPTEMBER 2006

All in US\$'000 (HKFRS adjusted)	Half year to September 2006
Operating costs <sup>1</sup>	3,916
Administrative costs <sup>2</sup>	512
Selling costs <sup>2</sup>	47
Transportation costs	351
By-product credit <sup>3</sup>	(1,039)
Total Cash Cost	3,787
Depreciation and amortisation <sup>4</sup>	475
Total Production Cost <sup>5</sup>	4,262
Cash Operating Costs/lb	0.136

<sup>1</sup> Exploration and resource drilling expenditures are not included in mine site cash costs

<sup>2</sup> Directly attributable to the mine operations

<sup>3</sup> Revenue from gold and silver

<sup>4</sup> Includes amortisation of mine assets and exploration & mining licences

<sup>5</sup> Includes cost of goods sold and inventory costs of finished goods

The mining was mainly focussed on the disseminated ore (V2) from section 10 to section 16. Ore throughput was reduced in October 2006 because the pumphouse for Mill #4 was flooded due to heavy rains. As a result, YSSCCL management have revised production for 2006 to 7 million pounds copper from 9 million pounds copper. Ore throughput will be reduced from early December 2006 while the pilot plant testwork is being completed on the massive sulphide ore (V1). Completion of the pilot plant testwork for the production of separate Copper concentrate and Zinc concentrate is scheduled for the end of the first quarter of 2007.



Cube Consulting Pty Ltd\* completed its preliminary mine plan based on the first estimate of mineral resources in December 2006. A summary of the preliminary mine production schedule for 2007 is set out below:

Destination	2007
Total Ore Tonnes	1,236,514
Cu %	0.78
Zn %	1.63
Total Waste Tonnes	23,959,763 <sup>#</sup>
Total Tonnes	25,196,277
Strip Ratio (w:o tonnes)	19.4:1

\* *Cube Consulting Pty Ltd's preliminary mine plan is just that, preliminary, and was based on a number of assumptions and forecasts that, while presented with numerical specificity and considered reasonable by us, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, and upon assumptions with respect to future business decisions which are subject to change and, in many respects, also outside of our control. The data contained in such preliminary mine plan (including the production schedule) may vary materially from actual results. Accordingly, we cannot provide any assurance that the data contained in the preliminary mine plan will be realised. While the Company undertakes no obligation to update this preliminary mine plan, it is possible that a revised plan will be available towards the middle of 2007.*

# *In 2007 most of the stripped waste will consist of highly weathered rock which should be free-digging or require minimal blasting.*

It is anticipated that this preliminary mine plan will be updated in May 2007.

Total cash costs for the six months ended were US\$0.136/lb. It is anticipated that the mine operating costs will increase next financial year due to reduced throughput capacity while the pilot plant testwork is completed and the increased waste stripping is being carried out.

The average copper price received in the six months ended 30 September 2006 was RMB 51,033 / tonne (approximately US\$6,456 / tonne).

*EXPLORATION*

YSSCCL produced its first estimate of minerals resources in September 2006 (a copy can be obtained from the Company's website at [www.regentpac.com](http://www.regentpac.com)). A summary of the estimate is set out below:

Total	Volume	Tonnes	Copper %	Metal (kt)
Indicated	6,328,000	18,551,000	0.7	138
Inferred	2,633,000	7,924,000	1.0	79
<b>TOTAL</b>	<b>8,961,000</b>	<b>26,475,000</b>	<b>0.8</b>	<b>217</b>

The information in this estimate of mineral resources is based on and accurately reflects reports prepared by Mr Kai Qiang Fan and Mr Patrick Adams, who are Members of the Australasian Institute of Mining and Metallurgy and they 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 for Reporting of Mineral Resources and Ore Reserves (2004 Edition). Each of the Competent Persons has given their consent to the inclusion of the material in the form and context in which it appears. Mr Kai Qiang Fan is the Chief Geologist and Head of Exploration of Yunnan Simao Shanshui Copper Company Limited. Mr Patrick Adams is an employee of consultants Cube Consulting Pty Ltd. Figures are rounded according to JORC Code guidelines.

An updated estimate of the mineral resources is scheduled for March 2007 and YSSCCL's first ore reserve is planned for middle of 2007.

As at 30 November 2006, the in-filling drilling program is utilising ten diamond drill rigs and had completed 47,617.78 meters from 217 holes. A total of 60,000 meters is planned for completion by end of January 2007. An additional 20,000 meters of in-fill drilling is planned for completion over the mining licence area with the primary focus on testing known stratigraphy by June 2007.

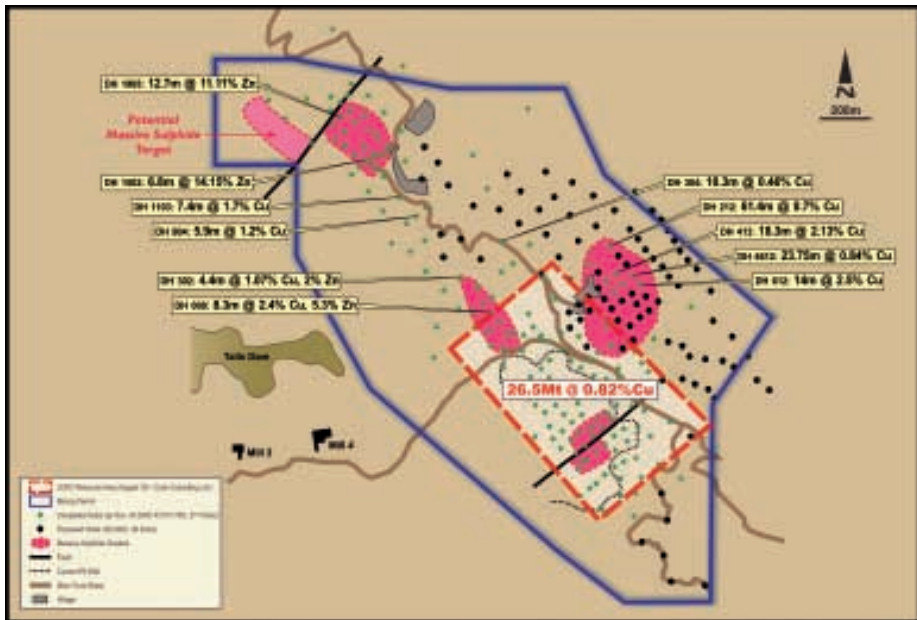
In-fill drilling in the mining licence area returned a number of significant massive sulphide (V1) intercepts, including DH6810, 17.08 meters at 4.94% copper and 2.52% zinc at **Dapingzhang** and DH1905, 12.7 meters at 0.42% copper and 11.11% zinc at **Dawaz** (see table 3 below). Exploration of near mine prospects continues to confirm the potential for significant additional copper and zinc resources.

TABLE 3 - YSSCCL DRILLING RESULTS HIGHLIGHTS

Drill Hole	From (m)	Interval (m)	Copper (%)	Zinc (%)	Gold (g/t)	Silver (g/t)
<b>Dapingzhang</b>						
DH6810	168.61	17.08	4.94	2.52	1.12	26.41
DH021	102.94	15.06	2.30	6.90	1.00	67.60
DH241	91.50	23.90	1.69	2.00	1.45	50.76
DH009	97.64	8.56	1.15	7.14	0.89	65.81
DH687	182.90	20.55	6.40	0.01	0.18	7.90
DH206	95.20	26.60	1.60	6.06	0.90	65.16
DH606	123.34	27.60	1.00	3.25	0.16	14.76
DH808	160.10	28.12	1.54	1.35	0.50	24.36
<b>Dawaz</b>						
DH1905	86.1	12.70	0.42	11.11	0.37	49.76
DH1502	17	6.80	1.14	14.15	1.40	90.68

YSSCCL management believe that the recent drilling results have great potential to add significant resources and to extend the mine life beyond seven years. An update estimate of the minerals resources is anticipated for publication in March 2007, which will be in accordance with the JORC Code (see Figure 1 below).

Figure 1 – Dapingzhang Plan – Mineralization with potential to add significant resources and to extend mine life



*COPPER PLANT EXPANSION STUDY*

YSSCCL engaged Kunming Design Institute for the purposes of preparing a feasibility study for the concentrator expansion. Targeted concentrator expansion is 5,000 - 8,000 tonnes per day. Completion of the feasibility study is scheduled for December 2006.

### *INFRASTRUCTURE STUDIES*

YSSCCL has engaged SRK in conjunction with ENFI for the purposes of (i) undertaking a detailed review of the existing tailings dam facility, including the provision of an updated design for meeting international standards, (ii) preparing a tailings storage facility monitoring plan, (iii) designing waste dump(s), and (iv) preparing operating and post closure reclamation and closure plans for the tailings dam facility, among others.

Construction has commenced on the return water system, the central crushing plant and upgrading the mine access road. Design work has started on the central filter plant and mine camp.

### **YINZISHAN MINE**

A fieldwork program involving geological mapping of the underground workings and collection of rock samples for geotechnical examination was completed during the period. Geophysical surveys of a 2.5 square kilometre area started on 19 November 2006 to identify and prioritise drill targets. Completion is scheduled for early January 2007 and if the results are positive, an exploration drilling program will be commenced.

### **NEW PROJECTS**

The Group reviewed a number of new projects in China during the period. Currently the Group is assessing two base metal projects and joint offers in Yunnan province.

### **REGENT MARKETS GROUP**

Regent Markets has enjoyed a successful year, with turnover for 2006 projected at US\$100 million, and net profits for the period to October 2006 of US\$2.5 million. The Regent Markets Group offers fixed-odds financial betting via its flagship websites [www.betonmarkets.com](http://www.betonmarkets.com) and [www.betonmarkets.co.uk](http://www.betonmarkets.co.uk) and is the market leader in its industry. The Regent Markets Group is celebrating its 7th year in business with record profits and turnover, low expenses, and a strong balance sheet.

### **INTERIM DIVIDEND**

The Directors have resolved not to declare an interim dividend in respect of the six months ended 30 September 2006 (2005: special interim dividend of US\$33,872,000).

## TRADING RECORD OVER LAST FIVE YEARS

	(Unaudited)	(Audited)				
	Six months	Year ended 31 March				
	ended 30 September	(restated)				
	2006	2006	2005	2004	2003	2002
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total income	3,226	2,264	3,602	2,595	2,335	5,201
Income less expenses	348	(5,312)	158	(2,001)	(1,905)	(13,544)
Share of profits/ (losses) of associates	888	13,001	(42,043)	7,089	(5,534)	15,416
Share of profit of a jointly controlled entity	2,942	—	—	—	—	—
Operating profit/(loss) on core activities	4,178	7,689	(41,885)	5,088	(7,439)	1,872
Losses on non-core activities	—	—	—	—	—	(8)
Operating profit/(loss) from ordinary activities	4,178	7,689	(41,885)	5,088	(7,439)	1,864
Finance costs - interest on bank loans, overdraft and convertible bonds	(1,291)	(8)	—	—	—	(145)
Profit/(Loss) before taxation	2,887	7,681	(41,885)	5,088	(7,439)	1,719
Taxation	—	—	(7)	—	163	(196)
Profit/(Loss) for the period/year	2,887	7,681	(41,892)	5,088	(7,276)	1,523
Minority interests	(362)	(5)	(438)	(15)	16	2,030
Profit/(Loss) attributable to equity holders of the Company	2,525	7,676	(42,330)	5,073	(7,260)	3,553
Capital and reserves	20,158	13,606	51,835	97,279	85,192	87,054

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

#### REVENUE AND PROFITS

The Group recorded a profit after tax and minority interests of US\$2.53 million for the six-month period ended 30 September 2006.

The associates of the Group, Yunnan Simao Shanshui Copper Company Limited and Regent Markets Holdings Limited contributed a share of profit of US\$2.94 million and US\$0.89 million respectively to the Group for the six-month period ended 30 September 2006. YSSCCL recorded a profit of RMB 58.77 million (equivalent to US\$7.35 million) for the period from its incorporation to 30 September 2006.

The fair value gain from investments increased significantly to US\$2.78 million due mainly to the marked-to market increase in the shares of Red Dragon Resources Corporation. The revenue for the corporate investment division increased slightly to US\$0.16 million (2005: US\$54,000), while the revenue of the asset management division was reduced to US\$0.29 million (2005: US\$0.24 million) for the six-month period.

The Group continued to monitor its operating costs closely. The majority of the operating expenses were the interest expense of the convertible bonds amounting to US\$1.29 million for the six-month period ended 30 September 2006.

The main elements of the profit are analysed as follows:

	<i>US\$ million</i>
Share of profit from YSSCCL	2.94
Share of profit from Regent Markets	0.89
Asset management	(1.81)
Corporate investment	1.80
Finance cost	(1.29)
Total profit attributable to shareholders	<u>2.53</u>

*BALANCE SHEET*

The shareholders' equity increased significantly by 47.06% to US\$19.34 million as at 30 September 2006 from US\$13.15 million as at 31 March 2006. The increase was mainly due to (i) the conversion of the US\$3.1m convertible bonds resulting in a total increase of share capital and share premium of US\$2.93 million and (ii) the profit of US\$2.53 million for the six-month period ended 30 September 2006.

The investments in YSSCCL of US\$23.19 million and Regent Markets of US\$2.48 million accounted for 120% and 12.8% of the shareholders' equity respectively. The Group's other assets comprised: (i) cash of US\$1.93 million, (ii) listed and unlisted investments of US\$7.06 million, (iii) goodwill of US\$1.88 million and (iv) other assets and receivables of US\$1.74 million.

The Group's liabilities comprised: (i) convertible bonds (liability portion) of US\$16.71 million and (ii) payables and accruals of US\$1.40 million.

*FUTURE FUNDING*

As at 30 September 2006, the Group had US\$1.93 million net cash or 9.97% of its total shareholders' equity, which does not take account of the Group's holding of listed securities that amounts to US\$5.54 million.

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

*MANAGEMENT OF RISK*

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

*CONTINGENT LIABILITIES*

The Group has no material contingent liabilities as at 30 September 2006.



## DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at 30 September 2006, the Directors of the Company had the following beneficial interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company or of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")), which were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to The Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the HK Listing Rules:

### 1. SECURITIES OF THE COMPANY

#### a. Ordinary shares of US\$0.01 each

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % holding**
James Mellon	A	Beneficial owner	Long position	43,216,180	2.94%
		Beneficiary of a trust	Long position	370,821,131	25.27%
Jamie Gibson		—	—	—	—
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Patrick Reid		—	—	—	—
Mark Searle	B	Beneficial owner	Long position	4,194,444	0.29%
		Beneficiary of a trust	Long position	50,000	0.00%
Jayne Sutcliffe	C	Beneficial owner	Long position	17,160,465	1.17%
		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 number of the shares to be issued upon exercise of the outstanding options under the Share Option Scheme (2002) held by the Directors, which are disclosed in sub-paragraph (b) below.

\*\* The total issued ordinary share capital of the Company as at 30 September 2006 consisted of 1,467,687,324 shares. There is no change in the Company's issued ordinary share capital subsequent to the period end date.

## b. Options of the Company

Please refer to note 13 to the financial statements as to the details of the Share Option Scheme (2002).

As at 30 September 2006, the following Directors of the Company 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.*

As noted above, options in respect of an aggregate of 53,600,000 shares were granted on 4 April 2006 to the Directors of the Company under the Share Option Scheme (2002). No options were granted subsequent to the period end date or prior to the date of this report.

None of the outstanding options held by the Directors of the Company under the Share Option Scheme (2002) were exercised or cancelled or lapsed during the six-month period ended 30 September 2006 or prior to the date of this report.

Save for the above, during the period or prior to the date of this report, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Share Option Scheme (2002) and subscribed for shares in the Company; and no options were granted or cancelled or lapsed.

### 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%

### 3. REDEEMABLE CONVERTIBLE PREFERENCE SHARES OF US\$0.01 EACH

Subsequent to the period end date, an aggregate of 6,250 Redeemable Convertible Preference Shares were issued and allotted on 30 November 2006 to the Purchasers on the terms and conditions set out in the Subscription Agreement (as referred to in note 13 to the financial statements). The Directors of the Company had the following beneficial interests in the Redeemable Convertible Preference Shares:

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding	Number of ordinary 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

*Notes:*

A. The 370,821,131 ordinary shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.

The 2,750 Redeemable Convertible Preference Shares are held by a company wholly owned by this settlement.

B. The 50,000 ordinary 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 ordinary shares in the Company 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 ordinary shares in the Company are held by a pension fund, of which Anderson Whamond is the sole beneficiary.

The 250 Redeemable Convertible Preference Shares are 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 30 September 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 period or prior to the date of this report.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 % holding**	Derivative interests (Number of shares)
Israel Alexander Englander	A&B	Ordinary shares	Interest of controlled corporation	Long position	342,080,030	23.31%	298,330,491
Millennium Partners, LP	A&B	Ordinary shares	Interest of controlled corporation	Long position	342,080,030	23.31%	298,330,491
Millennium Management, LLC	A&B	Ordinary shares	Interest of controlled corporation	Long position	342,080,030	23.31%	298,330,491
Michael Austin	A&C	Ordinary shares	Interest of controlled corporation	Long position	149,165,430	10.16%	149,165,430
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
Highbridge International LLC	A&C	Ordinary shares	Beneficial owner	Long position	74,582,715	5.08%	74,582,715
The State of Wisconsin Investment Board		Ordinary shares	Beneficial owner	Long position	73,000,940	4.97%	Nil
Finistere Limited	E	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 30 September 2006 consisted of 1,467,687,324 ordinary shares. There is no change in the Company's issued ordinary share capital subsequent to the period end date.

*Notes:*

- A. On 31 March 2006, the Company issued the Convertible Bonds (as referred to in note 13 to the financial statements) 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 ordinary 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.

*Subsequent to the period end date, these shareholders filed notices with the Company with respect to disposal of certain shares. Further, on 11 October 2006 MLP Investments (Caymans), Ltd subscribed for 500 Redeemable Convertible Preference Shares pursuant to the Subscription Agreement (as referred to in note 13 to the financial statements), which may give rise to the issue of 13,448,276 ordinary shares on conversion. The 500 Redeemable Convertible Preference Shares were issued and allotted on 30 November 2006.*

*Accordingly, as at the date of this report, these shareholders are interested in 349,803,306 shares, of which 311,778,767 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.

*Subsequent to the period end date, JPMorgan Chase & Co filed a notice with the Company with respect to disposal of certain shares. As at the date of this report, JPMorgan Chase & Co is interested in 71,270,808 shares, of which 56,384,329 shares are of derivative interests.*

- E. Finistere Limited disposed of all its interests in the 70,653,197 shares and ceased to be a substantial shareholder of the Company on 28 November 2006.

Save for such interests, the Directors are not aware of any other persons who, as at 30 September 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).

## THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the “Code on CG Practices”) was introduced to Appendix 14 to the HK Listing Rules in November 2004 to take effect on 1 January 2005 (and applicable to accounting periods commencing on or after 1 January 2005), with an exception in respect of the provisions on internal controls, which took effect on 1 July 2005 (and applicable to accounting periods commencing on or after 1 July 2005). Appropriate actions were duly taken by the Directors for ensuring that the Company was in compliance of all code provisions in the Code on CG Practices.

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

As far as the Directors are aware, the Company has complied with the code provisions set out in the Code on CG Practices during the six-month period ended 30 September 2006.

## THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance of Code Provision A.5.4 of the Code on CG Practices, a code for securities transactions by Directors and employees, on exactly the terms and required standard contained in the Model Code set out in Appendix 10 to the HK Listing Rules, was adopted by the Group on 31 March 2004. All Directors of the Company confirmed that they have complied with the Group’s Code for Securities Transactions by Directors and Employees during the six-month period ended 30 September 2006.

Directors’ interests in securities and options of the Company are set out in detail under the section headed “Directors’ Interests in Securities and Options”.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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. Each of the independent non-executive Directors has confirmed that he/she complies with the independence criteria set out in Rule 3.13. The Directors consider that all the independent non-executive Directors to be independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). In addition, Clara Cheung, an executive Director, is a qualified accountant responsible for oversight of the Group’s financial reporting procedures, in compliance of Rule 3.24.



### REVIEW BY THE AUDIT COMMITTEE

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

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

The Audit Committee discharged their duties in accordance with their terms of reference with no exceptions reported. Terms of reference of the Audit Committee are available on request.

The interim financial statements of the Company for the six months ended 30 September 2006 have been reviewed by the Audit Committee.

### INTERNAL CONTROL

As Code Provision C.2.1 of the Code on CG Practices is applicable to the Company’s financial period commencing on 1 April 2006, the Audit Committee has engaged an independent professional firm to undertake a review of the Group’s internal control systems, including its financial, operational and compliance functions. The process will also review the ongoing operational and investment risks within the Group. The recommendations provided by the professional firm will be considered by the Audit Committee and incorporated into the future review programme as appropriate.

### REMUNERATION COMMITTEE

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

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

## 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 six months ended 30 September 2006, whether on the HK Stock Exchange or otherwise. The Company has not redeemed any of its securities during the period.

## PUBLICATION ON WEBSITES

This report is published on the websites of the Company ([www.regentpac.com](http://www.regentpac.com)) and the HK Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).

If it is possible that this document could or may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

The Group undertakes no obligation to revise or update any forward looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

On behalf of the Board of  
**Regent Pacific Group Limited**

**James Mellon**  
*Chairman*

**Directors of the Company:**

James Mellon (*Chairman*)\*

Jamie Gibson (*Chief Executive Officer*)

Clara Cheung

David Comba<sup>#</sup>

Julie Oates<sup>#</sup>

Patrick Reid<sup>#</sup>

Mark Searle<sup>#</sup>

Jayne Sutcliffe\*

Anderson Whamond\*

\* *Non-Executive Directors*

# *Independent Non-Executive Directors*

Hong Kong, 13 December 2006