



# Regent Pacific Group Limited

*(Incorporated in the Cayman Islands with Limited Liability)*

Stock Code: 0575

29 December 2011

## ANNOUNCEMENT

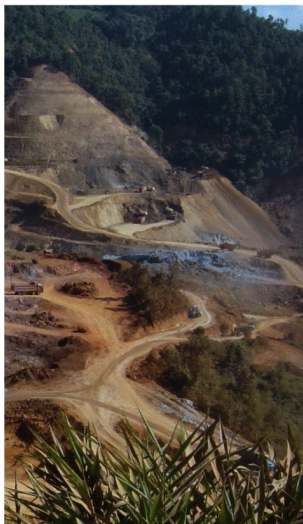
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## VOLUNTARY ANNOUNCEMENT ACMC LITIGATION UPDATE

### SUMMARY

The Company hereby voluntarily updates its shareholders that it has been notified by the Inner Mongolian Xilinhot Court on 22 December 2011, that it will enforce an arbitration award that awards the Claimant RMB 16,384,550 (or approximately US\$2,581,626 or HK\$20,136,683) (plus interest for late payment and enforcement fee in total RMB 20,579,465 (or approximately US\$3,242,597 or HK\$25,292,257)) in respect of an unpaid finder's fee or commission that it has claimed against ACMC in respect of Regent Coal (BVI)'s initial investment into ACMC in 2007.

The Company further understands that the damages award is payable by ACMC within 3 days of the notice, failing which certain of ACMC's assets may be the subject of enforcement measures.





In light of the contractual protections and other mitigating factors outlined below (including that the Company has recently (on 21 December 2011) contracted to dispose of Regent Coal (BVI) (with the contractual arrangements in respect of such sale being unaffected by these proceedings)), the Directors continue to hold the view that these proceedings are neither material nor price sensitive.

The Company will continue to work with the Chinese equity holders of ACMC as well as ACMC's and its PRC legal counsel to determine the best course of action going forward and will, of course, keep the Company's shareholders informed of any further material developments.

This announcement is made by Regent Pacific Group Limited (the "**Company**") on a voluntary basis.

### **ACMC Litigation Update**

As previously disclosed in the major transaction circular dated 12 November 2010 and in the Company's annual report for the year ended 31 December 2010, Abagaqi Changjiang Mining Co., Ltd. ("**ACMC**", of which the Company holds 51 per cent of the registered capital) had been previously joined as a party to arbitration proceedings in respect of a third party claim against it for a success or transaction fee of up to 16 per cent of the total amount of RMB 180 million (US\$26.35 million) that Regent Coal (BVI) Limited ("**Regent Coal (BVI)**") has and may pay in respect of its existing and any future equity stake in ACMC. The Company had previously been informed that the claim related only to 16 per cent of the actual amount paid by Regent Coal (BVI) for equity in ACMC, currently RMB 80 million (US\$12.05 million). The arbitration commission handed down an arbitration award on 20 August 2009 supporting the claim.

As was also disclosed, the Inner Mongolian Xilinhot Court decided not to enforce the arbitration award on 15 October 2009, with the claimant, Beijing Baochengrong Investment Consulting Co., Ltd. (the "**Claimant**"), appealing that decision to the Inner Mongolian High Court. The Claimant was successful upon appeal per a decision of the Inner Mongolian High Court on 2 June 2011, which decision was promptly followed by a petition by ACMC to the Chinese Supreme Court, which rejected the petition on 16 November 2011.

While certain court documents are still being translated and considered by the Company's and ACMC's PRC legal counsel, the Company understands that the Inner Mongolian Xilinhot Court handed down a ruling on 26 December 2011 that it will enforce the arbitration award against ACMC, with the implementation notice indicating that ACMC is to pay the Claimant RMB



20,579,465 (or approximately US\$3,242,597 or HK\$25,292,257) within 3 days of the notice, failing which certain of ACMC's assets may be the subject of enforcement measures.

The implications of the decision, including the rationale behind the quantum of damages awarded and the options now available to ACMC remain the subject of further discussion and analysis among ACMC's and the Company's PRC lawyers.

Notwithstanding the foregoing, in light of the contractual protections in place in favour of Regent Coal (BVI) (see further below), the relatively small or insignificant quantum of the claim, that ACMC is only 51 per cent owned by the Company and that the Company has recently (on 21 December 2011) contracted to dispose of Regent Coal (BVI) (with the contractual arrangements in respect of such sale being unaffected by these proceedings, see further below), the directors of the Company (the "**Board**" or the "**Directors**") continue to hold the view that these proceedings are neither material nor price sensitive.

The Company will continue to work with the Chinese equity holders of ACMC as well as ACMC's and its PRC legal counsel to determine the best course of action going forward and will, of course, keep the Company's shareholders informed of any further material developments.

### **Background to the ACMC Litigation**

The aforementioned claim relates to a commission or finder's fee that is allegedly owing to the Claimant in respect of services provided to the Chinese equity holders of ACMC in introducing and procuring the Company to invest in ACMC in 2007. These were services allegedly provided to and for the benefit of the Chinese shareholders of ACMC, not to the Company or to Regent Coal (BVI), and neither the Company nor Regent Coal (BVI) had any knowledge that any such agreement(s) or arrangement(s) were in place or any commission or fee potentially payable. That ACMC was made a party to these agreement(s) or arrangement(s) has been explained by the Chinese shareholders of ACMC as a mistake.

Moreover, in conjunction with the acquisition of the Company's 51 per cent stake in ACMC in 2007, the Company executed a share purchase agreement with the Chinese shareholders of ACMC on 2 November 2007 (the "**ACMC SPA**"), in which the Company was the recipient of various contractual protections, including warranty, compensation and indemnity protection against any undisclosed liabilities of ACMC. Should any liabilities resulting from these proceedings crystallise or finalise, any such liabilities would be the subject of valid claims under the ACMC SPA. In addition, the Chinese equity holders of ACMC (PRC citizens) have also executed various resolutions and acknowledgements, in which they have acknowledged and accepted any and all legal responsibility and liability for these proceedings, including any award of damages that may follow such proceedings.



In short, Regent Coal (BVI) is fully indemnified (on a contractual basis) by the remaining equity holders of ACMC should it or ACMC be required to make any payment in connection therewith.

### **Disposal of Regent Coal (BVI) Limited**

The Company refers to its announcement on 21 December 2011 in respect of its contemplated disposal of Regent Coal (BVI). Importantly, the status of these legal proceedings were discussed, disclosed and formally acknowledged with, to and by the current buyers of Regent Coal (BVI) such that these proceedings were expressly excluded from the sale and purchase agreement, executed between the Company and the buyers of Regent Coal (BVI) on 21 December 2011, as a termination right or warranty or compensation claim. The Company has been updating the buyers as to the recent developments in respect of these proceedings and understands that the buyers have every intention of honouring their contractual commitments to proceed to close on the transaction in accordance with the terms of the sale and purchase agreement. As announced on 23 December 2011, the deposit of RMB 23 million (or approximately US\$3.62 million or HK\$28.24 million) has been fully received and is refundable only in limited circumstances, these proceedings not being one of them.

The Company will continue to keep its shareholders fully informed of any material developments in respect of the aforementioned proceedings and the disposal of Regent Coal (BVI).

Note: Unless otherwise specified herein and except for the historical amounts referred to in the Company's major transaction circular dated 12 November 2010 and annual report for the year ended 31 December 2010, amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$ and RMB using the exchange rate of US\$1.00 = HK\$7.80 and RMB 6.3466 respectively.

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

Jamie Gibson  
*Director*



**Directors of the Company:**

James Mellon (*Co-Chairman*)<sup>\*</sup>

Stephen Dattels (*Co-Chairman*)<sup>\*</sup>

Jamie Gibson (*Chief Executive Officer*)

David Comba<sup>#</sup>

Julie Oates<sup>#</sup>

Mark Searle<sup>#</sup>

Jayne Sutcliffe<sup>\*</sup>

<sup>\*</sup> *Non-Executive Directors*

<sup>#</sup> *Independent Non-Executive Directors*

Hong Kong, 29 December 2011