# Regent Pacific Group Limited

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

Stock Code: 0575 30 August 2010

## ANNOUNCEMENT

## UNAUDITED INTERIM RESULTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### HIGHLIGHTS

Some of the highlights or achievements for the period include:

- Total comprehensive income of US$0.65 million (2009: US$10.5 million).
- Shareholders' equity decreased by 0.21% to US$223.55 million or net asset value ("**NAV**") per share of Hong Kong 44.5 cents as at 30 June 2010 from US$224.02 million as at 31 December 2009. The decrease was mainly due to the loss of US$1.51 million for the six months ended 30 June 2010.
- Further progress towards completion of the disposal of the Zhun Dong coal project for RMB 460 million or US$67.95 million (before an upwards adjustment of RMB 35 million or US$5.17 million for cash and drilling expenditure incurred).
- Conditional special dividend of HK$0.02 per share, together with implementing a possible share repurchase programme designed to narrow the discount to NAV, in each case following (and not before) the anticipated sale of the Group's Zhun Dong coal project, including having received (in full and outside the PRC) the cash proceeds of sale.

- Loss of US$1.51 million, which was mainly generated by the loss from Dapingzhang of US$0.7 million (2009: profit of US$4.1 million), largely due to the high waste removal of over 3.73 million cubic metres (2009: 1.3 million cubic metres) and the planned processing of low grade copper mineralisation, with the mine plan processing of higher grade copper mineralisation from the second half of the financial year (which recommenced on 17 August 2010), and the reduction of corporate income to US$2.4 million (2009: US$8.2 million), resulting mainly from marked-to-market losses on some of

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the Group's holding of listed securities (which, in some instances, have enjoyed positive re-ratings since 30 June 2010).

- Significant reduction of employee benefit expenses to US$3.5 million (2009: US$4.9 million) and professional fees to US$0.5 million (2009: US$2.6 million).

- The successful acquisition of strategic stakes in Venturex Resources Limited (19.9%) and Bathurst Resources Limited (19.7%), which are complimentary to the Company's existing volcanic massive sulphide ("**VMS**") and coal assets respectively.

- Significant increase in value of the Company's strategic 16% stake in BC Iron Limited as it embarks on becoming the next iron ore producer in the Pilbara with mining commencing in September 2010 and first iron ore on ship planned in December 2010.

- Successful completion of headcount rationalisation and renewed commitment to meeting strategic objectives.

- Regent remains debt free and is a cash and securities rich company developing highly prospective operating assets.

## RESULTS

The directors (the "**Directors**" or the "**Board**") of Regent Pacific Group Limited (the "**Company**" or "**Regent**" and collectively with its subsidiaries, the "**Group**") are pleased to announce the unaudited results of the Group for the six months ended 30 June 2010, together with comparative figures for the six months ended 30 June 2009, as follows:

**Consolidated Statement of Comprehensive Income**
**For the six months ended 30 June 2010**

| | | (Unaudited) For the six months ended | |
|---|---|---|---|
| | **Notes** | **30 June 2010 US$'000** | **30 June 2009 US$'000** |
| Revenue/Turnover: | 3 | | |
| Corporate investment income | | 374 | 826 |
| Other income | | 9 | 538 |
| | | 383 | 1,364 |
| Fair value gain | | 2,050 | 6,842 |
| Total income | | 2,433 | 8,206 |
| Expenses: | | | |
| Employee benefit expenses | | (3,549) | (4,863) |
| Rental and office expenses | | (243) | (304) |
| Information and technology expenses | | (192) | (193) |
| Marketing costs and commissions | | (5) | (4) |
| Professional fees | | (513) | (2,637) |
| Finance costs | 5 | (2) | (169) |
| Other operating expenses | | (830) | (611) |
| Operating loss before impairment | 4 | (2,901) | (575) |
| Reversal of impairment of exploration and evaluation assets | | 912 | - |
| Operating loss | | (1,989) | (575) |
| Share of profits of associates | | 941 | 143 |
| Share of (loss)/profit of a jointly controlled entity | | (704) | 4,098 |
| (Loss)/Profit before taxation | | (1,752) | 3,666 |
| Taxation | 6 | - | - |
| **(Loss)/Profit for the period** | | **(1,752)** | **3,666** |

## Consolidated Statement of Comprehensive Income
## For the six months ended 30 June 2010

| | Notes | (Unaudited) For the six months ended 30 June 2010 US$'000 | 30 June 2009 US$'000 |
|---|---|---|---|
| **Other comprehensive income** | | | |
| Available-for-sale financial assets | | 1,970 | 6,996 |
| Exchange gain/(loss) on translation of financial statements of foreign operations | | 72 | (111) |
| Share of other comprehensive income of associates | | 117 | 7 |
| Share of other comprehensive income of a jointly controlled entity | | 241 | (11) |
| **Other comprehensive income for the period, net of tax** | | **2,400** | **6,881** |
| **Total comprehensive income for the period** | | **648** | **10,547** |
| **(Loss)/Profit for the period attributable to:** | | | |
| Owners of the Company | | (1,510) | 3,726 |
| Non-controlling interests | | (242) | (60) |
| | | (1,752) | 3,666 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 910 | 10,592 |
| Non-controlling interests | | (262) | (45) |
| | | 648 | 10,547 |
| (Losses)/Earnings per share for (loss)/profit attributable to the owners of the Company during the period (US cent): | 8 | | |
| - Basic | | (0.04) | 0.09 |
| - Diluted | | N/A | N/A |

**Consolidated Statement of Financial Position**
**As at 30 June 2010**

| | Notes | (Unaudited) As at 30 June 2010 US$'000 | (Audited) As at 31 December 2009 US$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Goodwill | | 14,132 | 14,132 |
| Exploration and evaluation assets | | 9,246 | 8,187 |
| Property, plant and equipment | | 998 | 983 |
| Interests in associates | | 20,444 | 19,508 |
| Interest in a jointly controlled entity | | 36,426 | 36,889 |
| Available-for-sale financial assets | | 3,555 | 1,597 |
| | | 84,801 | 81,296 |
| **Current assets** | | | |
| Cash and bank balances | | 6,250 | 3,085 |
| Financial assets at fair value through profit and loss | | 48,857 | 26,368 |
| Trade receivables | 9 | 43 | 43 |
| Loan receivables | | 4,345 | 4,345 |
| Prepayments, deposits and other receivables | | 21,544 | 52,749 |
| Derivative financial instruments | | 415 | 38 |
| Assets classified as held for sale | | 65,047 | 65,305 |
| | | 146,501 | 151,933 |
| **Current liabilities** | | | |
| Trade payables, deposit received, accruals and other payables | 10 | (4,867) | (6,102) |
| Amounts due to non-controlling shareholders | | (175) | (44) |
| Deferred tax liability | | (324) | (324) |
| Borrowings | | - | (27) |
| Liabilities directly associated with assets classified as held for sale | | (1) | (63) |
| | | (5,367) | (6,560) |
| **Net current assets** | | 141,134 | 145,373 |
| **Total assets less current liabilities** | | 225,935 | 226,669 |
| **Non-current liability** | | | |
| Borrowings | | - | (8) |
| **Net assets** | | **225,935** | **226,661** |

## Consolidated Statement of Financial Position
## As at 30 June 2010

| | Notes | (Unaudited) As at 30 June 2010 US$'000 | (Audited) As at 31 December 2009 US$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | | 39,109 | 39,486 |
| Reserves | | 184,442 | 184,529 |
| | | 223,551 | 224,015 |
| **Non-controlling interests** | | 2,384 | 2,646 |
| **Total equity** | | **225,935** | **226,661** |
| NAV per share: | | | |
| - US cents | | 5.72 | 5.67 |
| - Hong Kong cents | | 44.50 | 44.00 |

**Notes:**

## 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, Grand Cayman, KY1-1104, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") and are also traded on the OTC market (Freiverkehr) of the Frankfurt Stock Exchange.

The Company's principal activity is investment holding, and the principal activities of the Group consist of exploration and mining of natural resources, and corporate investments.

The interim financial report has 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 ("**HKICPA**").

The accounting policies used in the preparation of the interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed in note 2 in this announcement.

The interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

## 2. Adoption of new or revised HKFRSs

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations (the "**new HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010:

| | |
|---|---|
| HKAS 27 (Revised 2008) | Consolidated and separate financial statements |
| HKAS 39 (Amendment) | Eligible hedged items |
| HKFRS 1 (Amendment) | Additional exemptions for first-time adopters |
| HKFRS 2 (Amendment) | Group cash-settled share based payment transactions |
| HKFRS 3 (Revised 2008) | Business combinations |
| Various | Amendment to HKFRS 5 as part of improvements to HKFRSs 2008 |
| Various | Annual improvements to HKFRSs 2009 |

Other than as noted below, the adoption of these new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

### HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and is applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree.

As there was no transaction during the current interim period in which HKAS 27 (Revised 2008) and HKFRS 3 (Revised 2008)are applicable, the application of HKAS 27 (Revised 2008), HKFRS 3 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKAS 27 (Revised 2008), HKFRS 3 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

### Annual improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The application of the new standards does not have a material effect on the results and the financial position of the Group.

At the date of authorisation of these financial statements, certain new HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. Information on new HKFRSs that are expected to have impact on the Group’s accounting policies is provided below. Certain other new HKFRSs have been issued but are not expected to have a material impact of the results and the financial position of the Group.

### HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for certain equity investments which will be presented in other comprehensive income. The Directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

## 3. Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the Executive Directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments.

| | | |
|---|---|---|
| Coal Exploration | : | Exploration of coal resources |
| Coking Coal | : | Production of coking coal |
| Metals Mining | : | Exploration and mining of metals resources |
| Corporate Investment | : | Investment in corporate entities, both listed and unlisted |

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activitites of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but exclude investments in available-for-sale financial assets, interests in associates and interest in a jointly controlled entity.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include borrowings attributable to the Group's headquarters.

There are no sales between the reportable segments.

Information regarding the Group's reportable segments is set out below:

*For the six months ended 30 June 2010*

| | (Unaudited) | | | | |
|---|---|---|---|---|---|
| | **Coal exploration** US$'000 | **Coking coal** US$'000 | **Metals mining** US$'000 | **Corporate investment** US$'000 | **Total** US$'000 |
| Revenue from external customers | - | - | - | 383 | 383 |
| Segment results | (1,122) | (8) | 10 | (867) | (1,987) |
| Share of profits of associates | - | 808 | - | 133 | 941 |
| Share of loss of a jointly controlled entity | - | - | (704) | - | (704) |
| Total segment results | (1,122) | 800 | (694) | (734) | (1,750) |
| Finance costs | | | | | (2) |
| Taxation | | | | | - |
| Loss for the period | | | | | (1,752) |

*For the six months ended 30 June 2009*

| | (Unaudited) | | | | |
|---|---|---|---|---|---|
| | **Coal exploration** US$'000 | **Coking coal** US$'000 | **Metals mining** US$'000 | **Corporate investment** US$'000 | **Total** US$'000 |
| Revenue from external customers | - | - | - | 1,364 | 1,364 |
| Segment results | (1,480) | (9) | (2,839) | 3,922 | (406) |
| Share of (loss)/profit of associates | - | (664) | - | 807 | 143 |
| Share of profit of a jointly controlled entity | - | - | 4,098 | - | 4,098 |
| Total segment results | (1,480) | (673) | 1,259 | 4,729 | 3,835 |
| Finance costs | | | | | (169) |
| Taxation | | | | | - |
| Profit for the period | | | | | 3,666 |

| | **Coal exploration** US$'000 | **Coking coal** US$'000 | **Metals mining** US$'000 | **Corporate investment** US$'000 | **Total** US$'000 |
|---|---|---|---|---|---|
| Segment assets | | | | | |
| -As at 30 June 2010 (unaudited) | 82,584 | 4,992 | 16,287 | 67,014 | 170,877 |
| -As at 31 December 2009 (audited) | 83,066 | 4,891 | 15,372 | 71,906 | 175,235 |

## 4. Operating loss

| | (Unaudited) For the six months ended 30 June 2010 US$'000 | 30 June 2009 US$'000 |
|---|---|---|
| Operating loss is arrived at after charging: | | |
| Auditors' remuneration | 77 | 82 |
| Depreciation on owned property, plant and equipment | 133 | 143 |
| Operating lease rental on property and equipment | 187 | 258 |
| Share-based payment (equity and cash settled) | 634 | 939 |
| Net foreign exchange loss | 441 | - |
| Unrealised loss on financial assets at fair value through profit and loss | 5,535 | - |
| and crediting: | | |
| Interest income on bank deposits and loan receivable | 8 | 192 |
| Net foreign exchange gain | - | 271 |
| Dividend income from available-for-sale financial assets | 110 | 463 |
| Dividend income from financial assets at fair value through profit and loss | 696 | - |
| Gain on disposal of property, plant and equipment | 16 | - |
| Reversal of impairment of exploration and evaluation assets | 912 | - |
| Unrealised gain on derivative financial instruments | 415 | 201 |
| Unrealised gain on financial assets at fair value through profit and loss | - | 3,311 |
| Realised gain on trading of derivative financial instruments | 6,820 | 2,283 |
| Realised gain on disposal of financial assets at fair value through profit and loss | 323 | 62 |
| Realised gain on disposal of available-for-sale financial assets | 27 | 985 |

## 5. Finance costs

| | (Unaudited) For the six months ended 30 June 2010 US$'000 | 30 June 2009 US$'000 |
|---|---|---|
| Interest on hire purchase | 2 | 2 |
| Interest on redeemable convertible preference shares | - | 167 |
| | 2 | 169 |

## 6. Taxation

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

Share of associates' and a jointly controlled entity's taxation for the six months ended 30 June 2010 of US$145,000 (2009: US$4,000) and US$20,000 (2009: US$582,000) are included in the consolidated statement of comprehensive income as share of profits of associates and share of loss of a jointly controlled entity respectively.

## 7. Dividend

Dividend attributable to the interim period:

| | (Unaudited) For the six months ended 30 June 2010 US$'000 | (Unaudited) For the six months ended 30 June 2009 US$'000 |
|---|---|---|
| Nil (2009: HK$0.005 per share ) | - | 2,547 |

## 8. Earnings per share

The calculation of basic (losses)/earnings per share is based on the loss attributable to owners of the Company of US$1,510,000 (2009: profit of US$3,726,000) and the weighted average number of ordinary shares of 3,893,573,341 (2009: 3,940,368,938) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2010 and 30 June 2009 were not presented because the impact of the exercise of the Company's outstanding share options were anti-dilutive.

## 9. Trade receivables

At 30 June 2010 and 31 December 2009, the ageing analysis of trade receivables was as follows:

| | (Unaudited) As at 30 June 2010 US$'000 | (Audited) As at 31 December 2009 US$'000 |
|---|---|---|
| 1 to 3 months old | - | - |
| More than 3 months old but less than 12 months old | 43 | 43 |
| | 43 | 43 |

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.

## 10. Trade payables, deposit received, accruals and other payables

At 30 June 2010 and 31 December 2009, the ageing analysis of trade payables was as follows:

| | (Unaudited) As at 30 June 2010 US$'000 | (Audited) As at 31 December 2009 US$'000 |
|---|---|---|
| Due within 1 month or on demand | 792 | - |
| More than 6 months | 96 | 109 |
| Trade payables | 888 | 109 |
| Deposit received, accruals and other payables | 3,979 | 5,993 |
| | 4,867 | 6,102 |

Included in trade payables were those payables placed in trust accounts amounting to US$29,000 as at 30 June 2010 (31 December 2009: US$29,000).

Included in deposit received, accruals and other payables was a deposit of US$3,514,000 received in relation to the Group's proposed disposal of its Zhun Dong coal project (31 December 2009: US$3,514,000).

The fair value of trade payables, deposit received, accruals and other payables approximates their respective carrying amounts at the reporting date.

# REVIEW AND PROSPECTS

## Main Activities

The Group's principal activities during the period were:

- Production of copper and zinc concentrates at Dapingzhang in Yunnan Province, China, a Sino-foreign joint venture of which the Group holds 40% interest.
- Exploration activities at Yinzishan in Yunnan Province, China, a Sino-foreign joint venture of which the Group holds an indirect 97.5% interest, and at Zhun Dong Xinjiang, China, of which the Group holds an indirect 100% interest.
- Production of coke and related by-products at West China Coking and Gas Company Limited ("**West China Coke**") chemical plant in Yunnan Province, China, a Sino-foreign joint venture of which the Group holds an indirect 25% interest.
- Development of the Ji Ri Ga Lang thermal coal project in Inner Mongolia, China, a Sino-foreign joint venture of which the Group holds an indirect 51% interest.
- Evaluation of other exploration and business development opportunities in Australia, China, Indonesia and elsewhere.
- Acquisition of strategic equity stakes in Venturex Resources Limited (19.9%) and Bathurst Resources Limited (19.7%), which are complimentary to the Company's existing VMS and coal assets respectively.
- Further progress towards completion of the disposal of the Zhun Dong coal project for RMB 460 million or US$67.95 million (before an upwards adjustment of RMB 35 million or US$5.17 million for cash and drilling expenditure incurred).
- Successful completion of headcount rationalisation and renewed commitment to meeting strategic objectives.

## Financial Results

The Group reported total comprehensive income of US$0.65 million (2009: US$10.5 million).

The consolidated loss attributable to the owners of the Company for the six months ended 30 June 2010 was US$1.51 million (2009: profit of US$3.73 million).

The main causes for the loss were: (i) the marked-to-market loss of US$5.5 million in the Group's listed securities; and (ii) the loss suffered at Dapingzhang of which the Group's share amounted to US$0.7 million.

The six month period ended 30 June 2010 was indeed a challenging time for all markets and the equity capital markets in particular. While we did see the value of some of our listed investments fall during the period, we remain comfortable with the economic and technical fundamentals supporting our investment decisions behind these investments. In fact, we have seen a positive re-rating in some of these investments since 30 June 2010, a trend that we expect to see continue going forward as many of our investments move from early stage explorer to late stage explorer and ultimately producer. In particular, BC Iron Limited is moving from developer to producer with mining commencing in September 2010 and first iron ore on ship planned in December 2010.

The loss generated at Dapingzhang was caused by the decline in the head grade of copper mineralisation being processed as the mining during the period was primarily concerned with waste removal with over 3.73 million cubic meters of waste removed compared to 1.3 million cubic meters for the same period in 2009. The increase in waste removal is a necessary step to uncovering the next section of high grade copper mineralisation. Consequently this drop in head grade increased Dapingzhang's cash operating costs to US$1.41 per pound copper equivalent compared to US$0.74 per pound copper equivalent in 2009.

At Dapingzhang, based on mine scheduling, we anticipate that losses will be reversed from September 2010 when we expect the mine to start enjoying the economic benefits of recommencing the processing of higher grade copper mineralisation, which recommenced on 17 August 2010. Therefore, Dapingzhang should contribute strongly from September 2010.

The Group's associates, West China Coke and Regent Markets Holdings Limited, contributed a share of profit of US$0.81 million and US$0.13 million respectively to the Group for the six months ended 30 June 2010.

Shareholders' equity decreased by 0.21% to US$223.55 million as at 30 June 2010 from US$224.02 million as at 31 December 2009. The decrease was mainly due to: (i) the loss of US$1.51 million for the six months ended 30 June 2010, (ii) the buy back of 37.7 million of shares which reduced the share capital and share premium by US$1.16 million, and was set against (iii) the fair value gain of US$1.97 million on investments flowing from the marked-to-market increase in the value of the shares held, and (iv) the unrealised gain of US$0.42 million on foreign currency translation.

## Review of Results and Operations

### <u>Yunnan Simao Shanshui Copper Company Limited ("YSSCCL" or "Dapingzhang")</u>

#### MINING, PRODUCTION AND COSTS

Set out below are the mining, production and costs for the six months ended 30 June 2010.

*Table 1*

| **Copper Production*** For the six months ended 30 June 2010 | Units | | **Copper and Zinc Production^** For the six months ended 30 June 2010 | Units | |
|---|---|---|---|---|---|
| Ore mined | t | 787,788 | Ore mined | t | 194,763 |
| Grade Cu | % | 0.50 | Grade Zn | % | 1.37 |
| | | | Grade Cu | % | 0.75 |
| Ore milled | t | 274,643 | Ore milled | t | 234,417 |
| Cu grade | % | 0.69# | Zn grade | % | 1.35 |
| | | | Cu grade | % | 0.73 |
| Cu recoveries | % | 91.62 | Zn recoveries | % | 59.31 |
| | | | Cu recoveries | % | 78.77 |

**Single copper flotation from processing disseminated copper ore*
*^Differential flotation from processing massive copper – zinc rich ore*
*# The copper grade processed is higher than the grade of copper mined during the period as some copper ore was processed from stockpiles on site*

*Table 2*

**Concentrate Production and Sales**

For the six months ended 30 June 2010

| | Units | |
|---|---|---|
| **Production** | | |
| Copper concentrate* | t | 9,386 |
| Copper and Zinc concentrate^ | t | 11,162 |
| | | |
| **Concentrate Sales** | | |
| Copper concentrate* | t | 8,891 |
| Copper and Zinc concentrate^ | t | 13,528 |
| | | |
| **Contained Metal** | | |
| Cu | t | 2,664 |
| Zn | t | 2,969 |
| Au | oz | 760 |
| Ag | oz | 61,114 |

**Single copper flotation from processing disseminated copper ore*

*^Differential flotation from processing massive copper – zinc rich ore*

*Table 3*

**Operating Costs**
**(Copper equivalent)**
**(HKFRS adjusted)**

| | For the six months ended 30 June 2010 US$'000 |
|---|---|
| Operating costs* | 15,602 |
| Transportation costs | 874 |
| By-product credit^ | (1,096) |
| Total Cash Cost | 15,380 |
| | |
| Depreciation and amortisation# | 2,628 |
| Total Production Cost | 18,008 |

** Exploration and resource drilling expenditures are not included in mine site cash costs*

*^ Revenue from sale of gold and silver*

*# Includes amortisation of mine assets and exploration and resource drilling*

For the six months ended 30 June 2010, a total of 3.73 million cubic meters of waste (2009: 1.3 million cubic meters) and 982,551 tonnes of ore (2009: 345,137 tonnes) were mined.

During the six months ended 30 June 2010, YSSCCL's operations have produced 9,386 tonnes of copper concentrate (2009: 6,369 tonnes) from single copper flotation, 11,162 tonnes of separate copper concentrate and zinc concentrate (2009: 12,590 tonnes) from differential flotation. Contained metal for the six months ended 30 June 2010 was 2,664 tonnes copper (2009: 2,394 tonnes) and 2,969 tonnes zinc (2009: 2,275 tonnes). This produced revenue of RMB 136.63 million or US$20.02 million (2009: RMB 83.51 million or US$12.22 million).

Total cash costs for the six months ended 30 June 2010 were US$1.41 per lb copper equivalent (2009: US$0.74 per lb copper equivalent).

The average copper price and zinc price in the six months ended 30 June 2010 were RMB 46,978 per tonne (approximately US$6,883 per tonne) and RMB 8,741 per tonne (approximately US$1,281 per tonne), respectively, which were 53% and 12% above 2009 results for the six months ended 30 June 2009.

### SAFETY

There were no reportable safety incidents in the period.

In March 2010 YSSCCL informed the Company that it had received the conclusions of a review conducted by the Pu'er Safety Bureau into an unfortunate death of one worker at the mine site last November, which was the first time lost injury at YSSCCL since its incorporation. Consistent with the recommendations of the Pu'er Safety Bureau, the Company understands that YSSCCL has now adopted and implemented new safety policies and procedures to prevent this type of accident from happening in the future.

The Company does at this time wish to express its deepest sympathies with the family and friends of the deceased worker.

### ENVIRONMENT

There were no reportable environmental incidents in the period.

### EXPLORATION

YSSCCL has continued the near-mine exploration activity at its Rongfa area with the aim of expanding its resources.  A total of 5 HQ diamond drill holes, 757.3 meters were completed during the six months ended 30 June 2010. These drill holes intersected low grade copper and zinc mineralisation which has extended the Rongfa VMS system by at least 100 meters. The total cost for the program is approximately RMB 1.1 million (approximately US$0.16 million).

## Simao Regent Minerals Limited

Simao Regent Minerals Limited focused on the early stage drill testing of Shuanghuwang and Tianfang prospects during the six months ended 30 June 2010.  This included a total of 1,200 meters of HQ diamond drilling at a total cost of approximately RMB0.72 million (approximately US$0.106 million).  A summary is outlined in the interim financial report.

The Shuanghuwang target has been interpreted as a potential VMS system and the drilling program aimed to test mineralisation at depth following positive 2009 results.  Two HQ diamond drillholes were completed and one in progress for a total depth of 1,322 meters which intercepted multiple zones of subeconomic precious and base metal mineralisation.  These drillholes confirm the VMS prospectivity of Shuanghuwang and will be used as part of the ongoing greenfields evaluation of the project.

Tianfeng is identified as a historic zinc mine occupying a regional mineralised structure.  One drillhole was in progress at the time of this announcement.

No further exploration work was conducted during this period.

**West China Coke**

During the six months ended 30 June 2010, West China Coke's operations produced a total of 499,816 tonnes of coke, 36,423 tonnes of refined methanol, 14,866 tonnes of tar, 4,121 tonnes of ammonium sulphate and 4,606 tonnes of crude benzol. This produced revenue of RMB 762.07 million or US$111.65 million (2009: RMB 533.23 million or US$78.03 million) and a net profit of RMB 22.07 million or US$3.23 million (2009: net loss of RMB 18.13 million or US$2.65 million). The average coke price and methanol price received in the six months ended 30 June 2010 was RMB 1,524 per tonne (approximately US$223 per tonne) and RMB 2,559 per tonne (approximately US$375 per tonne), respectively.

In August 2010, the Group received a dividend of RMB 0.84 million (approximately US$0.12 million) for the financial year ended 31 December 2009.

**Ji Ri Ga Lang**

Abagaqi Changjiang Mining Company Limited ("**ACMC**", the joint venture company which is owned as to 51 per cent. by Regent Coal (BVI) Limited (a wholly owned subsidiary of the Company) and 49 per cent. by the local partners) is continuing to progress the conversion of its existing exploration licence into a mining licence. Pending the application process for licence conversion, there have been no exploration activities and expenditure incurred on the project site in 2010. The current resource of thermal coal stands at 92.2 million tonnes in accordance with the JORC Code. The 92.2 million tonnes resource is allocated in the measured and indicated categories, 87 per cent. of which is a measured resource. The planned production rate is 3 million tonnes of thermal coal per annum with a mine life over 25 years.

After consultation with the relevant governmental agencies in Inner Mongolia, ACMC completed and submitted the necessary reports and supporting documents in respect of obtaining the general plan from the Inner Mongolian Development and Reform Commission ("**IM DRC**"), which is a significant milestone for obtaining the mining licence. As previously announced in August 2010, this approval has now been obtained and the IM DRC has referred the general plan application to the National Development and Reform Commission (the "**NDRC**") with a recommendation that it be approved. The Company is also pleased to announce that this recommendation is supported by a positive opinion (already issued) from the Inner Mongolian Department of Land and Resources, which has also been provided to the NDRC.

In addition to requiring NDRC approval of the general plan, to obtain the mining licence additional reports are also required to be filed and approved with relevant authorities, which include a water resource report (prepared), a geological disaster assessment report (prepared) and an environmental impact assessment study ("**EIA**"), as well as demarcation. The EIA will be prepared after the NDRC has approved the general plan.

While the IM DRC approval is indeed a positive step towards obtaining the mining licence, we do ask that shareholders continue to be patient as we work with our joint venture partners to satisfy the other pre conditions to obtaining the mining licence.

**Zhun Dong**

As previously announced, the Group remains in the process of disposing of its Zhun Dong coal project. As part of this disposal, on 30 April 2010 the Group announced that it had executed an equity transfer agreement with a counter party in the PRC introduced to it by the purchaser pursuant to which a deposit of RMB 400 million is to become payable on or prior to 31 October 2010 following the satisfaction of certain conditions. The equity transfer is conditional upon, *inter alia*, the approval of the Foreign Investment Authority, transfer of new business licences of Xin Jiang Regent Coal Limited ("**XJRC**", an indirect wholly owned subsidiary of the Company) and the completion of an appraisal by

Xin Jiang Department of Land and Resources ("**XJ DOLAR**") of the mineral resources within the exploration licences. These approvals are ongoing and we expect that approval from XJ DOLAR will be granted shortly and before the end of September 2010.

While the consideration of RMB 460 million remains unchanged, in light of the extended time within which the disposal is now expected to complete, an agreement was reached for increasing the cash and drilling adjustment for the ongoing exploration program up to an aggregate of RMB 35 million. Against demonstrated progress being made towards completion, the long stop date for the disposal was extended to 30 November 2010.

The Group, through XJRC, successfully commenced and is well into the 2010 exploration program in respect of the Zhun Dong exploration licences.

The aim of the 2010 exploration program is to:

- to preserve the good standing of the four Zhun Dong exploration licences;
- complete the current stage of detailed exploration more than one year earlier than required under applicable Chinese regulatory requirements;
- further increase the confidence in the current resource; and
- present to and have approved by the relevant Chinese regulatory authorities the reported resource by the end of 2010.

Within the previously reported resource of 2.9 billion tonnes of thermal coal for the Zhun Dong coal project, the current reportable indicated resource is 266 million tonnes with an inferred resource of 880 million tonnes, each in respect of Chinese specifications and standards.

The 2010 program with the assistance of the Shandong Institute of Mapping and Surveying of Geology involves drilling 27 holes of approximately 22,000 metres at a total cost of approximately RMB 23 million (approximately US$3.4 million) which also includes all surveying, logging, coal analysis and reporting. For the six month period to 30 June 2010, XJRC has incurred approximately RMB 12.5 million (approximately US$1.8 million) on its exploration activities.

At the end of June, and with no time lost to injuries, XJRC has successfully completed about half of the 2010 program, with approximately 10,400 cored metres having already been drilled, 9 drill holes completed and surveyed, with another 8 holes in progress. The results so far are pleasing in confirming the average thickness of seam 1 at about 28 metres with a range from 23 to 39 metres. The program has been slightly extended from initial plans to explore for more potential resources and the Group expects drilling to conclude by September 2010.

## Regent Markets

Regent Markets Holdings Limited ("**Regent Markets**") has projected turnover for the six months ended 30 June 2010 exceeding US$45 million, a 30.77% decrease over the corresponding period in 2009. Net profit for the six months ended 30 June 2010 was US$0.36 million (2009: US$1.72 million). The company continues to lead the UK's fixed-odds financial betting sector and is consolidating this lead by laying emphasis on its website technology and client service.

## Conditional Special Dividend

Subject to consummation of the sale of the Group's Zhun Dong coal project, including completion of the sale and receipt of cash proceeds of sale (in full and outside the PRC), the Directors intend to utilise part of the proceeds of sale to fund a special dividend to shareholders of HK$0.02 per share or a total distribution of approximately US$10 million to shareholders as well as implementing a possible share repurchase programme in accordance with the HK Listing Rules to narrow the discount to NAV.

## Outlook

It is clear that economic conditions on a global scale remain volatile and uncertain and we are cautious about the near term outlook. The IMF predicts that global growth will be near four per cent. this year with Chinese GDP expected to grow at around nine per cent. Such outcomes would have a positive impact for metals and minerals markets.

Asian countries are contending with inflationary pressures arising from massive economic stimulus packages that were put in place last year. In particular, Chinese efforts to prevent overheating in its property market may have negative effects on the prices of commodities in the near term.

Moreover, the recent sovereign debt crisis in Europe and its sweeping contagion into financial markets around the world illustrate the potential for persistent economic imbalances and hidden risks to cause ongoing disruption to global economic activity.

In looking to the longer term, increasing prosperity in developing countries including China and India, with associated industrialization and urbanization will continue to drive underlying growth in demand for commodities. We expect to benefit strongly from this as our investments are aligned to the growth of China, in particular.

Irrespective of the current volatility and uncertainty of economic conditions on a global scale, we remain very positive on the outlook for copper, iron ore, thermal coal and coking coal, being our commodities of choice. We also remain optimistic that the Group will have a strong second half to the current financial year, with Dapingzhang contributing to earnings (flowing from the mining of higher grade copper mineralization) and our cash position further strengthening following completion of the sale of our Zhun Dong coal project for RMB 460 million (approximately US$67.95 million), as may be adjusted.

## TRADING RECORD OVER LAST FIVE YEARS

| | (Unaudited) | (Audited) | | | | |
|---|---|---|---|---|---|---|
| | Six months ended 30 June | Year ended 31 December | | Nine months ended 31 December | Year ended 31 March | |
| | 2010 US$'000 | 2009 US$'000 | 2008 US$'000 | 2007 US$'000 | 2007 US$'000 | 2006 US$'000 |
| Total income | 2,433 | 20,553 | 6,142 | 2,598 | 3,684 | 3,722 |
| Income less expenses | (2,899) | 5,212 | (13,912) | (4,695) | (2,981) | (5,312) |
| Reversal of impairment of exploration and evaluation assets | 912 | - | - | - | - | - |
| Impairment losses | - | - | (154,696) | - | - | - |
| Write down | - | (6,384) | - | - | - | - |
| Finance costs – interest on convertible bonds, redeemable convertible preference shares and hire purchase | (2) | (170) | (854) | (1,662) | (2,613) | (8) |
| Operating loss | (1,989) | (1,342) | (169,462) | (6,357) | (5,594) | (5,320) |
| Share of profits of associates | 941 | 3,447 | 403 | 678 | 1,828 | 13,001 |
| Share of (loss)/profit of a jointly controlled entity | (704) | 9,092 | 7,701 | 7,067 | 4,378 | - |
| (Loss)/Profit before taxation | (1,752) | 11,197 | (161,358) | 1,388 | 612 | 7,681 |
| Taxation | - | - | (324) | - | - | - |
| (Loss)/Profit for the period/year | (1,752) | 11,197 | (161,682) | 1,388 | 612 | 7,681 |
| Non-controlling interests | 242 | (145) | 739 | 215 | (30) | (5) |
| (Loss)/Profit attributable to owners of the Company | (1,510) | 11,052 | (160,943) | 1,603 | 582 | 7,676 |

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

The Group recorded a net loss of US$1.51 million for the six months ended 30 June 2010.

The corporate division recorded revenue of US$2.43 million.

The jointly controlled entity of the Group, Yunnan Simao Shanshui Copper Company Limited, incurred a share of loss of US$0.7 million while the Group's associates, Regent Markets Holdings Limited and West China Coking and Gas Company Limited, contributed a share of profit of US$0.13 million and US$0.81 million respectively to the Group for the six months ended 30 June 2010.

The fair value gain from investments which represented the realised and unrealised profit from trading of listed securities and derivatives for the six months ended 30 June 2010 was US$2.05 million.

The Group continued to monitor its operating costs closely. Employee benefit expenses significantly reduced to US$3.5 million (2009: US$4.9 million) and professional fees reduced to US$0.5 million (2009: US$2.6 million).The finance cost represented the interest expense of a hire purchase amounting to US$2,000 for the six months ended 30 June 2010.

The main elements of the loss are analysed as follows:

| | US$'million |
|---|---|
| Share of loss from YSSCCL | $ (0.70) |
| Share of profit from Regent Markets | $ 0.13 |
| Share of profit of West China Coke | $ 0.81 |
| Reversal of impairment of exploration and evaluation assets | $ 0.91 |
| Coal exploration | $ (1.03) |
| Metals mining | $ (0.90) |
| Corporate investment | $ (0.73) |
| Total loss attributable to owners of the Company | $ (1.51) |

### FINANCIAL POSITION

Shareholders' equity decreased by 0.21% to US$223.55 million as at 30 June 2010 from US$224.02 million as at 31 December 2009. The decrease was mainly due to: (i) the loss of US$1.51 million for the six months ended 30 June 2010, (ii) ) the buy back of 37.7 million of shares which reduced the share capital and share premium by US$1.16 million, and was set against (iii) the fair value gain of US$1.97 million on investments flowing from the marked-to-market increase in the value of the shares held, and (iv) the unrealised gain of US$0.42 million on foreign currency translation.

The investments in YSSCCL of US$36.43 million, Regent Markets of US$3.03 million and West China Coke of US$17.41 million accounted for 16.3%, 1.36% and 7.79% of the shareholders' equity respectively. The Group's assets comprised: (i) goodwill of US$14.13 million; (ii) exploration and evaluation assets of US$9.25 million; (iii) cash of US$6.25 million; (iv) listed and unlisted investments of US$52.41 million; (v) assets classified as held for sale of US$65.05 million; and (vi) other assets and receivables of US$27.35 million.

The Group's liabilities comprised payables and accruals of US$5.37 million.

### FUTURE FUNDING

As at 30 June 2010, the Group had US$6.25 million cash and US$5.48 million of margin deposit held with the Group's brokers for trading of derivatives, representing 2.8% and 2.45%, respectively, of the total shareholders' equity. The cash and margin deposit numbers do not take into account the Group's holding of listed securities of US$48.97 million that are valued at 30 June 2010.

The Company's subsidiaries, associates and jointly controlled entity may require funding as their businesses develop. It is expected that bulk of such funding will be obtained from the Group's own assets.

### MANAGEMENT RISK

The most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its 40% interests in YSSCCL, a Sino-foreign equity joint venture enterprise that produces copper and zinc concentrates with gold and silver credits. There are also risks affecting Group's profitability and viability in 2010 in respect of the Group's interest in ACMC and West China Coke.

### CHARGE ON ASSETS

None of the Group's assets was pledged as at 30 June 2010 and 31 December 2009.

### FINANCIAL INSTRUMENTS

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

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

### CONTINGENT LIABILITIES

There were no material contingent liabilities of the Group for the period ended 30 June 2010.

### CHANGES SINCE 30 JUNE 2010

There were no other significant changes in the Group's financial position and from the information disclosed under Management's Discussion and Analysis in this announcement.

### EMPLOYEES

The Group, including subsidiaries but excluding associates and a jointly controlled entity, employed approximately 30 employees at 30 June 2010. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the remuneration committee of the Board. In all cases, grants of share rewards will be agreed by the remuneration committee of the Board. During the period and up to the date of this announcement, 40,000,000 share awards were granted to eligible participants.

## CONDITIONAL SPECIAL DIVIDEND

Subject to consummation of the sale of the Group's Zhun Dong coal project, including completion of the sale and receipt of cash proceeds of sale (in full and outside the PRC), the Directors intend to utilise part of the proceeds of sale to fund a special dividend to shareholders of HK$0.02 per share or a total distribution of approximately US$10 million to shareholders as well as implementing a possible share repurchase programme in accordance with the HK Listing Rules to narrow the discount to NAV.

## THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to a high standard of corporate governance, for which the Directors are accountable to the Company, and has applied the principles of The Code on Corporate Governance Practices (the "**Code on CG Practices**") as set out in Appendix 14 to the HK Listing Rules 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 Board of Directors with the full support of the Company's secretary and its executive management.

The Company continues to monitor developments in this area of corporate governance as they relate to listed issuers in Hong Kong.

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 months ended 30 June 2010.

## REVIEW BY THE AUDIT COMMITTEE

The interim financial report of the Company for the six months ended 30 June 2010 has been reviewed by the audit committee of the Company (the "**Audit Committee**").

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, and further revised on 5 January 2007 to incorporate issues relating to internal controls. 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 Co-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 at the Company's website: www.regentpac.com.

## INTERNAL CONTROL

Pursuant to Code Provision C.2.1 of the Code on CG Practices, 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.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company announced on 21 December 2009 that subject to market conditions and the Directors' absolute discretion, the Company intended to use up to HK$78 million (approximately US$10 million) for undertaking an on-market share repurchase plan pursuant to the exercise of the repurchase mandate granted at the annual general meeting held on 12 June 2009 (which authorised the repurchase of up to 394,869,052 shares) (the "**2009 Repurchase Mandate**"). The funds used for such plan will be financed from the Company's internal and existing cash reserves.

During the six months ended 30 June 2010, the Company repurchased an aggregate of 37,700,000 shares on the HK Stock Exchange at a total consideration of HK$8,914,110 (approximately US$1,142,835), details of which are set out below:

| Month | Number of shares repurchased during the month | Highest price paid per share (HK$) | Lowest price paid per share (HK$) | Total amount paid (HK$) |
|---|---|---|---|---|
| January 2010 | 24,960,000 | 0.250 | 0.237 | 6,131,920 |
| February 2010 | 12,740,000 | 0.224 | 0.207 | 2,782,190 |
| | 37,700,000 | | | 8,914,110 |

The repurchased shares were cancelled accordingly.

The 2009 Repurchase Mandate expired upon close of the Company's annual general meeting held on 10 June 2010.

In addition, during the period from 24 May 2010 to 27 May 2010, the Company, through its trustee, acquired from the market and on the HK Stock Exchange an aggregate of 16,000,000 shares at the range of prices of HK$0.213 to HK$0.231 per share, for a total consideration of HK$3,524,150 (approximately US$454,968), which are to be vested to the respective eligible participants under the Company's Long Term Incentive Plan 2007 in accordance with the vesting schedule of the units granted.

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities, whether on the HK Stock Exchange or otherwise, during the six months ended 30 June 2010 or subsequent to the period end date and prior to the date of this announcement.

## PUBLICATION ON WEBSITES

This announcement is published on the websites of the Company (*www.regentpac.com*) and the HK Stock Exchange (*www.hkexnews.hk*).

## DESPATCH OF INTERIM REPORT

The interim report containing full details of the Company's unaudited interim results for the six months ended 30 June 2010 will be despatched to all its shareholders and be published on the aforesaid websites before 30 September 2010.

On behalf of the Board of
**REGENT PACIFIC GROUP LIMITED**
James Mellon
*Co-Chairman*

**Directors of the Company:**

James Mellon *(Co-Chairman)**
Stephen Dattels *(Co-Chairman)**
Jamie Gibson *(Chief Executive Officer)*
David Comba#
Julie Oates#
Mark Searle#
Jayne Sutcliffe*

* *Non-Executive Directors*
\# *Independent Non-Executive Directors*

Hong Kong, 30 August 2010