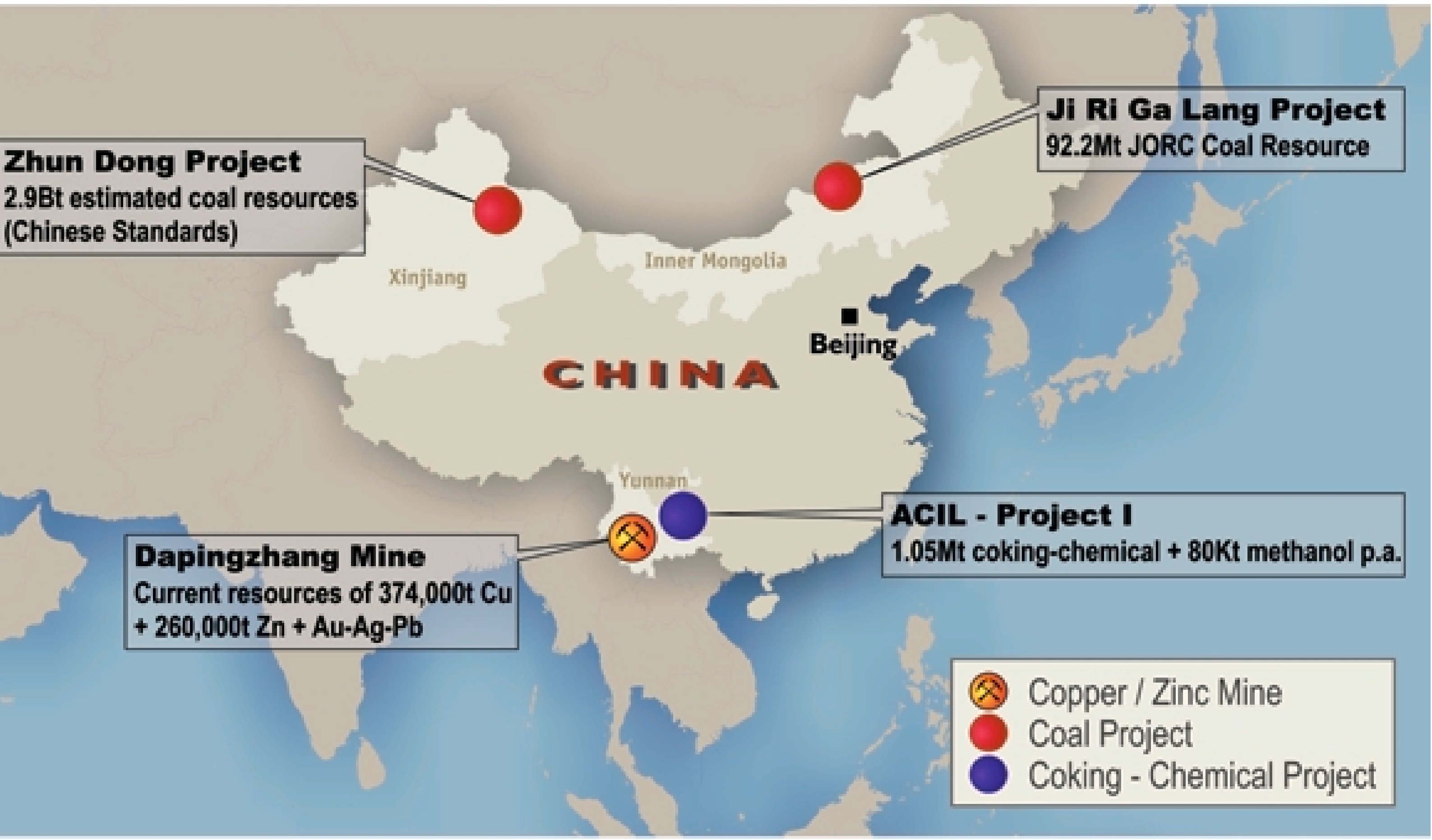
Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2009 Annual Report

Regent Pacific Group Limited
Quality Assets



Contents

Cover & inside cover photos are taken on the road heading towards the Ji Ri Ga Lang Project.

Key Highlights

FINANCE

- Net profit of US$11.1 million. Earnings reflect operating strength, notably in the second half
- Strong profit generated from our associates with Dapingzhang contributing US$9 million and US$2 million coming from West China Coking & Gas Company Limited ("**West China Coke**")
- Results were impacted by a one off write-off of US$6.4 million from the termination of the Indonesian transaction
- Outlook for current year remains positive and financial position is impeccable, with no debt and strong cash balance
- Acquisition of strategic equity stakes in BC Iron Limited, Kalahari Minerals plc, Polo Resources Limited, and Bannerman Resources Limited
- Cash, listed securities and cash receivables of US$78.9 million or HK$0.155 (US$0.020) equivalent per share
- Repurchased for cash US$3.5 million of the remaining redeemable convertible preference shares
- Shareholders' equity of US$224 million or net asset value per share of HK$0.44 (US$0.057)
- Proposed final dividend of HK$0.01 per share, subject to approval by the shareholders at the annual general meeting to be held on 10 June 2010

Key Highlights

OPERATIONS

- Dapingzhang (40%) produced 7,261 tonnes copper metal and 9,020 tonnes zinc metal in 2009
- Dapingzhang lies in the first quartile of the cash cost curve for copper producers globally. The mine had a cash cost of US$0.64/lb of copper and zinc metal
- Production capacity increased to 1.5Mtpa from 1Mtpa in early 2010
- Dapingzhang received approval from the Yunnan Department of Land and Resources in December 2009 for its updated mineral resource and basic reserve, which resulted in an overall increase in mineable basic reserve of 19 per cent. to **18.9Mt** from **15.9Mt** (net of 2008/2009 depletion)
- Dapingzhang's contained copper and zinc metal in resource now stands at **266kt** and **113kt** respectively, inclusive of basic reserves
- Dapingzhang's life of mine plan has increased to 15 years based on current mill capacity
- Revenue at Dapingzhang was RMB319.7 million (US$46.8 million) and net profit after tax of RMB155.3 million (US$22.7 million), adjusted for Hong Kong Financial Reporting Standards ("**HKFRSs**")
- West China Coke (25%) produced 910,465 tonnes of coke, 85,666 tonnes of methanol and other by-products
- West China Coke's revenue was RMB1,296 million (US$190 million) and net profit was RMB55 million (US$8 million) (HKFRSs adjusted)
- Total coal resources of 3Bt, with Zhun Dong producing a maiden 332 resource of 266Mt of thermal coal and confirmation of 2.9Bt of coal at Zhun Dong
- Signed agreement to sell Zhun Dong for approximately US$67.3 million and hopeful that transaction will conclude in mid 2010

Chairman's Statement

Dear Shareholders

With respect to the global crisis, we believe that the worst is behind us with the Group recording a net profit of US$11.1 million for 2009. We witnessed a strong second half to the year during which most metals and minerals prices rose substantially following macroeconomic stimulus measures. For example the average spot price for copper was up 54 per cent. in the second half of 2009 compared with the first half. The bottoming out of the global economy and cutbacks in production have also influenced commodity prices.

In general, we are now more positive on the commodity outlook for 2010. We expect that strong demand from China, mainly flowing from its large public infrastructure spending package and expansionary loans policy, will continue to grow at over 8 per cent. per annum. The measures put in place by governments across the various key markets to secure the stability of the global financial system appear to be working, with market participants now sharing increased confidence of a sustained recovery going forward. The emergence of the OECD from recession will provide further support to the recovery of the global economy, as will the commodity production cutbacks (prevalent in the first half of 2009) coupled with the reduction in the availability of project finance. These developments have impeded near and medium term commodity supply growth. We believe these factors will support potential strength in the commodity markets in 2010.

As disclosed previously, we have signed an agreement to sell the Zhun Dong coal project for approximately US$67.3 million and we are hopeful that this transaction will conclude in mid 2010. The realisation of this asset will give us the opportunity to focus on growth through disciplined investment in acquiring projects.

The Board has proposed a final dividend of HK$0.01 per share, subject to approval by the shareholders at the annual general meeting to be held on 10 June 2010. This reflects the Group's strong operating performance and our positive outlook. We expect to pay dividends each year at progressive higher rates.

The Group has approximately US$78.9 million in cash, listed securities and cash receivables, with no external debt.

OUTLOOK

Regent's Co-Chairman Jim Mellon said "looking forward, we believe that the factors that drove profitability in 2009 will continue into this year. The outlook for Regent with its strong financial position and Asian mining focus is good."

On behalf of the Board, I want to thank our senior management team for their efforts this year.

James Mellon
Co-Chairman

8 April 2010

CEO's Report

The Company recorded a net profit of US$11.1 million, including a write-down of US$6.4 million for the termination of the Indonesian transaction. This compared with a net loss of US$160.9 million for 2008. Whilst trading conditions were tough in the first half, the second half was much improved, with the benefits of a strong rebound in the prices of commodities and decisive action on costs.

With the turnaround in the copper price, Dapingzhang went back to mining in March 2009 and this, coupled with the strong rebound in the prices of copper and zinc, provided the impetus for a stronger second half. Dapingzhang's production of copper and zinc metal in 2009 was 7,261 tonnes (2008: 7,619 tonnes) and 9,020 tonnes (2008: 23,098 tonnes), respectively. This led to revenue of RMB319.7 million (2008: RMB547 million) and net profit of RMB155.3 million (2008: RMB133.8 million), adjusted for Hong Kong Financial Reporting Standards.

Dapingzhang lies in the first quartile of the cash cost curve for copper producers globally. The mine had a cash cost of US$0.64/lb of copper and zinc metal for the year.

Dapingzhang received approval from the Yunnan Department of Land and Resources in December 2009 for its updated mineral resource and basic reserve, which resulted in an overall increase in mineable basic reserve of 19 per cent. to **18.9Mt** from **15.9Mt** (net of 2008/2009 depletion). Dapingzhang's contained copper and zinc metal in resource now stands at **266kt** and **113kt** respectively, inclusive of basic reserves. Dapingzhang's life of mine plan has increased to 15 years based on current mill capacity.

West China Coke, a 25% associated investment of Regent, produced 910,465 tonnes of coke and 85,666 tonnes of methanol and other by-products. Total revenue was RMB1,296 million and its net profit was RMB55 million, and Regent equity accounted a profit of US$2 million for the year.

We announced the sale of Zhun Dong earlier in the year and we expect to close the transaction on or around the middle of this year for US$67.3 million in cash. We are reviewing a number of potential opportunities that are designed to transform the Group through a disciplined programme of investment.

Despite the volatility of the past year, we still believe that we are experiencing a secular uplift in demand for commodities. Our long term outlook remains strong as China, followed by India, continues to urbanise and industrialise over the next two decades.

We look forward to completing the sale of Zhun Dong which will provide the impetus for a transformation of the Group.

During the year, the Group acquired strategic equity stakes in BC Iron Limited, Kalahari Minerals plc, Polo Resources Limited, and Bannerman Resources Limited. Post year end, Regent sold its holding in Kalahari for GBP11.7 million (approximately US$17.6 million), realising a net gain before expenses of approximately GBP5.8 million (or approximately US$8.7 million).

We have emerged from the past year a leaner and more flexible business with a strong financial position. 2010 offer enhanced options for value-adding growth, and we are confident of the outlook for the year.

We wish to thank the Board for their guidance and support, our employees for their hard work and our shareholders for their patience.

REVENUE AND PROFIT

The Company recorded a net profit of US$11.1 million, including a write-down of US$6.4 million for the termination of the Indonesian transaction. This compared with a net loss of US$160.9 million for 2008.

Revenue from the corporate investment division was exceptionally strong at US$20.6 million.

The jointly controlled entity and the associate of the Group, Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**"), together with West China Coking & Gas Company Limited ("**West China Coke**") and Regent Markets Holdings Limited ("**Regent Markets**"), also associates, contributed a share of profit of US$9 million, US$2 million and US$1.4 million respectively to the Group.

The main elements of the profit are analysed as follows:

	US$ million
Share of profit from YSSCCL	9.09
Share of profit from West China Coke	2.00
Share of profit from Regent Markets	1.44
Corporate investment	11.13
Coal mining and coking coal	(2.42)
Metals mining	(3.64)
Finance costs	(0.17)
Write down for termination of Indonesian transaction	(6.38)
Total profit attributable to shareholders	11.05

FINANCIAL POSITION

Shareholders' equity increased by 5.1% to US$224.02 million as at 31 December 2009 from US$213.04 million as at 31 December 2008. The increase was mainly due to (i) the conversion of US$2 million redeemable convertible preference shares resulting in a total increase of share capital and share premium of US$1.97 million, (ii) the fair value gain of US$0.75 million on investments mainly due to the marked-to-market increase in the shares, (iii) the unrealised loss of US$0.14 million on foreign currency translation, (iv) purchase of shares of US$0.46 million held for the share award scheme, (v) the payment of an interim dividend, which reduced the share premium by US$2.55 million and (vi) the profit of US$11.05 million for the year ended 31 December 2009.

The investments in YSSCCL of US$36.89 million, Regent Markets of US$2.89 million and West China Coke of US$16.62 million accounted for 16.47%, 1.29% and 7.42% of the shareholders' equity respectively. The Group's assets comprised: (i) goodwill of US$14.13 million, (ii) exploration and evaluation assets of US$8.19 million, (iii) cash of US$3.09 million, (iv) listed and unlisted investments of US$27.97 million, (v) assets classified as held for sale of US$65.31 million, and (vi) other assets and receivables of US$58.16 million.

The Group's liabilities comprised payables and accruals of US$6.56 million.

FUNDING

As at 31 December 2009, the Group had US$3.09 million in cash and US$34.12 million of margin deposits held with the Group's brokers for trading of CFDs and other derivatives which represents 1.38% and 15.23% of its total shareholders' equity respectively. This does not take into account the Group's holding of listed securities that amounted to US$26.51 million.

The Board has proposed a final dividend of HK$0.01 per share or US$5.1 million, subject to approval by the shareholders at the annual general meeting to be held on 10 June 2010. This reflects the Group's strong operating performance and our positive outlook. We expect to pay dividends each year at progressive higher rates.

Jamie Gibson

8 April 2010

JI RI GA LANG COAL PROJECT

Regent Coal (BVI) Limited ("**Regent Coal (BVI)**"), acting through Abagaqi Changjiang Mining Company Limited ("**ACMC**", the joint venture company), is progressing the conversion of ACMC's existing exploration licence into a mining licence with government agencies in Inner Mongolia. On 16 July 2009, the Inner Mongolia Autonomous Region Development and Reform Commission issued a letter to ACMC that entrusted ACMC with the right to compile a general plan in respect of the development of the thermal coal mine at Ji Ri Ga Lang in accordance with the laws and regulations of the PRC. Accordingly, ACMC is liaising with the various institutes to complete the necessary reports for obtaining the general plan and the mining licence.

ZHUN DONG COAL PROJECT

On 21 August 2009, the Group announced that it had entered into a share purchase agreement with Creative International (HK) Limited in respect of the intended sale of the Zhun Dong thermal coal project for US$35.14 million, before adjustment (if any). The amount of the sales consideration has increased to US$67.35 million with completion now expected by 31 May 2010. The share purchase agreement is conditional upon, *inter alia*, the passing of an ordinary resolution by the shareholders approving the sale (including the payment of the finder's fee) pursuant to the HK Listing Rules of the HK Stock Exchange which was obtained on 9 November 2009. The share purchase agreement has a long stop date of 31 May 2010.

During 2009, Xin Jiang Regent Coal Limited (an indirect, wholly owned subsidiary of the Company and Regent Coal (BVI)) in preserving cash as a response to uncertainties over the global financial crisis under took a modest amount of exploration field work at our four Zhun Dong exploration licences. However, the company achieved excellent results with significant highlights including:

- Confirming 27.5 metres thickness for the main coal seam,
- Successfully submitted all the requirements for the 2009 Annual Review as necessary for exploration lease holders under Chinese regulations; and
- Reported a maiden resource and upgrade of 266 million tonnes at 332 indicated intrinsic economic resources and confirmation of the total resource at approximately 2.9 billion tonnes.

Zhun Dong

ZHUN DONG COAL PROJECT (Continued)

The emphasis of the limited 2009 program was increasing resource confidence and providing sufficient technical information to support the design of a more detailed and comprehensive program for 2010. This was achieved within budget and without any lost time injuries by:

- Drilling 6 deep holes for 3,748 metres,
- 803 seismic points for coverage on 16 square kilometres; and
- Significant coal quality testing, gas, and coal, floor and roof characteristics (206 tests).

The coal quality of the main coal seam consisting of about 1.7 billion tonnes was also re-confirmed as good quality, low sulphur thermal coal (Chinese Classification BN31) with the raw coal properties summarised in table A below. Gas testing and ground strength tests to-date, are supportive of the approach for underground mining.

Moisture	Ash	Volatile Matter	Total sulphur	Energy	
Air dried %	Air dried %	Air dried %	Air dried %	Q(b.d) NCV as MJ/Kg	GCV as MJ/Kg (ad)
6.6	9.7	29.0	0.14	27.5	26.5

Table A: Coal quality summary for Zhun Dong coal project

All of the work was completed competently and above acceptable standards by working with the appointed Chinese coal geological team, Shandong Institute of Mapping and Surveying of Geology: who have the experience and authorisation to undertake field exploration programs and reporting to Chinese specifications and standards.

To date the company has now drilled and completed a total of 20 deep holes for 12,843 metres and 17 shallow holes for 1,553 metres, along with supporting geophysical programs of 13,480 seismic points covering 674 kilometres of lines.

The Company is currently preparing to commence the 2010 exploration and engineering program with support from the Shandong Institute of Mapping and Surveying of Geology. This program will consist of drilling for about 20 holes for 15,000 cored metres: targeting further increases in the reportable amounts of 332 category indicated resources and 333 category of inferred resources, together with the early completion of the requirements under the Chinese system for lease renewal to enable fast tracking of the project to the final exploration stage.

Zhun Dong Drill Core

DAPINGZHANG MINE OPERATION – A WORLD CLASS VMS DEPOSIT

Mining, Production and Costs

In 2009, a total of 5.2 million cubic metres and 1 million tonnes of waste and ore were mined respectively. A total of 763,952 tonnes of ore was processed in 2009 at an average head grade of 1.20% copper and 1.67% zinc.

The mining, production and costs for the year ended 31 December 2009 were:

Table 1

Copper Production Year ended 31 Dec 09	Units		Zinc Production Year ended 31 Dec 09	Units		Copper - Zinc Production Year ended 31 Dec 09	Units	
Ore mined	t	459,599	Ore mined	t	—	Ore mined	t	556,173
Grade Cu	%	0.63	Grade Zn	%	—	Grade Zn	%	2.49
						Grade Cu	%	1.37
Ore milled	t	287,306	Ore milled	t	—	Ore milled	t	476,646
Cu grade	%	0.66	Zn grade	%	—	Zn grade	%	2.67
						Cu grade	%	1.52
Cu recoveries	%	89.61	Zn recoveries	%	—	Zn recoveries	%	70.32
						Cu recoveries	%	82.10

DAPINGZHANG MINE OPERATION – A WORLD CLASS VMS DEPOSIT (Continued)

Mining, Production and Costs (Continued)

Table 2

Concentrate Production and Sales	Units	Year ended 31 Dec 09
Production		
Copper concentrate	t	8,792
Zinc concentrate	t	—
Copper – Zinc concentrate	t	49,114
Concentrate sales		
Copper concentrate	t	9,931
Zinc concentrate	t	—
Copper – Zinc concentrate	t	46,448
Contained metal		
Cu	t	7,352
Zn	t	8,584
Au	oz	2,214
Ag	oz	145,494

Dapingzhang Mine

DAPINGZHANG MINE OPERATION – A WORLD CLASS VMS DEPOSIT (Continued)

Mining, Production and Costs (Continued)

Table 3

Operating Costs for the year ended 31 Dec 09
(Copper and Zinc metal)

All in US$'000 (HKFRS adjusted)	Year ended 31 Dec 09
Operating*	23,376
Transportation costs	2,312
By-product credit^	(2,922)
Total Cash Cost	22,766
Depreciation and amortisation#	3,821
Total Production Cost	26,587
Cash Operating Costs US$/lb	0.64

~ where there are payable terms
* Exploration and resource drilling expenditures are not included in mine site cash costs
^ Revenue from gold and silver
# Includes amortisation of mine assets and exploration and resource drilling

In 2009, total cash costs were US$0.64 per pound of copper and zinc metal.

DAPINGZHANG MINE OPERATION – A WORLD CLASS VMS DEPOSIT (Continued)

Marketing

Dapingzhang copper concentrate and zinc concentrate is shipped to smelters owned by Yunnan Copper Group Co. Ltd. and Yunnan Yuntong Zinc Company Ltd. respectively. 100% prepayment is received before shipment is made to the smelter.

Outlook

The current LOM forecast production and metal sold for 2010:

2010

	Zinc tonnes	**Copper** tonnes
Concentrate Production	3,159	40,159
Metal Sold	1,421	7,229

Resources

Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**") engaged China Non-Ferrous Metal Kunming Design Institute ("**Kunming Design Institute**") in June 2009 to verify the mineral resource reported within the current mining lease area of Dapingzhang in accordance with the Chinese Mineral Reporting Standard. The purpose of this engagement was to procure regulatory recognition and approval of the geological resource basis for the Dapingzhang mine plan and design from the Mineral Resource Review Centre of Yunnan Provincial Department of Land and Resources ("**DOLAR**"), which Regent is pleased to announce has now been obtained.

Both the mineral resource and basic reserve at Dapingzhang, following the completion of the before mentioned review, is now compliant with the guidelines of the Chinese Mineral Reporting Standard.

Dapingzhang Mine

OUTCOMES OF TECHNICAL REVIEW

The technical review entailed an extensive reconciliation of geology, past mining and processing operations, together with incurred costs and revenues.

As a result of the study, a number of areas were identified as important strategic opportunities for review, improvement and longer term value creation. These areas and the actions taken include:

Study Area	Actions taken
Geological Model	• Re-interpretation of mineralised domains • Review of grade estimation
Mill 3 expansion	• Mill 3 has been expanded to 2000tpd from 400tpd • Average operating cost for Mill 3 operation reduced • Unit site costs have also been reduced due to overall increase in site capacity
Mine Planning	• New pit optimisation performed • Change in copper price factor for ultimate optimised shell from a copper price of RMB24,000/t (US$3,514/t) to RMB40,000/t (US$5,857/t) • Increase of life of mine to 15 years, based on current mill capacity, which is supported by basic reserve • Reduction in unit operating costs • New pit design • New mine schedule

Following from this work, a new mineral resource and basic reserve have been compiled. The resource and basic reserve statements set out below are current as at 30 June 2009. Full year results for Regent were released on 8 April 2010.

The previous reserve (JORC compliant), dated 31 December 2007, was **17.1Mt** (176kt copper).

Depletion between 31 December 2007 and 30 June 2009 has been **1.2Mt** (14kt copper). The previous reserve, net of depletion, is equivalent to **15.9Mt** (162kt) as at 30 June 2009.

The result of the new mine planning study is an overall increase in the mineable basic reserve (Chinese resource category 111b and 122b) of 19 per cent. to **18.9Mt** (178kt copper) from **15.9Mt** (162kt copper), which is very positive and bodes well for the future of Dapingzhang. In addition, based on current Mill capacity, the life of mine for this project has approval for 15 years which, as result of the technical review, is supported by its basic reserve, with sufficient resource to extend beyond this.

Contained copper and zinc metal in the basic reserve now stands at **178kt** and **74kt** respectively.

Contained copper and zinc metal in the high grade resource (>0.4% copper) now stands at **266kt** and **113kt** respectively, inclusive of basic reserves.

An abridged DOLAR report and resource summary can found at: http://www.regentpac.com/template?series=11&article=1171

EXPLORATION OVERVIEW

Exploration Summary - 2009

2009 marked another successful year of exploration with the confirmation of a further volcanogenic massive sulphide ('**VMS**') system at the Company's Shanghuwan project, located 40km south of the Dapingzhang mine (Regent 97.5%). Further drilling was also completed at Rongfa1 (Regent 40%), that confirmed extensions to the known mineralisation system. These extensions have provided further targets for ongoing exploration along the 'fringes' of the current resource.

An exploration campaign at Shanghuwan consisted of five diamond drill holes for a total of 1,452.7 meters. The drill holes confirmed massive and disseminated sulphide lenses in the along-strike and down-dip directions, hosting elevated copper, zinc, gold and silver grades. We interpret that the Shanghuwan VMS system is contemporaneous with other VMS deposits of the region, including the Dapingzhang deposit and will be a further focus of exploration in 2010.

Significant assay results returned through the diamond drilling include:

- 0.8m averaging 0.13% Cu, 1.17% Pb, 4.29% Zn, 1.42g/t Au, 15.56g/t Ag intersected in SHW010 between 259.7-260.5m depth.
- 3.6m averaging 3.8g/t Au, 79.49g/t Ag intersected in SHW010 between 191-194.6m depth.
- 9.9m averaging 0.52g/t Au, 59.79g/t Ag intersected in SHW012 between 108.9-118.8m depth.
- 10.8m averaging 0.55g/t Au, 25.7g/t Ag intersected in SHW013 between 196.2-207m depth.
- 4.0m averaging 0.55% Cu, intersected in SHW009 between 243.2-247.2m depth.

Core Shed at Shanghuwan Mine

EXPLORATION OVERVIEW (Continued)

Exploration Summary - 2009 (Continued)

Table 1. Drill hole assay results with anomalous grades for Shanghuwan project

Hole ID	From	To	Length (m)	Cu %	Pb %	Zn %	Au g/t	Ag g/t	Mineralisation Type
	195.42	195.92	0.50	0.66	—	0.01	0.02	0.98	
SHW09	232.30	233.00	0.70	1.42	—	0.01	0.09	2.10	
	243.20	247.20	4.00	0.55	—	—	—	1.09	
	272.02	272.52	0.50	0.80	—	—	0.03	1.24	
	96.70	97.40	0.70	0.43	0.01	0.12	0.14	3.19	
	117.60	121.98	4.38	0.07	0.05	0.74	0.55	2.98	
	124.80	125.30	0.50	0.81	—	—	0.01	0.51	Disseminated
	152.90	153.40	0.50	0.43	—	0.04	0.09	7.32	
	191.00	194.60	3.60	0.03	0.10	0.26	3.81	79.49	
SHW10	196.40	201.15	4.75	0.08	0.04	0.64	0.40	3.02	
	207.90	209.00	1.10	0.06	0.02	0.95	0.14	1.92	
	247.90	248.90	1.00	0.88	0.03	0.15	2.01	27.39	
	251.80	252.70	0.90	0.29	0.01	0.36	1.02	6.77	
	259.70	260.50	0.80	0.13	1.17	4.29	1.27	15.56	Massive Suphide
	263.10	266.90	3.80	0.06	0.31	1.02	0.09	2.67	
SHW11	225.30	226.50	1.20	0.29	0.00	0.00	0.03	0.23	Disseminated
	278.35	278.85	0.50	1.10	0.01	0.06	0.06	4.75	
	108.90	118.80	9.90	0.01	0.03	0.08	0.52	59.79	Massive Suphide
	139.40	145.00	5.60	0.02	0.06	0.72	0.05	1.03	
	151.00	155.00	4.00	0.19	0.00	0.01	0.08	0.71	
SHW12	169.30	176.70	7.40	0.31	0.00	0.00	0.07	0.83	
	180.25	181.20	0.95	0.34	0.00	0.00	0.08	0.85	Disseminated
	185.70	186.75	1.05	0.60	0.00	0.01	0.09	0.96	
	196.00	198.00	2.00	0.02	0.02	0.38	0.06	1.15	
SHW13	7.40	8.40	1.00	0.03	0.01	0.67	0.16	1.14	
	196.20	207.00	10.80	—	0.01	0.03	0.55	25.70	

EXPLORATION OVERVIEW (Continued)

2010 Exploration:

Exploration in 2010 will aim to confirm priority exploration targets at the company's 97.5% -owned Shanghuwan and Tianfang properties, and will also include ground-based reconnaissance at the Highway and Manzitian historic mine projects. Further exploration drilling is also planned at Rongfa1 in conjunction with the YSSCCL Joint Venture. The Rongfa1 program will aim to build on the current resource base through evaluating further extensional high-grade zinc targets and to increase levels of resource confidence. The planned budget for Shanghuwan and Tianfang is US$0.7M and US$1.3M for Rongfa1.

We plan to complete an aggressive drilling campaign at Shanghuwan and Tianfang with an aim to define a maiden JORC compliant resource base in 2010 (Figure 1). Drilling will initially focus on areas with confirmed mineralisation at Shanghuwan and Tianfang with step-out sections completed along-strike to understand both the lateral and down-dip extents of each target. The planned 2010 drilling program is summarised in Table 2.

Table 2. Planned exploration drillholes for 2010 at Shanghuwan and Tianfang

Project	Hole ID	Planned Depth (m)
Shanghuywan	SHW014	400
	SHW015	600
	SHW016	400
	SHW017	600
Tianfang	DH004	100
	DH005	150
	DH006	250
	DH007	100
	DH008	150
	DH009	250
Total Meters		1,000

Dapingzhang Mine

EXPLORATION OVERVIEW (Continued)

2010 Exploration: (Continued)

Shanghuwan was identified as a VMS system during 2009 and will continue to be a focus of ongoing exploration. Massive and disseminate sulphides that are indicative of VMS have been confirmed along-strike and down dip, and the target remains open in all directions. The region has undergone structural deformation that has resulted in multiple stratigraphic repetitions of mineralisation at Shanghuwan. VMS deposits are known to locally form in clusters and we believe mineralisation at Shanghuwan indicates the surrounding area remains prospective for further exploration. Exploration in 2010 will focus on further targeting the core of this VMS system aimed to build confidence in the mineralisation and structural interpretation. Four drill holes for a total 2,000 meters is planned for 2010.

Tianfang is a historic zinc oxide deposit that was prospected and mined at-surface during the early 1900's. Recent mapping and sampling by Regent Minerals indicates the deposit hosts anomalous cadmium and tungsten grades in addition to zinc. Mineralisation at Tianfang is interpreted to be associated with a regional fault structure and not a VMS target. The potential for both primary sulphide and associated oxide mineralisation remains unknown and will be a focus of diamond drilling, with six diamond drill holes for 1,000 meters planned in 2010.

Highway and Manzitian are historic mines that were exploited using basic open-pit and underground methods. These deposits represent opportunities for Regent to utilise modern exploration methods to define further mineralisation potential. We plan to conduct detailed ground reconnaissance including mapping and sampling of available exposures within and surrounding the deposits. Highway was a historic copper sulphide deposit, whilst Manzitian was mined for copper oxide mineralisation.

Figure 1. Location of exploration targets

Environment, Rehabilitation, Health & Safety

ENVIRONMENT, HEALTH & SAFETY

Our environmental, health and safety remains a significant priority. Our core approach is the health and safety of our employees, including; respect for the individual, for each other, for stakeholders and for the cultures that we operate in.

At Dapingzhang we had one lost time for injuries in the year.

Healthy and Safety

Regent bases its health and safety strategy on three cornerstone elements:

- We subscribe to the position that we have a duty of care to provide a safe environment for all of our employees to work.
- We advocate behaviour and standards that comply fully with local occupational health and safety laws. Beyond this, "international best practice" will underpin our activities in all areas.
- Ensure effective communication and education with all employees so as to develop a health and safety culture that is bolstered by equal ownership and commitment.

There was one lost time injury during the financial year.

Environment

Regent is intrinsically aware of the interaction of its activities and the environment. The Company, through all its employees and representatives, is committed to:

- Encouraging environmentally sustainable practices in its daily decision making processes, including land use, operations, planning and purchasing.
- Undertaking alternative practices and procedures to minimize negative impacts on the environment.
- Integrating environmental awareness and responsibility throughout its host communities.
- Being mindful, in the operations of the Company, of all appropriate economic, environmental and social concerns.

There were no reportable environmental incidents during the financial year.

Environment, Rehabilitation, Health & Safety

Rehabilitation

Across all our mining projects, we aim to conduct progressive rehabilitation, wherever possible, to reduce the impacts on the environment and minimise the residual impact of the site. Generally this is recorded at the time of closure.

Following disturbance, we aim with our partners, to rehabilitate the land to a form and state agreed by stakeholders, including the local community and government. This focuses on the early development of final landforms with direct return of topsoils where possible to minimise costs and maximise the restoration process.

The environment that exist at our joint venture projects in Yunnan Province and Inner Mongolia, China, cover two distinct seasons; in Yunnan a wet sub tropics to semi-arid systems representing a wide rainfall spectrum and in Inner Mongolia a cold dry winter to a hot dry summer. Consequently, there are a range of different challenges in respect to the development of post-mine landscapes that are stable, resistant to erosion, encapsulate any deleterious mine wastes and provide a suitable substrate or water body targeted for specific end land use requirements. These range from the development of sustainable biodiverse ecosystems endemic to the local area, through to suitable agricultural, agro-forestry or aquaculture production systems.

Regent has undertaken a base line study to better understand the rehabilitation process and identify key indicators for reclamation success at Dapingzhang. Regent will complete base line studies across all its mining projects with the aim of restoring the land back to an agreed upon state wherever possible.

The Directors (the "**Directors**" or the "**Board**") of Regent Pacific Group Limited (the "**Company**" and collectively with its subsidiaries, the "**Group**") are pleased to submit their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

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

Principal activities of the respective subsidiaries of the Company during the year are set out in note 16 to the Financial Statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2009 are set out in the Consolidated Statement of Comprehensive Income on page 69.

The Company paid an interim dividend in respect of the six months ended 30 June 2009 of HK$0.005 in cash per share (2008: nil) on 30 October 2009.

The Directors have proposed, subject to approval by the shareholders at the forthcoming annual general meeting to be held on 10 June 2010, a final dividend in respect of the year ended 31 December 2009 of HK$0.01 per share (2008: nil), payable on **Friday, 9 July 2010** in cash, either in Hong Kong dollars or in United States dollars at the exchange rate quoted by Citibank NA, Hong Kong at **4:00 pm (Hong Kong time) on Thursday, 10 June 2010**, to those shareholders whose names are recorded on the Principal or Branch Register of Members of the Company on **Thursday, 10 June 2010**.

The Registers of Members of the Company will be closed from **Monday, 7 June 2010 to Thursday, 10 June 2010, both days inclusive**, during which period no transfers of shares will be effected. In order for shareholders to qualify for the final dividend, all completed and stamped transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration **not later than 4:30 pm (Hong Kong time) on Friday, 4 June 2010**.

It is expected that an election form (the "**Election Form(s)**") will be despatched to shareholders on Friday, 11 June 2010 for them to elect the currency (Hong Kong dollars or United States dollars) in which they wish to receive their dividend. In order for their election to be applicable to the final dividend, shareholders are required to return their Election Forms to Tricor Tengis Limited at the above address **not later than 4:00 pm (Hong Kong time) on Monday, 5 July 2010**.

Those shareholders who do not have their Election Form properly completed and returned to Tricor Tengis Limited by the designated time will only be entitled to receive their final dividend in the currency indicated in the last election form they returned to Tricor Tengis Limited or, if no form was ever returned, in the currency in which their last dividend was paid. New shareholders registered after the collection of the election form in respect of the last dividend paid by the Company who do not return the Election Form will receive the final dividend in Hong Kong dollars (if they have a Hong Kong registered address on the Company's Registers of Members) or in United States dollars (if they have an overseas registered address on the Company's Registers of Members).

Dividend cheques in relation to the final dividend are expected to be despatched at the risk of those entitled thereto on or about **Friday, 9 July 2010**.

SUMMARY FINANCIAL INFORMATION

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

Results:

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

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 December			As at 31 March	
	2009	2008	2007	2007	2006
	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	14,132	52,137	190,724	1,876	1,876
Exploration and evaluation assets	8,187	31,391	5,729	78	—
Property, plant and equipment	983	1,195	467	195	34
Interests in associates	19,508	17,363	16,572	2,768	1,587
Interest in a jointly controlled entity	36,889	34,295	29,951	25,180	—
Available-for-sale financial assets	1,597	7,386	620	620	620
Current assets	151,933	79,907	167,578	12,180	31,784
Total assets	233,229	223,674	411,641	42,897	35,901
Current liabilities	6,560	2,897	12,830	693	3,943
Non-current liabilities	8	5,257	14,118	21,631	18,352
Total liabilities	6,568	8,154	26,948	22,324	22,295
Net assets	226,661	215,520	384,693	20,573	13,606

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITY

Particulars of the Company's subsidiaries and the Group's associates and jointly controlled entity are set out in notes 16, 17 and 18 respectively to the Financial Statements.

GOODWILL

Details of movements in the goodwill of the Group during the year are set out in note 13 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the Financial Statements.

BORROWINGS

Details of movements in the borrowings of the Group and the Company during the year are set out in note 28 to the Financial Statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and outstanding share options are set out below and in note 31 to the Financial Statements.

As at 1 January 2009, the total issued ordinary share capital of the Company consisted of 3,894,897,419 shares. During the year ended 31 December 2009, an aggregate of 53,793,104 new ordinary shares were issued and allotted upon conversion of 2,000 Redeemable Convertible Preference Shares (as referred to below), being at a conversion price of HK$0.290 per share. Accordingly, as at 31 December 2009, the total issued ordinary share capital of the Company consisted of 3,948,690,523 shares.

Subsequent to the year end date, an aggregate of 37,700,000 shares were repurchased by the Company on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") at a total consideration of HK$8,914,110 (approximately US$1,142,835). The repurchased shares were cancelled accordingly. Therefore, as at the date of this report, the total issued ordinary share capital of the Company consists of 3,910,990,523 shares.

1. Redeemable Convertible Preference Shares

On 30 November 2006, the Company issued and allotted 6,250 8.5% dividend bearing non-voting redeemable convertible preference shares of US$0.01 each at US$1,000 per share in cash ("**Redeemable Convertible Preference Shares**" or "**RCPS(s)**") pursuant to a subscription agreement dated 11 October 2006. The Redeemable Convertible Preference Shares might give rise to the issue, in aggregate, of 168,103,449 ordinary shares at a conversion price of HK$0.290 per share.

As at 1 January 2009, there were 5,500 Redeemable Convertible Preference Shares outstanding, which might be convertible into 147,931,035 ordinary shares. During the year ended 31 December 2009:

a. 2,000 Redeemable Convertible Preference Shares were converted into 53,793,104 new ordinary shares, which were issued and allotted on 2 February 2009.

b. All the remaining 3,500 issued and outstanding Redeemable Convertible Preference Shares were repurchased, at their subscription price of US$1,000 in cash for each RCPS, and cancelled on 25 June 2009 pursuant to the RCPS Repurchase (as detailed in note 31.1 to the Financial Statements).

Accordingly, as at 31 December 2009 and the date of this report, no Redeemable Convertible Preference Shares were/are outstanding.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

2. 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.

Upon adoption of the Long Term Incentive Plan 2007 (as referred to below) on 8 December 2007, no further options under the Share Option Scheme (2002) will be granted.

Details of the Share Option Scheme (2002) and particulars of the options held under the scheme by various participants are set out in note 31.2 to the Financial Statements.

As at 1 January 2009, 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 210,616,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share. During the year ended 31 December 2009:

- No new options were granted;
- No vested options were exercised;
- An option in respect of 4,000,000 shares and an option in respect of 12,000,000 shares at the exercise price of HK$0.325 per share and HK$0.780 per share lapsed upon resignation of an employee and a Director respectively; and
- An option in respect of 16,500,000 shares at the exercise price of HK$1.152 per share was cancelled upon termination of the services of a consultant.

Accordingly, as at 31 December 2009 and the date of this report, there were/are outstanding options in respect of 178,116,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

3. Long Term Incentive Plan 2007

The Company adopted a new long term incentive plan, named "Long Term Incentive Plan 2007" (the "**Long Term Incentive Plan 2007**"), with shareholders' approval at the Company's extraordinary general meeting held on 8 December 2007. The scheme shall continue in force until the tenth anniversary of its adoption date, which will be 8 December 2017.

The establishment and operation of the Long Term Incentive Plan 2007 are not subject to Chapter 17 of The Rules Governing the Listing of Securities on the HK Stock Exchange (the "**HK Listing Rules**"). Upon adoption of the Long Term Incentive Plan 2007 on 8 December 2007, no further options under the Share Option Scheme (2002) (as referred to above) will be granted.

Details of the Long Term Incentive Plan 2007 are set out in note 31.3 to the Financial Statements.

Since the adoption of the plan and before 7 January 2009, no shares were acquired and no units were granted under the plan.

On 7 January 2009, units in respect of an aggregate of 150,125,000 shares were granted under the plan to a number of eligible participants. The shares will be vested in three equal tranches on the first, second and third anniversary dates of the date of grant, except Jamie Gibson and Clara Cheung who received their entitlements on 7 January 2009 in the full cash equivalents of HK$15,543,000 (approximately US$1,992,692) and HK$3,140,000 (approximately US$402,564) for the units in respect of 99,000,000 shares and 20,000,000 shares granted to them respectively, being at HK$0.157 per share. Such cash equivalents were made available to Jamie Gibson and Clara Cheung for allowing them to buy the number of shares which they were entitled under the plan in the market in accordance with the amendment to the extension of the "black out" period for dealing in securities by directors that was then being introduced by the HK Stock Exchange, and such payments will be amortised over three years in line with the share scheme starting in the financial year ended 31 December 2009.

During the period from 19 February 2009 to 5 March 2009, the trustee appointed by the Company for the plan acquired from the market an aggregate of 29,625,000 shares at the range of prices of HK$0.109 to HK$0.127 per share, at a total consideration of HK$3,525,984 (approximately US$452,049), which are to be vested to the respective eligible participants in accordance with the aforesaid vesting schedule.

During the year ended 31 December 2009:

- No units were vested to the eligible participants, except that Jamie Gibson and Clara Cheung received their entitlements in the full cash equivalents (as detailed above);
- A unit in respect of 1,500,000 shares lapsed upon termination of the employment of an employee; and
- No units were cancelled.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

3. Long Term Incentive Plan 2007 (Continued)

Accordingly, as at 31 December 2009, there were outstanding units in respect of 29,625,000 shares, which were kept with the trustee and to be vested to the respective eligible participants in accordance with the aforesaid vesting schedule.

Subsequent to the year end date, units in respect of an aggregate of 9,874,998 shares were vested to the respective eligible participants on 7 January 2010. Accordingly, as at the date of this report, there are outstanding units in respect of 19,750,002 shares, which are kept with the trustee and to be vested to the respective eligible participants in accordance with the aforesaid vesting schedule.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 32 to the Financial Statements. The Company considers that only profits and share premium are distributable to shareholders.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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 funds used for such plan will be financed from the Company's internal and existing cash reserves.

During the year ended 31 December 2009, neither the Company nor its subsidiaries purchased, sold or redeemed any of their listed securities, whether on the HK Stock Exchange or otherwise, save that during the period from 19 February 2009 to 5 March 2009, the Company, through its trustee, acquired from the market and on the HK Stock Exchange an aggregate of 29,625,000 shares at the range of prices of HK$0.109 to HK$0.127 per share, for a total consideration of HK$3,525,984 (approximately US$452,049), 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.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES (Continued)

Subsequent to the year end date, 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.

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities during the year ended 31 December 2009 or subsequent to the year end date and prior to the date of this report.

Details of the RCPS Repurchase by the Company of all the issued and outstanding Redeemable Convertible Preference Shares are set out in note 31.1 to the Financial Statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at all times during the year ended 31 December 2009 and as at the date of this report, the Company has complied with the public float requirement prescribed in the HK Listing Rules for the Company.

DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2009 and up to the date of this report were:

James Mellon *(Co-Chairman)**
Stephen Roland Dattels *(Co-Chairman)**
Jamie Alexander Gibson *(Chief Executive Officer)*
Cheung Mei Chu, Clara
Charles David Andrew Comba#
Julie Oates#
Stawell Mark Searle#
Jayne Allison Sutcliffe*
Stephen Bywater* (Resigned on 8 April 2009)
John Stalker* (Resigned on 8 April 2009)

* *non-executive Directors*
\# *independent non-executive Directors*

DIRECTORS (Continued)

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

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

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company, and Clara Cheung and Jayne Sutcliffe will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. Both of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders.

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

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

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

1. ***James Mellon***, aged 53, British, was appointed as an executive Director of the Company in July 1991, and was re-designated as a non-executive Director in May 2002, and is currently Non-Executive Co-Chairman of the Board of Directors. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group, including Regent Coal (BVI) Limited ("**Regent Coal (BVI)**", formerly CCEC Ltd) which became a wholly owned subsidiary of the Company on 14 December 2007. Mr Mellon is also: (i) a non-executive director of Charlemagne Capital Limited, executive co-chairman of the board of Emerging Metals Limited, executive chairman of Manx Financial Group plc, a non-executive director of Polo Resources Limited, non-executive chairman of Speymill plc, a non-executive diretor of Speymill Deutsche Immobilien Company plc and a non-executive director of Webis Holdings plc, all of which are listed on the Alternative Investment Market (AIM) of the London Stock Exchange; and (ii) a director of Brazilian Gold Corporation (formerly known as Red Dragon Resources Corporation), which is listed on TSX-V of the Toronto Stock Exchange.

DIRECTORS (Continued)

2. ***Stephen Roland Dattels***, aged 62, Canadian, was appointed as non-executive Co-Chairman of the Board on 12 February 2008. Mr Dattels is an experienced senior mining executive, and was one of the key executives at Barrick Gold Corporation (whose shares are listed on the Toronto Stock Exchange and the New York Stock Exchange) during its formative years before leaving in 1987. He has helped to form and finance a number of mining ventures, including UraMin Inc, which was sold to AREVA NP, the French state owned nuclear company for approximately US$2.5 billion in cash in August 2007. Mr Dattels has a Bachelor of Arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University. Mr Dattels is also a director of Regent Coal (BVI). He is also: (i) a non-executive director of Caledon Resources plc; (ii) executive co-chairman of the board of Emerging Metals Limited; (iii) the joint executive chairman of the board of Polo Resources Limited; and (iv) a non-executive director of GCM Resources plc, all of which are listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Mr Dattels was a non-executive director of Berkeley Resources Limited (a company listed on the Australian Securities Exchange) between May and September 2009 and a director of Extract Resources Limited (a company listed on the Australian Securities Exchange and the Toronto Stock Exchange) between July 2009 and April 2010.

3. ***Jamie Alexander Gibson***, aged 44, British, joined Regent Pacific Group in April 1996 and was appointed as an executive Director and Chief Operating Officer of the Company in January 2002. In May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of (i) a number of subsidiaries of Regent Pacific Group, including Regent Coal (BVI) and Amerinvest Coal Industry Holding Company Limited ("**ACIL**"), which became a wholly owned subsidiary of Regent Coal (BVI) before 14 December 2007; (ii) Yunnan Simao Shanshui Copper Company Limited which is the Sino-foreign equity joint venture enterprise established for the Dapingzhang Mine and is a 40% owned associate of the Company; and (iii) Simao Regent Minerals Limited which is the Sino-foreign co-operative joint venture enterprise established for the Yinzishan Mine and is a 97.54% owned subsidiary of the Company.

4. ***Cheung Mei Chu, Clara***, aged 36, Chinese, joined Regent Pacific Group in March 2002 and was appointed as the Finance Director of the Company in January 2004. Ms Cheung is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. She has a Master's degree in Business Administration from The Hong Kong University of Science and Technology. Prior to joining the Company, she has gained extensive experience in auditing and accounting with Deloitte Touche Tohmatsu. She is also director of certain subsidiaries of Regent Pacific Group (including Regent Coal (BVI) and ACIL), Yunnan Simao Shanshui Copper Company Limited and West China Coking & Gas Company Limited (a 25% owned associated company of the Company).

DIRECTORS (Continued)

5. ***Charles David Andrew Comba***, aged 67, Canadian, was appointed as an independent non-executive Director of the Company in October 2005. He is currently director of three Canadian listed companies, namely (i) First Nickel Inc (listed on TSX-T); (ii) Cogitore Resources Inc (formerly Woodruff Capital Management Inc (listed on TSX-V)); and (iii) North American Palladium Ltd (listed on TSX-T and AMEX). In the past few years, Mr Comba also served on the boards of Viking Gold Exploration Inc (listed on TSX-V), Dumont Nickel Inc (listed on TSX-V) and Black Pearl Minerals Consolidated Inc (listed on TSX-V). Until his retirement in May 2005, he held senior staff positions as Director Issues Management and more recently as Director of Regulatory Affairs with the Prospectors and Developers Association of Canada. Mr Comba also served the association as a Director prior to joining staff in 1998. In addition, he also served as one of two expert witnesses in the successful 1999 defence of Larche vs Scintilor, the last of the court cases regarding title challenges arising from the 1980 discovery of the Hemlo, Ontario, Canada gold camp. He also served on or lead mineral exploration teams that have made eleven significant discoveries of base and precious metals, primarily for Falconbridge Group companies. Five discoveries were taken to production. After holding Falconbridge Regional Exploration Manager positions in Timmins, Ontario and Sudbury, Ontario, Mr Comba was transferred to Toronto, Ontario in 1990 as Vice President Exploration Falconbridge Gold Corporation. Subsequent to the sale of FGC to Kinross Gold Corporation he became a director, President and Chief Executive Officer of a Kinross controlled exploration company, Pentland Firth Ventures Limited, which was a junior capital pool company listed on the Alberta Stock Exchange and subsequently listed on the Toronto Stock Exchange. Mr Comba obtained two geological degrees from Queen's University Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972). He has expertise in the discovery and mining of volcanogenic massive sulphide deposits, similar to Dapingzhang, gold and magmatic sulphide deposits.

6. ***Julie Oates***, aged 48, British, was appointed as an independent non-executive Director of the Company in September 2004. She was trained with Pannell Kerr Forster in the Isle of Man and was qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and in 2003 established her own accountancy practice. Mrs Oates has experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. Mrs Oates acts as director for a number of companies and is licensed by the Isle of Man Government Financial Supervision Commission and approved to act as a director of insurance companies by the Isle of Man Government Insurance and Pensions Authority.

7. ***Stawell Mark Searle***, aged 67, British, has been an independent non-executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Mr Searle has been a director of a number of closed-ended funds during his career and most recently was a director of Invesco Perpetual European Absolute Return Investment Trust Plc (formerly a listed company on the London Stock Exchange), which was liquidated at the end of October 2009 at the request of a majority of shareholders.

DIRECTORS (Continued)

8. *Jayne Allison Sutcliffe*, aged 46, British, was appointed as the Group Corporate Finance Director in August 1991 and was re-designated as a non-executive Director in June 2000. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group. She is also the Group Chief Executive of Charlemagne Capital Limited, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

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

None of the Directors has any connections (either being a director or an employee) with any company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

James Mellon, Julie Oates and Mark Searle are members of both the audit committee and remuneration committee of the Company, with Julie Oates being the Chairlady of the former and James Mellon being the Chairman of the latter.

Further, the Company established a connected transactions committee on 20 October 2008 to review and monitor any conflict of interests that the Group may have with any of its directors, employees or members and, moreover, any actual or potential connected or related party transaction (including connected transactions exempted under the HK Listing Rules) that the Group is proposing to enter into, including any approvals thereof. The committee comprises Julie Oates (the Chairlady), Jamie Gibson and Mark Searle.

DIRECTORS (Continued)

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

James Mellon has informed the Board that he categorically denies these allegations and has retained leading Korean counsel to act on his behalf in disproving the Korean prosecutor's claims. James Mellon has also informed the Board that on 28 March 2001, he also submitted, via his Korean counsel, a comprehensive sworn affidavit disproving the alleged manipulation. The Board was informed by James Mellon on 15 July 2004 that the arrest warrant was re-issued on 14 January 2004 and would remain valid and effective until 12 March 2010 or other such time as James Mellon returned to South Korea to assist with the investigation. James Mellon's Korean lawyer is endeavouring to confirm whether or not the arrest warrant remains valid. As noted above, as far as the Board is aware, no proceedings have been issued or served on James Mellon to date. In these circumstances, the Board, including the independent non-executive Directors, considers that Mr Mellon can fulfil his fiduciary duties and perform the requisite duties of skill, care and diligence as a Director of the Company to the standard at least commensurate with the standard established by the laws of Hong Kong and therefore it is entirely appropriate for Mr Mellon to remain on the Board.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at 31 December 2009, 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		Beneficial owner	Long position	56,516,180	1.43%
	A	Beneficiary of a trust	Long position	375,821,131	9.52%
Stephen Dattels	B	Beneficiary of a trust	Long position	264,057,353	6.69%
Jamie Gibson		Beneficial owner	Long position	4,419,138	0.11%
Clara Cheung		Beneficial owner	Long position	1,200,000	0.03%
David Comba		—	—	—	—
Julie Oates	C	Interests held jointly with another person	Long position	2,500,000	0.06%
Mark Searle		Beneficial owner	Long position	4,194,444	0.11%
	D	Beneficiary of a trust	Long position	50,000	0.00%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.43%
	E	Beneficiary of a trust	Long position	27,965,226	0.71%

* *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 (c) below.*

** *The total issued ordinary share capital of the Company as at 31 December 2009 consisted of 3,948,690,523 shares. Subsequent to the year end date, the Company repurchased an aggregate of 37,700,000 ordinary shares on the HK Stock Exchange. The repurchased shares were cancelled accordingly. Therefore, the total issued ordinary share capital of the Company as at the date of this report consists of 3,910,990,523 shares.*

b. *Redeemable Convertible Preference Shares*

Please refer to note 31.1 to the Financial Statements as to the RCPS Repurchase, pursuant to which the Company repurchased and cancelled all the outstanding and issued Redeemable Convertible Preference Shares.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

I. Securities of the Company (Continued)

c. *Share Option Scheme (2002)*

Please refer to note 31.2 to the Financial Statements as to the details of the Share Option Scheme (2002).

As at 31 December 2009, 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$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
James Mellon	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	8,666,666	10.00
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 – 8 September 2014	11,000,000	10.00
	4 April 2006	45,600,000	0.300	4 April 2007 – 3 April 2016	45,600,000	10.00
	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	8,666,666	10.00
Clara Cheung	4 April 2006	8,000,000	0.300	4 April 2007 – 3 April 2016	8,000,000	10.00
	14 December 2006	6,000,000	0.325	14 December 2007 – 13 December 2016	6,000,000	10.00
	2 October 2007	7,000,000	1.152	2 October 2008 – 1 October 2017	4,666,666	10.00
David Comba	2 October 2007	5,000,000	1.152	2 October 2008 – 1 October 2017	3,333,333	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.*

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

c. Share Option Scheme (2002) (Continued)

During the year ended 31 December 2009 or prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2002). None of the outstanding options were exercised or cancelled or lapsed during the year or prior to the date of this report.

Save for the above, during the year ended 31 December 2009 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.

d. Long Term Incentive Plan 2007

Please refer to note 31.3 to the Financial Statements as to the details of the Long Term Incentive Plan 2007.

On 7 January 2009, units in respect of 99,000,000 shares and 20,000,000 shares were granted under the plan to Jamie Gibson and Clara Cheung respectively, who received their entitlements on 7 January 2009 in the full cash equivalents of HK$15,543,000 (approximately US$1,992,692) and HK$3,140,000 (approximately US$402,564) respectively, being at HK$0.157 per share. Such cash equivalents were made available to Jamie Gibson and Clara Cheung for allowing them to buy the number of shares which they were entitled under the plan in the market in accordance with the amendment to the extension of the "black out" period for dealing in securities by Directors that was then being introduced by the HK Stock Exchange, and such payments will be amortised over three years in line with the share scheme starting in the financial year ended 31 December 2009.

2. Securities of associated corporations

— *Ordinary shares of US$0.01 of AstroEast.com Limited (note F)*

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon		—	—	—	—
Stephen Dattels	B	Beneficiary of a trust	Long position	5,250,000	18.74%
Jamie Gibson		Beneficial owner	Long position	225,000	0.80%
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Mark Searle		—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	150,000	0.54%

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Notes:

A. The 375,821,131 ordinary shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.

B. The 264,057,353 ordinary shares in the Company and 5,250,000 ordinary shares in AstroEast.com Limited are held by trustees of discretionary trusts, under which Stephen Dattels and members of his family may become beneficiaries.

C. The 2,500,000 ordinary shares in the Company are held by Julie Oates for the beneficial interests jointly with her spouse.

D. 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.

E. The 27,965,226 ordinary shares in the Company are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.

F. AstroEast.com Limited is an indirect 50.99% owned subsidiary of the Company.

G. bigsave Holdings plc (formerly an indirect 64.26% owned subsidiary of the Company), in which Jamie Gibson and Jayne Sutcliffe used to disclose their interests, commenced members' voluntary liquidation on 3 January 2008 and was dissolved on 30 March 2009.

   The Company had 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 31 December 2009 none of the Directors (or their associates) had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

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

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

The following is a summary of connected transactions (as defined in Chapter 14A of the HK Listing Rules) of the Company and significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules), which subsisted at 31 December 2009 or at any time during the year, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company is/are or was/were materially interested, either directly or indirectly.

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

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

Burnbrae Limited is a private company wholly-owned by a trust, of which James Mellon is a beneficiary. At the time of the facilities agreements, David McMahon, who resigned as a Director of the Company on 31 March 2003, and Anderson Whamond, who resigned as a Director of the Company on 12 February 2008, were directors of Burnbrae Limited. James Mellon was a director of bigsave. Each of Anthony Baillieu, Dominic Bokor-Ingram, who resigned as a Director of the Company on 11 March 2002, Jamie Gibson, Julian Mayo, David McMahon, Jayne Sutcliffe, Anderson Whamond and Robert Whiting, who was appointed as a Director of the Company on 24 March 2004, was interested in less than 1% of the issued share capital of bigsave. David McMahon resigned as a director of Burnbrae Limited on 24 January 2003, and Julian Mayo resigned as the alternate to James Mellon in the Company on 18 June 2003. Anthony Baillieu and Robert Whiting resigned as Directors of the Company on 27 October 2005.

bigsave commenced a members' voluntary liquidation on 3 January 2008. Before the commencement of the liquidation, a transfer agreement dated 14 November 2007 was entered into between bigsave and Burnbrae Limited, pursuant to which the outstanding amount, inclusive of accrued interest, of GBP1,231,850 (approximately US$2,544,091) was extinguished at the consideration of the transfer and assignment of certain domain names by bigsave to Burnbrae Limited.

bigsave was dissolved on 30 March 2009.

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

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

(2) (a) On 5 September 2007, the Company entered into a finder's fee agreement (the "**Regent Coal (BVI) Finder's Fee Agreement**") with Stephen Dattels (who was appointed as Director of the Company on 12 February 2008), pursuant to which the Company agreed to issue and allot 75,000,000 shares (the "**Regent Coal (BVI) Finder's Fee Shares**") to Stephen Dattels by way of consideration for introducing to the Company the transaction involving the acquisition by the Company of the entire issued share capital of Regent Coal (BVI) (the "**Regent Coal (BVI) Acquisition**") upon completion of the Regent Coal (BVI) Acquisition. The Regent Coal (BVI) Acquisition was completed, and the Regent Coal (BVI) Finder's Fee Shares were issued and allotted to Stephen Dattels, on 14 December 2007. The Regent Coal (BVI) Finder's Fee Shares were subject to a lock-up of 12 months from the date of issue. In addition, Stephen Dattels undertook with the Company that he would not dispose of or agree to dispose of the Regent Coal (BVI) Finder's Fee Shares (or any interest therein) for an additional 12-month period from the date of expiry of the first lock-up period without the prior consent of the Board of the Company.

(b) On 12 October 2007, as part of the Regent Coal (BVI) Acquisition, the Company made an offer (the "**Regent Coal (BVI) Offer**") to, inter alia, Chiropo Company S.A. ("**Chiropo**", a company held by trustees of discretionary trusts, under which Stephen Dattels and members of his family may become beneficiaries) to purchase all 19,400 shares held by Chiropo in Regent Coal (BVI), in consideration for the issue and allotment of 106,881,819 shares (the "**Chiropo's Consideration Shares**") by the Company to Chiropo upon completion of the Regent Coal (BVI) Acquisition. The Regent Coal (BVI) Offer closed on 27 November 2007 and upon completion of the Regent Coal (BVI) Acquisition, the Chiropo's Consideration Shares were issued and allotted to Chiropo on 14 December 2007. The Chiropo's Consideration Shares were subject to a lock-up of 12 months from the date of issue. In addition, Chiropo undertook with the Company that it would not dispose of or agree to dispose of the Chiropo's Consideration Shares (or any interest therein) for an additional 12-month period from the date of expiry of the first lock-up period without the prior consent of the Board of the Company.

(c) On 14 December 2007, the Company entered into an escrow agreement (the "**Regent Coal (BVI) Escrow Agreement**") with, inter alia, Stephen Dattels, Chiropo and Law Debenture Trust (Asia) Limited in relation to the deposit of the Regent Coal (BVI) Finder's Fee Shares and the Chiropo's Consideration Shares (together with the consideration shares issued to certain other sellers and offerees under the Regent Coal (BVI) Acquisition) with Law Debenture Trust (Asia) Limited during the lock-up period referred to in the Regent Coal (BVI) Finder's Fee Agreement and the Regent Coal (BVI) Offer. An amendment to the Regent Coal (BVI) Escrow Agreement was entered into on 9 April 2008 in relation to the transfer of the legal and beneficial ownership of the Regent Coal (BVI) Finder's Fee Shares from Stephen Dattels to Chiropo.

The Regent Coal (BVI) Finder's Fee Shares and the Chiropo's Consideration Shares, together with the consideration shares issued to certain other sellers and offerees under the Regent Coal (BVI) Acquisition, were released under the Regent Coal (BVI) Escrow Agreement on 16 December 2009.

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

(3) On 9 April 2009, in accordance with the terms and conditions set out in the subscription agreement dated 11 October 2006 in relation to the issue by the Company of the Redeemable Convertible Preference Shares (or "**RCPS(s)**", as detailed in note 31.1 to the Financial Statements), the Company made an offer (the "**Offers**") to each of the holders of the 3,500 issued and outstanding Redeemable Convertible Preference Shares, namely James Mellon, David Comba, Julie Oates, Mark Searle, Jayne Sutcliffe and Anderson Whamond, to repurchase (the "**RCPS Repurchase**") all their Redeemable Convertible Preference Shares at their subscription price of US$1,000 in cash for each RCPS, comprising the par value of US$0.01 and a premium of US$999.99, for an aggregate amount of US$3.5 million (or approximately HK$27.3 million) in cash. Valid acceptances (satisfactory to the Company) were duly received in respect of all the issued and outstanding 3,500 Redeemable Convertible Preference Shares before the close of the Offers on 16 April 2009.

The RCPS Repurchase constituted a connected transaction of the Company and was approved by the independent and disinterested shareholders of the Company at the extraordinary general meeting held on 12 June 2009 under the requirement of Chapter 14A of the HK Listing Rules, and was completed on 25 June 2009 when all issued and outstanding 3,500 Redeemable Convertible Preference Shares were repurchased and cancelled.

Save for the above, no connected transactions (as defined in Chapter 14A of the HK Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) of the Company, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company has/had a material interest, either directly or indirectly, subsisted at 31 December 2009 or at any time during the year ended 31 December 2009.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, subsisted as at 31 December 2009 or any time during the year ended 31 December 2009, whereby any individual, firm or body corporate undertook the management and administration of the whole or any substantial part of any business of the Company.

RELEVANT TRANSACTIONS

As at 31 December 2009 and at any time during the year ended 31 December 2009, none of the Directors of the Company owed any outstanding amount on any relevant transactions (including loans, quasi-loans and credit transactions) as required to be disclosed under Paragraph 28(8) of Appendix 16 to the HK Listing Rules and Section 161B of the Companies Ordinance of Hong Kong.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Directors, except for the independent non-executive Directors who are not subject to the disclosure requirement under Rule 8.10 of the HK Listing Rules, have declared that they (or their respective associates) are not interested in any business apart from the Company's business, which competes or is likely to complete, either directly or indirectly, with the Company's business save that the following companies may pursue investment opportunities that may compete against the Company:

(1) Brazilian Gold Corporation (formerly known as Red Dragon Resources Corporation)

Brazilian Gold Corporation ("**BGC**") is an exploration company listed on the TSX Venture Exchange, a Canadian stock exchange, and based in Vancouver, British Columbia. The company has a gold exploration project in the Tapajos region of northern Brazil and a uranium project in the western Athabasca Basin in north-eastern Alberta.

James Mellon is a director of BGC, and as at the date of this report:

- The Company (and its subsidiaries) holds approximately 5.64% of its total issued share capital;
- James Mellon (himself and through his associate) holds approximately 6.67% of its total issued share capital; and
- Trustees of discretionary trusts, under which Stephen Dattels and members of his family may become beneficiaries, hold approximately 11.35% of its total issued share capital.

(2) Caledon Resources plc

Caledon Resources plc ("**Caledon Resources**") is a coking coal producer and explorer in the Bowen Basin of Queensland, Australia, whose shares are dually listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange and the Australian Securities Exchange.

Stephen Dattels is a non-executive director of Caledon Resources, and as at the date of this report:

- Each of the Company and James Mellon holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s); and
- Polo Resources Limited (see below) holds approximately 26.12% of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(3) Emerging Metals Limited

Emerging Metals Limited ("**Emerging Metals**") is focused on investing in metals and bulk commodities where there is an anticipated imbalance in supply and demand. The company's initial investment was the Tsumeb Slag Stockpiles Project in Namibia, where Emerging Metals continues to conduct its own studies and test-work to determine the viability of winning principally germanium but also zinc and gallium from the stockpiles. The company also diversified its exposure to minor and emerging metals via its interests in Kalahari Minerals plc (see below), whose principal asset is its interests in Extract Resources Limited (see below) which in turn focuses on the development of its recently discovered Rossing South Uranium Project in Namibia.

Shares of Emerging Metals are listed on AIM.

James Mellon and Stephen Dattels are executive co-chairmen of the board of directors of Emerging Metals, and as at the date of this report:

- The Company holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- James Mellon has an indirect beneficial interest in a trust which holds approximately 8.53% of its total issued share capital; and
- Trustees of discretionary trusts, under which Stephen Dattels and members of his family may become beneficiaries, hold approximately 6.20% of its total issued share capital.

(4) Extract Resources Limited

Extract Resources Limited ("**Extract Resources**") is a uranium exploration company, focused primarily on its uranium tenements in Namibia, whose shares are dually listed on both the Australian Securities Exchange and the Toronto Stock Exchange.

As at the date of this report:

- The Company does not hold any interests in its total issued share capital;
- Trustees of discretionary trusts, under which Stephen Dattels and members of his family may become beneficiaries, hold less than 5% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- Kalahari Minerals plc (see below) holds approximately 40.41% of its total issued share capital; and
- Polo Resources Limited (see below) holds approximately 9.27% of its total issued share capital.

Stephen Dattels resigned as a non-executive director of Extract Resources subsequent to the year end date.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(5) GCM Resources plc

GCM Resources plc ("**GCM Resources**") is a London-based resource exploration and development company with its Phulbari Coal Project poised for development once the Government of Bangladesh provides approval. It also has a portfolio of investments in South Africa and China coal businesses, and uranium interests in West Africa, Sweden and Australia. The company's shares are quoted on AIM.

Stephen Dattels is a non-executive director of GCM Resources, and as at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- Polo Resources Limited (see below) holds approximately 29.83% of its total issued share capital.

(6) Kalahari Minerals plc

Kalahari Minerals plc is a dynamic emerging exploration company with a portfolio of uranium, gold, copper and other base metals interests in Namibia, whose shares are listed on AIM and are also traded on the Namibian Stock Exchange.

As at the date of this report:

- The Company does not hold any interests in its total issued share capital (having supposed of all its interests subsequent to the year end date, as announced on 26 March 2010);
- Emerging Metals Limited (see above) holds approximately 3.95% of its total issued share capital;
- Niger Uranium Limited (see below) holds approximately 6.07% of its total issued share capital; and
- Brazilian Gold Corporation (see above) holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s).

(7) Niger Uranium Limited

Niger Uranium Limited seeks out uranium mining opportunities around the world (including the State of Niger, Africa and South America) as an active investor and project developer, whose shares are listed on AIM.

As at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- James Mellon holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(8) Polo Resources Limited

Polo Resources Limited ("**Polo Resources**") is an AIM listing mining and exploration group focused on investing in or acquiring and developing advanced stage uranium assets. It currently has an investment portfolio of uranium and coal interests.

James Mellon and Stephen Dattels are a non-executive director and the executive chairman of the board of directors of Polo Resources respectively, and as at the date of this report:

- The Company holds approximately 4.35% of its total issued share capital;
- James Mellon, together with an indirect beneficial interest in a trust, holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- Trustees of discretionary trusts, under which Stephen Dattels and members of his family may become beneficiaries, hold approximately 4.76% of its total issued share capital; and
- GCM Resources plc (see above) holds approximately 3.19% of its total issued share capital.

(9) Templar Minerals Limited

Templar Minerals Limited ("**Templar Minerals**") primarily focuses on investment and acquisition opportunities in the natural resources sectors (including exploration, development or production projects in the minerals, base metals, precious metals or hydrocarbons sectors) in Australia, Africa, North America, South America, Asia (including the Indian sub continent) and Western Europe.

Shares of Templar Minerals are listed on AIM.

As at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- Trustees of discretionary trusts, under which Stephen Dattels and members of his family may become beneficiaries, hold approximately 10.92% of its total issued share capital.

Note: Vatukoula Gold Mines plc, of which John Stalker is a director, was disclosed under "Directors' Interests in Competing Businesses" in the Company's last annual report. John Stalker resigned as a Director of the Company on 8 April 2009, and as at the date of this report the other Directors of the Company do not have discloseable interests in Vatukoula Gold Mines plc.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

Currently, the existing businesses of above companies do not compete against the Company's existing business in China. Should the Company and any of the above companies come into competition in the future, no Director of the Company shall vote on any board resolution of the Company approving any contract or arrangement or any other proposal in which they or any of their associates have a material interest, nor shall they be counted in the quorum present in the meeting, in each case if, and to the extent, required under Rule 13.44 of the HK Listing Rules.

Further, the Company established a connected transactions committee on 20 October 2008 to review and monitor any conflict of interests that the Group may have with any of its directors, employees or members and, moreover, any actual or potential connected or related party transaction (including connected transactions exempted under the HK Listing Rules) that the Group is proposing to enter into, including any approvals thereof. The committee comprises Julie Oates (the Chairlady), Jamie Gibson and Mark Searle.

SUBSTANTIAL SHAREHOLDERS

The Directors are not aware of any persons (other than James Mellon and Stephen Dattels, whose interests are set out in detail under the section headed "Directors' Interests in Securities and Options") who, as at 31 December 2009 and the date of this report, had/have 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).

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITORS

The Financial Statements were audited by Grant Thornton.

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

Grant Thornton will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. An ordinary resolution has been proposed for the Company's annual general meeting for Year 2010 for the re-appointment of Grant Thornton.

CORPORATE GOVERNANCE REPORT

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

On Behalf of the Board

James Mellon
Co-Chairman

8 April 2010

REVENUE AND PROFITS

The Company recorded a net profit of US$11.05 million, including a one off write-down of US$6.38 million for the termination of the Indonesian transaction. This compared with a net loss of US$160.94 million for 2008.

Revenue from the corporate division was exceptionally strong at US$20.55 million.

The jointly controlled entity and the associate of the Group, Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**"), West China Coking & Gas Company Limited ("**West China Coke**") and Regent Markets Holdings Limited ("**Regent Markets**"), contributed a share of profit of US$9.09 million, US$2 million and US$1.44 million respectively to the Group.

The fair value gain from investments which represented the realised and unrealised profit from trading of listed securities and derivatives for the year ended 31 December 2009 was US$19.63 million.

The redeemable convertible preference shares were redeemed for cash in the amount of US$3.5 million on 25 June 2009 and consequently no further interest payments are due.

The Group continued to monitor its operating costs closely. The finance costs represented the interest expense of the redeemable convertible preference shares and hire purchase amounting to US$0.17 million for the year ended 31 December 2009.

The main elements of the profit are analysed as follows:

	US$ million
Share of profit from YSSCCL	9.09
Share of profit from West China Coke	2.00
Share of profit from Regent Markets	1.44
Corporate investment	11.13
Coal mining and coking coal	(2.42)
Metals mining	(3.64)
Write down for termination of Indonesian transaction	(6.38)
Finance costs	(0.17)
Total profit attributable to shareholders	11.05

FINANCIAL POSITION

Shareholders' equity increased by 5.1% to US$224.02 million as at 31 December 2009 from US$213.04 million as at 31 December 2008. The increase was mainly due to (i) the conversion of US$2 million redeemable convertible preference shares resulting in a total increase of share capital and share premium of US$1.97 million, (ii) the fair value gain of US$0.75 million on investments mainly due to the marked-to-market increase in the shares, (iii) the unrealised loss of US$0.14 million on foreign currency translation, (iv) purchase of shares of US$0.46 million held for the share award scheme, (v) the payment of an interim dividend, which reduced the share premium by US$2.55 million, and (vi) the profit of US$11.05 million for the year ended 31 December 2009.

The investments in YSSCCL of US$36.89 million, Regent Markets of US$2.89 million and West China Coke of US$16.62 million accounted for 16.47%, 1.29% and 7.42% of the shareholders' equity respectively. The Group's assets comprised: (i) goodwill of US$14.13 million, (ii) exploration and evaluation assets of US$8.19 million, (iii) cash of US$3.09 million, (iv) listed and unlisted investments of US$27.97 million, (v) assets classified as held for sale of US$65.31 million, and (vi) other assets and receivables of US$58.16 million.

The Group's liabilities comprised payables and accruals of US$6.56 million.

FUNDING

As at 31 December 2009, the Group had US$3.09 million cash and US$34.12 million of margin deposits held with the Group's brokers for trading of Contract for Difference ("**CFDs**") and other derivatives which represented 1.38% and 15.23% of its total shareholders' equity respectively. This does not take into account the Group's holding of listed securities that amounted to US$26.51 million.

The Board has announced a final dividend of HK$0.01 per share or US$5.1 million, subject to approval by the shareholders at the annual general meeting to be held on 10 June 2010. This reflects the Group's strong operating performance and our positive outlook. We expect to pay dividends each year at progressively higher rates.

MANAGEMENT OF RISK

In 2009, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its 40% interest in YSSCCL, a Sino-foreign equity joint venture enterprise that produces a copper concentrate and a zinc concentrate with gold and silver credits. There are also risks affecting the Group's profitability and viability in 2009 in respect of the Group's interest in Abagaqi Changjiang Mining Limited ("**ACMC**" or the "**Ji Ri Ga Lang Coal Project**"), Xin Jiang Regent Coal Limited ("**XJ Regent**" or the "**Zhun Dong Coal Project**") and West China Coke. Risks relating to the Group's interests include:

Price Risk

The profitability of any mining operation in which the Group has an interest is significantly affected by the market prices of commodities.

The fluctuations in commodity prices are influenced by numerous factors beyond the control of the Group and YSSCCL. Exchange rates, interest rates, inflation, and the world's supply and demand for commodities can each cause significant fluctuations in commodity prices. Such external economic factors are, in turn, influenced by changes in international economic growth patterns and political developments. In addition, commodity prices in the People's Republic of China (the "**PRC**" or "**China**") are highly influenced by fluctuations in international commodity prices, which is beyond the control of both the Group and YSSCCL.

Co-operation of the Joint Venture Partners

Certain of the Group's mining operations, including YSSCCL, ACMC and West China Coke, together with other assets in which the Group may become interested in are or will be joint venture companies. If a dispute arises between any of the joint venture partners in connection with the performance of the party's obligations or the scope of a party's responsibilities under the relevant joint venture agreements, the parties may not be able to resolve their differences through negotiation or arbitration. In the event such a material dispute cannot be resolved in a timely manner, the business and operations of the relevant joint venture company may suffer, and the joint venture agreement may even be terminated by mutual consent of the parties or as a result of a material breach by one of them.

There is no guarantee that any of the joint venture partners will agree on management matters due to possible conflicts of interest, and any disagreement may result in a dispute between us and the relevant joint venture partner. In the event of a deadlock at a board meeting of such joint venture company, if the partners cannot resolve the disagreement in a timely manner through negotiation or dispute resolution mechanisms, such deadlock may cause the board of directors of the relevant joint venture company to fail to make, or delay in making, an important decision, which may adversely affect the financial condition and results of operations of that joint venture company.

Any of the foregoing events could have a material adverse effect on the Group's or the relevant joint ventures' financial condition and results of operations.

The smooth operation of YSSCCL, ACMC and West China Coke is dependent upon the co-operation of all joint venture parties.

MANAGEMENT OF RISK (Continued)

Operational Risks

The Group's and YSSCCL's interests in the operation of certain mines are generally subject to a number of risks and hazards, including industrial accidents, unusual or unexpected geological conditions, technical failure, inclement weather and other natural phenomena such as excessive rain and earthquakes. Such occurrences could result in damage to, or destruction of, mining properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liabilities.

Uncertainties Related to Exploration

Exploration of mineral resources is speculative in nature, so substantial expenses may be incurred from initial drilling to production. There is also no assurance that exploration can lead to the discovery of economically feasible reserves. If reserves are discovered, it may take a number of years and substantial expenditure from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. In addition, there is a risk that the resources are less than envisaged.

Licence Period of Exploration and Mining Rights

The Group and/or YSSCCL may obtain mining rights for conducting mining activities in a specific mining area during the licence period. There can be no assurance that the Group and/or YSSCCL will be able to exploit the entire mineral resources of its mine during the initial licence period. If the Group and/or YSSCCL fails to renew its exploration and mining licences upon expiry or it cannot effectively utilise the resources within a licence period specified in such licence, the operation and performance of the Group and/or YSSCCL may be adversely affected.

Capital Requirements and Funding Sources

The exploration and mining of mineral resources require substantial capital investments. The ability of the Group and YSSCCL to obtain future financing involves a number of uncertainties including their future operational results, financial condition and cash flow. If the Group and YSSCCL fail to obtain adequate funds to satisfy their operations or development plans, this may affect their businesses, the efficiency of their operations and their operating results.

Potential Cost Overruns on Expansion

It is not uncommon for mining operations to experience, cost overruns due to a number of factors, including fluctuations in the cost of raw materials. The Group and YSSCCL will expand its current mining operations. There is a risk that the costs could exceed the forecasts.

MANAGEMENT OF RISK (Continued)

Operational Costs

The mining and exploration business requires timely supply of various raw materials and electricity. There is no assurance that interruptions or shortage of such supplies will not occur in the future. In addition, an increase in the price of such raw materials and/or electricity may have an adverse impact on the operation of the Group's or YSSCCL's projects.

Government Regulations

Mining operations in the PRC are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labour standards, occupational health and safety, waste disposal, monitoring, protection, and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Changes in such laws and regulations may be significant and could delay the progress of, cause interruptions to, and increase the costs associated with the operations of the Group and YSSCCL.

Political and Economic Considerations

The PRC government has been making efforts to promote reforms of the economic system. These reforms have brought about marked economic growth and social progress. However, revisions or amendments may be made to these policies and measures from time to time, and the Company is not in a position to predict whether any change in the political, economic or social conditions may adversely affect the operating results of the Group or YSSCCL.

Legal Considerations

The PRC legal system is a statutory law system. Unlike the common law system, decided legal cases have little significance for guidance, and rulings by the court can only be used as reference with little value as precedents. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs. However, as these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number, both the implementation and interpretation of these regulations are uncertain in many areas.

Competition for Resources

The mining business depends on one's ability to discover new resources. The Group and YSSCCL will face competition from other mining enterprises in discovering and acquiring resources.

MANAGEMENT OF RISK (Continued)

Foreign Exchange Risk

The Company operates using US dollars. As such the Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries, associates and jointly controlled entity. This exposure relates mainly to the translation between US dollars and non-US dollar currencies. Currency fluctuations may affect the revenues which the Company realises from its subsidiaries and associates and, in particular, its interest in YSSCCL, ACMC, XJ Regent and West China Coke. This exposes the Company to increased volatility in earnings as reported in US dollars due to fluctuations in foreign exchange rates. While foreign currencies are generally convertible into US dollars, there is no guarantee that they will continue to be so convertible or that fluctuations in the value of such currencies will not have an adverse effect on the Company.

Credit Risk

YSSCCL is subject to credit risk through trade receivables. YSSCCL has two customers for its concentrates. Credit risk is mitigated through the use of provisional payment arrangements whereby 100% is paid within five business days after the issuance of the monthly provisional delivery notice.

The Company does not have any significant customers as its revenue is generated from (i) the realisation of investments, or (ii) earnings from its subsidiaries and associates, including YSSCCL, and West China Coke. Credit risk also relates to derivative contracts arising from the possibility that a counterparty to an instrument in which the Company has an unrealised gain fails to perform. The Company transacts through Saxo Bank and does not consider the credit risk associated with these financial instruments to be significant.

Interest Rate Risk

The Company does not have any operating lines of credit or bank facilities. Therefore, the Company was not exposed to interest rate risk in the financial year concerned.

Environmental Risk

Mining companies in the PRC are subject to extensive and increasingly stringent environmental protection laws and regulations that impose fees for discharge of waste substances, require the establishment of reserves for reclamation and rehabilitation, and impose fines for serious environmental offences. The PRC government may shut down any facility that fails to comply with orders requiring it to correct or cease operations that raise environmental concerns. Failure to comply with existing or future environmental laws and regulations could have a material adverse effect on the Group's, YSSCCL's or West China Coke's business, operations, financial condition and results of operations.

MANAGEMENT OF RISK (Continued)

Environmental Risk (Continued)

Environmental risks relate to every mining company. The tailings storage facility where the tailings are discharged is usually the most important potential area of risk to consider. Spilling a tailings storage facility can be enormously damaging to the environment and expensive to clean up.

Currently YSSCCL's environmental and health and safety standards are far below international requirements. Management of YSSCCL has implemented recommendations for strengthening the tailings dam for seismic stability (as the mine is located in an active seismic region), designing a stable waste dump and sediment control from the existing and future waste dumps to minimise the impact on the downstream rivers and compiling a comprehensive environmental management system. The comprehensive environmental management system requires the support and "buy in" of the Chinese joint venture partners, management and the operating personnel of YSSCCL.

The approach for health and safety will be similar to the environmental plan. Since April 2006 there has only been one lost time injury at Dapingzhang. The focus is on training the workforce in appropriate safety procedures.

The Company's focus is on working with its joint venture partners and the management of YSSCCL for developing and operating the mine in a manner that controls and minimises pollution and takes into account the local cultural sensitivities and community expectations.

At the mine site, community initiatives are centered on land compensation and training locals in the skills required for employment at the mine. Land compensation will be integral to building trust with the local communities.

Accidents and Insufficient Insurance Coverage

The Group's, YSSCCL's and West China Coke's operations involve significant risks and occupational hazards that are inherent in such activities and may not be completely eliminated through the implementation of preventative measures. There is no guarantee that safety-related accidents will not occur due to adverse operating conditions and the consequences resulting from them may not be covered adequately, or at all, by the Group's, YSSCCL's or West China Coke's insurance policies, if any. Losses incurred or payments that may be required may have a material adverse effect on the Group's, YSSCCL's or West China Coke's financial condition and results of operations to the extent that such losses or payments are not insured or the insured amount is not adequate.

MANAGEMENT OF RISK (Continued)

Ji Ri Ga Lang Coal Project and Zhun Dong Coal Project - Conversion of Exploration Licences into Mining Licences

The Group, acting through Regent Coal (BVI) Limited ("**Regent Coal (BVI)**"), completed the acquisition of a 51% equity interest in ACMC in December 2007 and shall acquire the remaining 49% equity interest on the issuance of the mining licence and the completion of certain other conditions precedent.

The Group, acting through Regent Coal (BVI), completed the acquisition of XJ Regent in March 2008. XJ Regent Coal, in turn, holds four exploration licences for it to explore the coal resources over the permitted area on an exclusive basis in respect of the Zhun Dong Coal Project. These exploration licences are the only major assets of XJ Regent.

The only major assets of ACMC and XJ Regent (besides cash) are the above referenced exploration licences for ACMC and XJ Regent to explore the coal resources over the permitted area on an exclusive basis. Both ACMC and XJ Regent will require a mining licence or licences to exploit and mine the coal resources and both are currently in the process of applying for such mining licence. The Directors understand that an exploration licence can be converted into a mining licence provided that, upon application, all relevant documents are filed with the approving authorities, including but not limited to an approved geological exploration and reserves report together with relevant documents such as their qualifications certificate, proposal for development and use of mineral resources and environmental impact assessment report, among others. Due to the uncertainties in the relevant PRC laws and regulations regarding the procurement of mining rights, there is no assurance that either ACMC or XJ Regent will be successful in procuring the necessary mining right permits. Failure to procure the mining rights in respect of these tenements could reduce, impede or limit the potential economic upside in these assets for the Group's business and the results of its operations.

West China Coke

We understand that West China Coke continues to operate without all the requisite land use rights, building ownership certificates and planning/construction permits, the absence of which may materially impair the likely success of any subsequent application to be made for building ownership certificates in respect of such buildings. As the land use rights and buildings are West China Coke's main assets and operating facilities, its operating rights and production in connection with such lands or facilities may be adversely impacted due to the above mentioned issues. There can be no assurance that no material difficulties will arise in resolving such issues. If any such issues cannot be resolved, the operating and financial condition of West China Coke could be materially and adversely affected. In addition, there can be no assurance that West China Coke will not become subject to administrative penalties for violation of land administration/planning/construction requirements under the PRC law due to the above mentioned issues.

MANAGEMENT OF RISK (Continued)

West China Coke (Continued)

West China Coke has not completed the requisite environmental impact assessment in respect of one of its three operating coke ovens (built in 2004). Should the relevant local authority view all three of West China Coke's coke ovens as one coke production business, the failure to conduct the environmental impact assessment and obtain the environmental protection authority's confirmation of the results of the assessment may delay the acceptance of the auxiliary environmental protection facilities of all three coke ovens operated by West China Coke. Such delay itself may have adverse knock-on consequences for West China Coke, including delays to: (i) the acceptance of the main body of the construction (i.e. the coke ovens); (ii) the issuance of a pollutant release permit; and (iii) the approval of any application for title certificates for real properties constructed in respect of West China Coke. The Company understands that the environmental protection authority has the right to require West China Coke to suspend its production and to take certain remedial steps.

Cyclical Nature of Coal Markets and Fluctuations in Coal Prices

The business and results of operations of the Group's coal projects are expected to be substantially dependent on the domestic supply of and demand for coal. Historically, the domestic markets for coal and coal-related products have at times experienced alternating periods of increased demand and excess supply. The fluctuations in supply and demand are caused by numerous factors beyond the Group's and the coal projects' control, which include, but are not limited to:

- domestic economic and political conditions and competition from other energy sources;
- the rate of growth and expansion in industries with high coal demand, such as the power and steel industries; and
- the indirect influence on domestic coal prices by the PRC government through its regulation of on-grid tariffs and the allocation of transportation capacity on the national rail system.

There can be no assurance that the domestic demand for coal and coal-related products will continue to grow, or that the domestic market for coal and coal-related products will not experience excess supply. A significant decline in demand for, or an over-supply of, coal and coal-related products may have a material adverse effect on the Group's and the coal projects' business, results of operations and financial condition.

MANAGEMENT OF RISK (Continued)

Maximum Foreign Equity Holding Permitted in Coal Exploration and Mining

The Ministry of Commerce and the State Development and Reform Commission of the PRC have updated and re-published the State Catalogue for the Guidance of Foreign Invested Industries (the "**Catalogue**"). All industries, according to the Catalogue, are divided into four categories (i.e. encouraged, permitted, restricted and prohibited) representing the policies of the State toward foreign investment in different industries. According to the Catalogue, the "exploration and development of coal resources" have been removed from the encouraged category. Under the restricted category of the Catalogue, there is a requirement for a Chinese party to hold a majority equity interest in "exploration and mining of special and scarce coals". The existing PRC law offers no clear guidance as to what coals shall be considered as "special and scarce". As advised by the Company's PRC legal adviser, after consultation with several experts in the PRC mining industry and an official of the Ministry of Land and Resources on a no-name basis, the Company understands that the view widely held in the industry is that "special and scarce coals" shall primarily include hard coking coals and high-quality low-ash coals. Based upon this understanding, this restriction on "special and scarce coals" is very unlikely to adversely affect the Ji Ri Ga Lang Coal Project and the Zhun Dong project. However, given the apparent tightening of State policies toward foreign investment in the mining industry as reflected in the Catalogue, there is a possibility that the PRC authorities may adopt a broader interpretation of "special and scarce coals" which may cover the coal resources involved in the Ji Ri Ga Lang Coal Project and the Zhun Dong project. As a consequence, the PRC authorities may require the foreign majority equity interests in ACMC and the foreign invested company incorporated in Xinjiang be reduced to a minority interest.

Change in Regulations to Exploitation of Resources by the State Investment Catalogue

The Catalogue has also imposed an express ban on foreign investment in the exploration and mining of certain rare or non-renewable mineral resources. Specifically, the exploration and exploitation of tungsten, tin, antimony, molybdenum and fluorite have now been categorised as "prohibited". Shareholders shall note that the exploration of thermal coal and related resources and the exploration of copper, lead and zinc and aluminium are now in the permitted category after being removed from the encouraged category. Further changes in regulations could have a material adverse effect on the ability of the Group to conduct its exploration and mining operations in China.

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 the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 December 2009, the amount of these margin deposits was US$34,118,000 (2008: US$704,000). Since year end these margin deposits of US$32,899,000 have been transferred into listed securities of US$32,899,000.

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

EMPLOYEES

The Group, including subsidiaries but excluding associates and a jointly controlled entity, employed approximately 30 employees at 31 December 2009. 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 year and up to the date of this report, 150,125,000 share awards were granted to eligible participants.

Corporate Governance Report

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the "**Code on CG Practices**") was introduced to Appendix 14 to The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") 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 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 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 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 year ended 31 December 2009.

BOARD OF DIRECTORS

The Board currently consists of eight Directors. During the year ended 31 December 2009, no new Directors were appointed, and Stephen Bywater and John Stalker resigned on 8 April 2009. The Directors who held office during the year ended 31 December 2009 and up to the date of this report, accompanied by their respective biographical details, are listed in the Directors' Report under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company.

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises three independent non-executive Directors, namely David Comba, Julie Oates and Mark Searle, representing more than one-third of the Board. Pursuant to paragraph 12B of Appendix 16 to the HK Listing Rules, each of the independent non-executive Directors has confirmed by an annual confirmation: (i) that he/she complies with each of the independence criteria referred to in Rule 3.13(1) to (8); (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any connected person (as such term is defined in the HK Listing Rules) of the Company; and (iii) that there are no other factors that may affect his/her independence at the same time as the submission of his/her Declaration and Undertaking in Form B of Appendix 5 to the HK Listing Rules. The Directors consider that all three independent non-executive Directors are independent under these independence criteria and are capable to efficiently exercise independent judgement. Among them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). Julie Oates and Mark Searle serve in the audit committee, connected transactions committee and remuneration committee of the Company, while Julie Oates is the Chairlady of the first two committees.

BOARD OF DIRECTORS (Continued)

In compliance of Code Provision A.4.1 of the Code on CG Practices, the letter of appointment of each of the six non-executive Directors (including the independent Directors) provides that his/her appointment may be terminated by either party giving 30 calendar days' notice.

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation. A retiring Director shall be eligible for re-election.

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company, and Clara Cheung and Jayne Sutcliffe will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. Both of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders.

Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

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

None of the Directors has any connections (either being a director or an employee) with any company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

BOARD OF DIRECTORS (Continued)

During the year ended 31 December 2009, the Directors held six board meetings. Attendance of the respective Directors at the board meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	6	6	0	100.00%
Stephen Dattels	6	5	1	83.33%
Jamie Gibson	6	6	0	100.00%
Stephen Bywater (resigned on 8 April 2009)	1	0	1	0.00%
Clara Cheung	6	6	0	100.00%
David Comba	6	6	0	100.00%
Julie Oates	6	5	1	83.33%
Mark Searle	6	6	0	100.00%
John Stalker (resigned on 8 April 2009)	1	0	1	0.00%
Jayne Sutcliffe	6	1	5	16.67%

Subsequent to the year end date, the Directors held three board meetings, which were attended by all Directors except that James Mellon was absent from one of the meetings and Jayne Sutcliffe was absent from all of the meetings.

Sufficient notices were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Adequate information was also supplied by the management to the Board in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company.

Resolutions were also passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary. In any event, the matters in which a substantial shareholder or a Director has a conflict of interest, which the Board has determined to be material, will be considered at a Board meeting but not to be dealt with by way of circulation of written resolutions or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a Board meeting). Pursuant to Rule 13.44 of the HK Listing Rules, interested Directors will be required to abstain from voting on any Board resolution in which they or any of their associates have a material interest and that they shall not be counted in the quorum present at the relevant Board meeting. Further, the Company established a connected transactions committee on 20 October 2008 (as detailed below).

BOARD OF DIRECTORS (Continued)

The Board leads the Company with good governance and strategic direction. It is committed to make decisions in the best interests of the Company. It also reviews the Group's control and accountability framework in line with the HK Listing Rules and the Company's internal charter. Responsibility for day-to-day management of the business lies with the executive management, with the Board agreeing the overall financial plan. Accordingly, the following duties of the Board have been delegated to the management:

(a) the daily operations of the Company, including the management of all aspects of the Company's principal activities, namely exploration and mining of natural resources; and corporate investment;

(b) the financial operations of the Company, including the preparation of the monthly management accounts, interim report and annual report and the timely distribution to the Board;

(c) the company secretarial activities, including the preparation and timely dispatch of minutes of Board meetings; and

(d) corporate and regulatory issues, including corporate strategy and planning, internal controls and compliance,

providing that the following shall always be subject to approval by a resolution of the Board:

- material capital commitment (material being defined as representing more than 5% of the Company's net assets based on the most recent financial information on hand);
- issuance, purchase or redemption of securities (including options);
- significant contracts with any Director (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) and connected transactions;
- relevant transactions (which are loans, quasi loans and credit transactions) with any Director as referred to in Paragraph 28(8) of Appendix 16 to the HK Listing Rules and Section 161B of the Companies Ordinance of Hong Kong; and
- management contracts of service with any Director (as referred to in Paragraph 28 (10) of Appendix 16 to HK Listing Rules and Section 162A of the Companies Ordinance of Hong Kong) and bank borrowings.

The Directors receive timely, regular and necessary management and other information to enable them to fulfil their duties, including regular updates of the development in the laws and regulations applicable to the Company. The Board has agreed a procedure for the Directors to have access to independent professional advice at the Company's expense and to the advice and services of the Company Secretary.

CONNECTED TRANSACTIONS COMMITTEE

The Company established a connected transactions committee (the "**Connected Transactions Committee**") on 20 October 2008 to review and monitor any conflict of interests that the Group may have with any of its directors, employees or members and, moreover, any actual or potential connected or related party transaction (including connected transactions exempted under the HK Listing Rules) that the Group is proposing to enter into, including any approvals thereof. The committee comprises two independent non-executive Directors, namely Julie Oates (the Chairlady) and Mark Searle, and the Chief Executive Officer (Jamie Gibson).

Since its establishment, the Connected Transactions Committee did not hold any meeting.

Terms of reference of the Connected Transactions Committee are available at the Company's website: www.regentpac.com.

CHAIRMEN AND CHIEF EXECUTIVE OFFICER

James Mellon has been the Non-Executive Chairman of the Board since October 2005, and Stephen Dattels was appointed as the Non-Executive Co-Chairman of the Board on 12 February 2008. The Chairmen provide leadership for the Board. They also ensure that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner.

Jamie Gibson has been the Chief Executive Officer since May 2002 and he is responsible for the day-to-day management of the Company's business.

In order to ensure a balance of power and authority, the roles of the Chairmen of the Board and the Chief Executive Officer are segregated and the division of their responsibilities has been established by the respective written terms of reference, in compliance of Code Provision A.2.1 of the Code on CG Practices. The Chairmen, however, have delegated the following duties to the Chief Executive Officer or the Company Secretary so that:

(a) the Chief Executive Officer is empowered to draw up and approve the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda; and

(b) the Company Secretary is empowered to, with the guidance from the Chief Executive Officer, dispatch the notice, agenda and accompanying Board papers to all Directors in a timely manner.

NOMINATION OF DIRECTORS

The Company did not establish a nomination committee.

During the year ended 31 December 2009, no new Directors were appointed.

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 and amended on 8 February 2010. It currently comprises the Non-Executive Co-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 and the employees. The committee is chaired by James Mellon.

During the year ended 31 December 2009, the Remuneration Committee held one meeting with respect to the approval of the Directors' fees and salaries for 2009. The meeting was attended by all members of the committee.

Subsequent to the year end date and up to the date of this report, the Remuneration Committee held one meeting with respect to the approval of bonus payment and the grant of shares under the Long Term Incentive Plan 2007. The meeting was attended by all members of the committee. The Remuneration Committee also passed one set of written resolutions with respect to the amendment of the terms of reference of the committee.

Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company.

Terms of reference of the Remuneration Committee are available at the Company's website: www.regentpac.com.

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 (the "**Group's Code**"), on exactly the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the HK Listing Rules, was adopted by the Group on 31 March 2004.

The Group's Code was revised on 1 January 2009 and further revised on 1 April 2009 in order to comply with the amendments made to the Model Code.

All Directors of the Company confirmed that they have complied with the Group's Code.

Directors' interests in securities and options of the Company are set out in detail in the Directors' Report.

The Group's Code is available at the Company's website: www.regentpac.com.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2009 have 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.

During the year ended 31 December 2009, the Audit Committee held two meetings with respect to: (i) the internal control review and the review and approval of the Company's final financial statements for the year ended 31 December 2008; and (ii) the internal review and the review and approval of the Company's interim financial statements for the six months ended 30 June 2009 respectively. The meetings were attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions.

Subsequent to the year end date, the Audit Committee held a meeting with respect to the internal control review and the review and approval of the Company's final financial statements for the year ended 31 December 2009.

Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which were made in the best interests of the Company.

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.

AUDITORS' REMUNERATION

The Audit Committee reviewed and approved the auditors' remuneration on the basis that it was fair and reasonable for the size and operations of the Group and such remuneration was in the best interests of the Company. Apart from audit service, the Group's auditors, Grant Thornton, did not provide any other services during the year ended 31 December 2009.

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 December 2009 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

A report of the independent auditors with respect to the Company's financial statements for the year ended 31 December 2009 is included in this annual report.

INTERNAL CONTROL

The Audit Committee has engaged an internal audit and consulting firm to undertake a review of the Group's internal control systems, including financial, operational and compliance functions.

Internal audit function

The Group has maintained an internal audit function assisting the Board in maintaining an effective internal control system by evaluating its effectiveness and efficiency and by promoting continuous improvement. The internal audit function of the Group, which is independent of management, reports directly to the Audit Committee regularly and has access to the Chairlady of the Audit Committee if appropriate during the year.

To enhance the objectivity and competency of the internal audit function, the Group outsourced the internal audit function to an internal audit and consulting firm.

The internal audit function performs regular reviews of the Group's internal controls based on a risk-based three-year internal audit plan approved by the Audit Committee. The annual audit plan was arrived at using a risk-based approach to determine the priorities of the internal audit activity. The Audit Committee has approved the three-year internal audit plan which the internal audit function has been executing accordingly. In addition, special reviews have also been performed on areas of concern identified by management or the Audit Committee during the year.

Risk assessment

The Company is committed to conduct a quality and comprehensive review of the effectiveness of the internal control systems. Management has discussed and updated the results of risk assessment with reference to the changes of internal and external environment impacting the Group's operations over the past year. Strategies and plans have been developed to cope with the significant risks associated with the Group's operations.

INTERNAL CONTROL (Continued)

Annual internal control assessment

During the year ended 31 December 2009, the internal audit function has conducted reviews of the system of internal controls of the Group. Internal control reviews were carried out in accordance with the risk- based internal audit plan and the specific requests by the Audit Committee and management.

Findings and recommendations on internal control deficiencies were well communicated with management such that action plans were developed by management to address the issues identified. Post-audit reviews were scheduled to ensure the action plans were executed as designed.

Key findings of each internal control review assignment were reported to and reviewed by the Audit Committee on a timely basis.

COMMUNICATION WITH SHAREHOLDERS

The Company will endeavour to respond to shareholders' queries in a timely manner via what it considers the most appropriate method of communication, including, but not limited to, its website and Directors' participation at the Company's general meetings.

Grant Thornton
均富

Member of Grant Thornton International Ltd

TO THE MEMBERS OF REGENT PACIFIC GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Regent Pacific Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 69 to 172, which comprise the consolidated and company statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Grant Thornton
均富

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

8 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Revenue/Turnover:	5		
Corporate investment income		254	4,953
Other income		673	1,470
		927	6,423
Fair value gain/(loss)		19,626	(281)
Total income		20,553	6,142
Expenses:			
Employee benefit expenses	7	(10,063)	(9,829)
Rental and office expenses		(479)	(692)
Information and technology expenses		(363)	(425)
Marketing costs and commissions		(14)	(37)
Professional and consulting fees		(3,305)	(5,392)
Finance costs	8	(170)	(854)
Write off of loan receivables		—	(1,346)
Other operating expenses		(1,117)	(2,333)
Operating profit/(loss) before impairment loss and provision		5,042	(14,766)
Write down for termination of Indonesian transaction		(6,384)	—
Impairment loss on goodwill		—	(143,054)
Impairment loss on exploration and evaluation assets		—	(912)
Impairment loss on available-for-sale financial assets		—	(10,730)
Operating loss	6	(1,342)	(169,462)
Share of profits of associates		3,447	403
Share of profit of a jointly controlled entity		9,092	7,701
Profit/(Loss) before income tax		11,197	(161,358)
Taxation	9	—	(324)
Profit/(Loss) for the year		11,197	(161,682)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Other comprehensive income			
Available-for-sale financial assets		750	—
Exchange gain/(loss) on translation of financial statements of foreign operations		6	(282)
Share of other comprehensive income of associates		2	897
Share of other comprehensive (loss)/income of a jointly controlled entity		(127)	1,638
Other comprehensive income for the year, net of tax		631	2,253
Total comprehensive income/(loss) for the year		11,828	(159,429)
Profit/(Loss) for the year attributable to:	10		
Owners of the Company		11,052	(160,943)
Minority interests		145	(739)
		11,197	(161,682)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		11,658	(158,634)
Minority interests		170	(795)
		11,828	(159,429)
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the year:	12	US cent	US cent
–Basic		0.28	(3.72)
–Diluted		N/A	N/A

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Non-current assets:			
Goodwill	13	14,132	52,137
Exploration and evaluation assets	14	8,187	31,391
Property, plant and equipment	15	983	1,195
Interests in associates	17	19,508	17,363
Interest in a jointly controlled entity	18	36,889	34,295
Available-for-sale financial assets	19	1,597	7,386
		81,296	143,767
Current assets:			
Cash and bank balances	21	3,085	57,399
Financial assets at fair value through profit and loss	20	26,368	—
Trade receivables	22	43	51
Loan receivables	23	4,345	2,888
Prepayments, deposits and other receivables	24	52,749	19,569
Derivative financial instruments	33	38	—
Assets classified as held for sale	25	65,305	—
		151,933	79,907
Current liabilities:			
Trade payables, deposit received, accruals and other payables	26	(6,102)	(2,508)
Amounts due to minority shareholders	27	(44)	(38)
Deferred tax liability	35	(324)	(324)
Borrowings	28	(27)	(27)
Liabilities directly associated with assets classified as held for sale	25	(63)	—
		(6,560)	(2,897)
Net current assets		145,373	77,010
Total assets less current liabilities		226,669	220,777
Non-current liabilities:			
Borrowings	28	(8)	(5,257)
Net assets		226,661	215,520

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Equity			
Share capital	31	39,486	38,948
Reserves	32	184,529	174,096
Equity attributable to Company's owners		224,015	213,044
Minority interests		2,646	2,476
Total equity		226,661	215,520

The financial statements on pages 69 to 172 were approved and authorised for issue by the Board of Directors on 8 April 2010.

James Mellon
Co-Chairman

Jamie Gibson
Director

Company Statement of Financial Position

As at 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Non-current assets:			
Property, plant and equipment	15	1	2
Interests in subsidiaries	16	80,289	80,289
Interest in an associate	17	2,000	2,000
Available-for-sale financial assets	19	156	6,475
		82,446	88,766
Current assets:			
Cash and bank balances	21	296	53,277
Amounts due from subsidiaries	27	87,061	75,805
Financial assets at fair value through profit and loss	20	26,368	—
Trade receivables	22	—	8
Prepayments, deposits and other receivables	24	36,438	7,062
Derivative financial instruments		38	—
		150,201	136,152
Current liabilities:			
Trade payables, accruals and other payables	26	(862)	(1,220)
Amounts due to subsidiaries	27	(11,421)	(7,703)
		(12,283)	(8,923)
Net current assets		137,918	127,229
Total assets less current liabilities		220,364	215,995
Non-current liabilities:			
Borrowings	28	—	(5,222)
Net assets		220,364	210,773
Equity			
Share capital	31	39,486	38,948
Reserves	32	180,878	171,825
Total equity		220,364	210,773

The financial statements on pages 69 to 172 were approved and authorised for issue by the Board of Directors on 8 April 2010.

James Mellon
Co-Chairman

Jamie Gibson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

2009	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve* US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
	Attributable to owners of the Company												
At 1 January 2009	38,948	(218,318)	374,933	3,671	140	7,851	453	177	—	5,189	213,044	2,476	215,520
Conversion of redeemable convertible preference shares	538	—	1,428	—	(51)	—	—	—	—	—	1,915	—	1,915
Repurchase of redeemable convertible preference shares	—	—	—	—	(89)	—	—	—	—	—	(89)	—	(89)
Share purchase for share award scheme	—	—	(16)	—	—	—	—	—	(456)	—	(472)	—	(472)
Dividend payment	—	—	(2,547)	—	—	—	—	—	—	—	(2,547)	—	(2,547)
Share-based payment	—	740	—	(244)	—	—	—	—	—	—	496	—	496
Share of reserve of an associate	—	—	—	10	—	—	—	—	—	—	10	—	10
Transactions with owners	538	740	(1,135)	(234)	(140)	—	—	—	(456)	—	(687)	—	(687)
Profit for the year	—	11,052	—	—	—	—	—	—	—	—	11,052	145	11,197
Other comprehensive income													
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(19)	(19)	25	6
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	—	(127)	(127)	—	(127)
Share of reserve of associates	—	—	—	—	—	—	—	—	—	2	2	—	2
Unrealised gain in available-for-sale financial assets	—	—	—	—	—	—	750	—	—	—	750	—	750
Total comprehensive income for the year	—	11,052	—	—	—	—	750	—	—	(144)	11,658	170	11,828
At 31 December 2009	39,486	(206,526)	373,798	3,437	—	7,851	1,203	177	(456)	5,045	224,015	2,646	226,661

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company												
2008	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve* US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1 January 2008	42,902	(50,728)	385,804	1,742	25	140	1,204	453	—	2,880	384,422	271	384,693
Exercise of share options	8	—	31	(8)	—	—	—	—	—	—	31	—	31
Capital injection from minority interests	—	—	—	—	—	—	—	—	—	—	—	3,000	3,000
Share repurchase	(6,647)	—	(17,458)	—	—	—	—	—	—	—	(24,105)	—	(24,105)
Conversion of convertible bonds	2,685	—	6,556	—	(25)	—	—	—	—	—	9,216	—	9,216
Share-based payment	—	—	—	1,924	—	—	—	—	—	—	1,924	—	1,924
Share of reserves of associates	—	—	—	13	—	—	—	—	177	—	190	—	190
Transactions with owners	(3,954)	—	(10,871)	1,929	(25)	—	—	—	177	—	(12,744)	3,000	(9,744)
Loss for the year	—	(160,943)	—	—	—	—	—	—	—	—	(160,943)	(739)	(161,682)
Other comprehensive income													
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(226)	(226)	(56)	(282)
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	—	1,638	1,638	—	1,638
Share of reserve of associates	—	—	—	—	—	—	—	—	—	897	897	—	897
Unrealised loss in available-for-sale financial assets	—	—	—	—	—	—	—	(10,730)	—	—	(10,730)	—	(10,730)
Impairment loss	—	—	—	—	—	—	—	10,730	—	—	10,730	—	10,730
Total comprehensive loss for the year	—	(160,943)	—	—	—	—	—	—	—	2,309	(158,634)	(795)	(159,429)
Transfer in respect of share repurchase	—	(6,647)	—	—	—	—	6,647	—	—	—	—	—	—
At 31 December 2008	38,948	(218,318)	374,933	3,671	—	140	7,851	453	177	5,189	213,044	2,476	215,520

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Cash flows from operating activities:			
Profit/(Loss) for the year before income tax		11,197	(161,358)
Adjustments for :			
Depreciation of property, plant and equipment	15	255	273
Write off of loan receivables		—	1,346
Write down for termination of Indonesian transaction		6,384	—
Interest income on bank deposits and loan receivables		(374)	(2,498)
Dividend income from available-for-sale financial assets		(582)	(354)
Finance costs on hire purchase	8	3	5
Finance costs on convertible bonds	8	—	292
Finance costs on redeemable convertible preference shares	8	167	557
Non-cash share-based payments		837	1,924
Write back of repurchased share options		(341)	—
Share of profits of associates		(3,447)	(403)
Share of profit of a jointly controlled entity		(9,092)	(7,701)
Change in fair value on derivative financial instruments		(38)	(3)
Change in fair value on financial assets at fair value through profit and loss	20	(3,753)	1,513
Loss on disposal of property, plant and equipment		1	13
Loss on repurchase of redeemable convertible preference shares		86	—
Impairment loss on goodwill		—	143,054
Impairment loss on exploration and evaluation assets		—	912
Impairment loss on available-for-sale financial assets		—	10,730
Profit on disposal of available-for-sale financial assets		(15,842)	(1)
Profit on disposal of financial assets at fair value through profit and loss		(1,069)	(615)
Operating loss before working capital changes		(15,608)	(12,314)
Decrease/(Increase) in trade receivables		8	(8)
Increase in loan receivables		(1,140)	(2,776)
Decrease/(Increase) in prepayments, deposits and other receivables		1,372	(6,985)
Increase/(Decrease) in trade payables, accruals and other payables		143	(12,755)
Increase/(Decrease) in amounts due to minority shareholders		6	(6,257)
Cash used in operations		(15,219)	(41,095)
Income tax paid		—	—
Net cash used in operating activities		(15,219)	(41,095)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 US$'000	2008 US$'000
Cash flows from investing activities:			
Purchase of subsidiaries (net of cash and cash equivalents acquired)	34	—	(2,556)
Purchase of exploration and evaluation assets	14	(1,937)	(4,124)
Purchase of property, plant and equipment	15	(46)	(200)
Purchase of financial assets at fair value through profit and loss	20	(26,669)	(12,933)
Purchase of available-for-sale financial assets	19	(24,399)	(4,976)
Proceeds from disposal of financial assets at fair value through profit and loss		5,123	4,245
Proceeds from disposal of available-for-sale financial assets		46,780	7
Proceeds from disposal of property, plant and equipment		4	4
Interest received on bank deposits		57	2,360
Deposit received on disposal of assets classified as held for sale		3,514	—
Increase in margin deposit placed with brokers' firms		(33,414)	—
Dividend received from available-for-sale financial assets		536	354
Dividend received from associates		316	699
Net cash used in investing activities		(30,135)	(17,120)
Cash flows from financing activities:			
Capital injected from a subsidiary's minority shareholders		—	3,000
Dividend paid to Company's owners	11	(2,547)	—
Proceeds from exercise of share options		—	31
Share repurchase		—	(24,105)
Payment for share award scheme		(472)	—
Repurchase of redeemable convertible preference shares		(3,500)	—
Repayment of finance lease liabilities		(27)	(24)
Finance costs on hire purchase paid		(3)	(5)
Finance costs on redeemable convertible preference shares paid	29	(149)	(467)
Net cash used in financing activities		(6,698)	(21,570)
Net decrease in cash and cash equivalents		(52,052)	(79,785)
Cash and cash equivalents at the beginning of the year		57,399	138,081
Assets classified as held for sale	25	(2,153)	—
Effects of foreign currency fluctuations		(109)	(897)
Cash and cash equivalents at the end of the year	21	3,085	57,399

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is at P O Box 309, Ugland House, Grand Cayman, KY 1-1104, 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 consolidated financial statements are presented in United States Dollars ("**US$**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("**US$'000**") except when otherwise indicated.

The Company is engaged in investment holding, and the principal activities of the Company and its subsidiaries (collectively as defined as the "**Group**") consist of exploration and mining of natural resources, and corporate investments.

The financial statements for the year ended 31 December 2009 were approved for issue by the Board of Directors on 8 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 69 to 172 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the HK Stock Exchange ("**Listing Rules**").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for:

— financial instruments classified as available-for-sale and at fair value through profit or loss, and

— derivative financial instruments

which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.3) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In consolidated financial statements, an investment in an associate or a jointly controlled entity are initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or the jointly controlled entity's profit or loss in the period in which the investment is acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates and joint ventures (Continued)

Under the equity method, the Group's interests in the associate or jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate or the jointly controlled entity for the year, including any impairment loss on the investment in associate or jointly controlled entity recognised for the year.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and the jointly controlled entity. Where unrealised losses on assets sales between the Group and its associates or jointly controlled entities are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or the jointly controlled entity's accounting policies to those of the Group when the associate or the jointly controlled entity's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a jointly controlled entity equals or exceeds its interest in the associate or the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or jointly controlled entities. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate or the jointly controlled entity and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or jointly controlled entity, including cash flows arising from the operations of the associate or jointly controlled entity and the proceeds on ultimate disposal of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

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 Mining	:	Exploration and mining 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

The financial statements are presented in United States Dollars (US$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into United States dollars. Assets and liabilities have been translated into United States dollars at the closing rates at the reporting date. Income and expenses have been converted into United States dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the foreign currency exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 April 2005 have been treated as assets and liabilities of the foreign operation and translated into United States dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Depreciation on assets is provided to write off the cost less the residual value over its estimated useful life, using the straight-line method. The estimated useful lives used for this purpose are as follows:

Motor vehicle	3-5 years
Furniture and fixtures	5 years
Computer and other equipment	3-5 years
Plant and machinery	10 years
Building and structure	15-20 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary and a mining operation. Accounting for goodwill arising on acquisition of investment in an associate or jointly controlled entity is set out in note 2.4.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount.

2.10 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries, associates and jointly controlled entity are subject to impairment testing.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for the internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets (Continued)

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Leases (Continued)

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, associates and jointly controlled entity are set out below.

Financial assets are classified into the following categories:

— financial assets at fair value through profit or loss

— loans and receivables

— available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(i) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.21 to these financial statements in the statement of comprehensive income as "corporate investment income" under revenue, when the Group's right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) *Available-for-sale financial assets*

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income, is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in subsequent period, the increase is recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.15 Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables, amounts due to minority shareholders, redeemable convertible preference shares and finance lease obligations. They are included in line items in the statement of financial position as trade payables, accruals and other payables, amounts due to minority shareholders and borrowings under current or non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense as finance costs in the statement of comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial liabilities (Continued)

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.11).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Redeemable convertible preference shares

Redeemable convertible preference shares that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Preference shares, which are mandatory redeemable on a specific date or at the option of the shareholders, are classified as liabilities and accounted for as liabilities (see above). The mandatory dividends on these preference shares are recognised using effective interest rate method in profit or loss as interest expense.

Redeemable convertible preference shares issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible preference shares. The difference between the proceeds of the issue of the redeemable convertible preference shares and the fair value assigned to the liability component, representing the call option for conversion of the preference shares into equity, is included in equity as preference shares reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the preference shares.

When the preference shares are converted, the preference shares reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the preference shares are redeemed, the preference shares reserve is released directly to retained profits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial liabilities (Continued)

Redeemable convertible preference shares (Continued)

Transaction costs that relate to the issue of a redeemable convertible preference shares are allocated to the liability and equity components in proportion to the allocation of proceeds.

The finance cost recognised in profit or loss is calculated using the effective interest method.

Trade payables, accruals and other payables and amounts due to minority shareholders

Trade payables, accruals and other payables and amounts due to minority shareholders are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.16 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit including existing taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

(i) *Bonus plans*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(ii) *Retirement benefits*

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under Mandatory Provident Fund Schemes Ordnance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the Peoples' Republic of China (the "**PRC**" or "**China**") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans is limited to the fixed percentage contributions payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits (Continued)

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 April 2005 are recognised in the financial statements. The Group operates equity-settled and cash settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the employee share-based payment reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in employee share-based payment reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in employee share-based payment reserve will be transferred to retained profit.

2.19 Non employee share-based payments

Non employee share-based payments are accounted for in the same way as employee share-based payment except that the cost of equity-settled transactions with parties other than employees is measured by reference to the fair value of the goods or services provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

2.21 Revenue recognition

Revenue, which is also the Group's turnover includes dividend income and bank interest income.

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

(i) interest income is recognised on a time-proportion basis using the effective interest method; and

(ii) dividend income is recognised when the right to receive payment is established.

2.22 Assets classified as held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Assets (or disposal groups) classified as held for sale are measured at the lower of the assets' (or disposal group's) previous carrying amount and fair value less costs to sell.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, 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 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment: vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

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 1 (Revised 2007) - Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. HKAS 1 affects the presentation of owner changes in equity and introduces a 'statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 January 2008 and accordingly this statement is not presented.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKAS 27 (Amendments) - Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entity or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

There is no effect of the application of the amendments at 31 December 2009 in the separate statement of financial position.

HKFRS 7 (Amendments) – Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierachy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 - Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first *Annual improvements to HKFRSs* which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to HKAS 28 *Investments in Associates* has changed the Group's accounting policies on allocation of impairment losses but did not have any impact of the current period results and financial position.

Impairment of investments in associates and jointly controlled entities accounted for under the equity method

The amendment clarifies that an investment in associate accounted for under the equity method is a single asset for the purposes of impairment testing. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. Accordingly, any reversal of such impairment losses in a subsequent period is recognised to the extent that the recoverable amount of the associate has increased.

In prior years, the Group allocated the impairment loss initially to goodwill included as part of the investment balance. According to the Group's accounting policies on goodwill, no reversals of impairment losses attributed to the carrying amount of goodwill would have been recognised in subsequent periods.

The new policy also applies to the Group's investment in the jointly controlled entity, which is accounted for under the equity method in the consolidated financial statements.

For the current period, there were no impairment losses recognised and no reversals of impairment losses recognised in prior periods on investments in associates and jointly controlled entities. The adoption of this new policy has no impact on the current period results and financial position therefore. The new accounting policy has been applied prospectively as permitted by the amendment and comparatives have not been restated.

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 Group's financial statements.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. 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. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

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 those on 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.

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. The Directors do not expect the standard to have a material effect on the Group's financial statements.

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 Group expects the amendment to HKAS 17 *Leases* to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The Directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the Group's financial statements requires management to make judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of goodwill and exploration and evaluation assets

The Group tests annually whether goodwill and exploration and evaluation assets have suffered any impairment in accordance with the accounting policy stated in note 2.10 to the financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations and scenario analysis. These calculations require the use of estimates of the future cash flows expected to arise from the cash-generating units and the suitable discount rates in order to calculate the present value. Details of the key assumptions and estimates used in the calculation of the present value are disclosed in notes 13 and 14 to the financial statements.

5. SEGMENT INFORMATION

The Directors have identified the Group's four product and service lines as operating segments as follows:

Coal Mining	:	Exploration and mining 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

These operating segments are monitored and strategic decisions are made on the basis of segment operating results. There are no sales between the reportable segments.

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

For the year ended 31 December 2009

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	—	—	—	927	927
Segment results	(2,472)	(45)	(3,643)	4,988	(1,172)
Share of profits of associates	—	2,009	—	1,438	3,447
Share of profit of a jointly controlled entity	—	—	9,092	—	9,092
Total segment results	(2,472)	1,964	5,449	6,426	11,367
Finance costs					(170)
Taxation					—
Profit for the year					11,197

5. SEGMENT INFORMATION (Continued)

As at 31 December 2009

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Unallocated US$'000	Total US$'000
Segment assets	83,066	4,891	15,372	71,906	—	175,235
Available-for-sale financial assets	—	—	—	1,597	—	1,597
Interests in associates	—	16,623	—	2,885	—	19,508
Interest in a jointly controlled entity	—	—	36,889	—	—	36,889
Total assets	83,066	21,514	52,261	76,388	—	233,229
Segment liabilities	3,717	—	330	2,486	—	6,533
Borrowings	—	—	—	—	35	35
Total liabilities	3,717	—	330	2,486	35	6,568

For the year ended 31 December 2009

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Interest income on bank deposits and loan receivables	—	—	—	374	374
Depreciation	(108)	—	(54)	(93)	(255)
Share-based payments	(25)	—	—	(1,602)	(1,627)
Write down for termination of Indonesian transaction	—	—	—	(6,384)	(6,384)
Fair value gain on available-for-sale financial assets	—	—	—	15,842	15,842
Fair value gain on financial assets at fair value through profit and loss	—	—	—	4,822	4,822
Fair value loss on derivative financial instruments	—	—	—	(1,037)	(1,037)
Capital expenditure	(1,973)	—	—	(11)	(1,984)

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2008

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	—	—	—	6,423	6,423
Segment results	(137,771)	(10,426)	(7,245)	(13,166)	(168,608)
Share of (loss)/profit of associates	—	(456)	—	859	403
Share of profit of a jointly controlled entity	—	—	7,701	—	7,701
Total segment results	(137,771)	(10,882)	456	(12,307)	(160,504)
Finance costs					(854)
Taxation					(324)
Loss for the year					(161,682)

As at 31 December 2008

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Unallocated US$'000	Total US$'000
Segment assets	80,936	4,908	9,507	69,279	—	164,630
Available-for-sale financial assets	—	—	—	7,386	—	7,386
Interests in associates	—	14,937	—	2,426	—	17,363
Interest in a jointly controlled entity	—	—	34,295	—	—	34,295
Total assets	80,936	19,845	43,802	79,091	—	223,674
Segment liabilities	666	3	735	1,466	—	2,870
Borrowings	—	—	—	—	5,284	5,284
Total liabilities	666	3	735	1,466	5,284	8,154

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2008

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Interest income on bank deposits and loan receivables	—	—	—	2,498	2,498
Depreciation	(132)	—	(41)	(100)	(273)
Share-based payments	—	—	—	(1,924)	(1,924)
Impairment loss on goodwill	(131,469)	(10,408)	(1,177)	—	(143,054)
Impairment loss on exploration and evaluation assets	—	—	(912)	—	(912)
Impairment loss on available-for-sale financial assets	—	—	—	(10,730)	(10,730)
Fair value loss on financial assets at fair value through profit and loss	—	—	—	(898)	(898)
Write off of loan receivables	(1,346)	—	—	—	(1,346)
Capital expenditure	(7,334)	—	(2,118)	(33)	(9,485)

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Hong Kong (domicile)	—	438	82	164
PRC	(80)	3,708	76,731	133,792
United States	524	1,820	—	—
Europe[1]	166	207	2,886	2,425
South East Asia[2]	317	250	—	—
	927	6,423	79,699	136,381

1 *Europe includes the United Kingdom and Bahamas*
2 *South East Asia includes Singapore*

The geographical location of customers is based on the location of the Group's investments. The geographical location of the non-current assets is based on the physical location of the assets.

6. OPERATING LOSS

	2009 US$'000	2008 US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– charge for the year	423	480
– under provision in prior year	48	43
Write off of loan receivables	—	1,346
Depreciation of owned property, plant and equipment	255	273
Operating lease charges on property and equipment^	510	859
Loss on disposal of property, plant and equipment	1	13
Write down for termination of Indonesian transaction	6,384	—
Impairment loss on goodwill	—	143,054
Impairment loss on exploration and evaluation assets	—	912
Impairment loss on available-for-sale financial assets	—	10,730
Unrealised loss on financial assets at fair value through profit and loss	—	1,513
Realised loss on derivative financial instruments	1,075	—
Net foreign exchange loss*	702	—
Write back of repurchased share options	1,067	—
Share-based payments (equity and cash settled)#	1,627	1,924
and crediting:		
Interest income on bank deposits and loan receivables*	374	2,498
Net foreign exchange gain*	—	755
Realised gain on disposal of financial assets at fair value through profit and loss	1,069	615
Unrealised gain on financial assets at fair value through profit and loss	3,753	—
Unrealised gain on derivative financial instruments	38	—
Realised gain on disposal of available-for-sale financial assets	15,842	1
Dividend income from available-for-sale financial assets*	582	354

^ *Included in operating lease charges on property and equipment were Director's accommodation expenses of US$131,000 (2008: US$372,000) that was included in "employee benefit expenses" on the face of the consolidated statement of comprehensive income.*

Included in share-based payments were (i) employee share-based payment of US$475,000 (2008: US$1,522,000) (note 31.2) in relation to share options granted to Directors and employees, (ii) non-employee share-based payment of US$178,000 (2008: US$402,000) (note 31.2) in relation to share options granted to the Group's consultants, and (iii) cash and equity settled employee share-based payment of US$790,000 and US$184,000, respectively (2008: nil and nil, respectively) in relation to share awards granted to Directors and employees.

* *Included in revenue*

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 US$'000	2008 US$'000
Wages and salaries and benefits in kind	5,835	7,282
Discretionary bonuses	2,760	1,006
Pension costs - defined contribution plans (note 36)	19	19
Share options granted to Directors and employees	475	1,522
Share awards granted to Directors and employees	974	—
	10,063	9,829

a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of director	Fees US$'000	Salaries and benefits in kind US$'000	Discretionary bonuses US$'000	Contribution to defined contribution plans US$'000	Share options US$'000	Share awards US$'000	Total US$'000
Executive Directors							
Jamie Gibson	—	1,503	1,023	2	99	657	3,284
Clara Cheung	—	250	280	2	50	133	715
Non-Executive Directors							
James Mellon	25	157	735	—	85	—	1,002
Stephen Dattels	25	189	—	—	—	—	214
Stephen Bywater	5	—	—	—	—	—	5
Jayne Sutcliffe	20	—	—	—	—	—	20
John Stalker	5	—	—	—	17	—	22
Independent Non-Executive Directors							
David Comba	20	—	—	—	33	—	53
Julie Oates	20	—	—	—	—	—	20
Mark Searle	20	—	—	—	—	—	20
Total	140	2,099	2,038	4	284	790	5,355

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

a) Directors' and senior management's emoluments (Continued)

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of director	Fees US$'000	Salaries and benefits in kind US$'000	Discretionary bonuses US$'000	Contribution to defined contribution plans US$'000	Share options US$'000	Total US$'000
Executive Directors						
Jamie Gibson	—	1,760	523	2	295	2,580
Clara Cheung	—	250	180	2	128	560
Non-Executive Directors						
James Mellon	24	158	100	—	216	498
Stephen Dattels	22	195	—	—	—	217
Stephen Bywater	18	330	—	—	—	348
Jayne Sutcliffe	20	—	—	—	—	20
Anderson Whamond	10	—	—	—	—	10
John Stalker	20	—	—	—	98	118
Dr Youzhi Wei	2	—	—	—	11	13
Independent Non-Executive Directors						
David Comba	20	—	—	—	83	103
Julie Oates	20	—	—	—	—	20
Patrick Reid	2	—	—	—	4	6
Mark Searle	20	—	—	—	—	20
Wu Yuan	7	108	—	—	—	115
Total	185	2,801	803	4	835	4,628

No Directors waived or agreed to waive any emoluments in respect of the year ended 31 December 2009 and 2008.

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

b) Five highest paid individuals

Of the five highest paid individuals, three (2008: four) were Directors of the Company and their remuneration has been included in the Directors' remuneration. The total emolument payable to the five highest paid individual for the year are as follows:

	2009 US$'000	2008 US$'000
Fees	25	42
Salaries and other emoluments	3,029	3,044
Discretionary bonuses	2,188	803
Pension costs - defined contribution plans	6	3
Share options granted to Directors	234	639
Share awards granted to Directors and employees	852	—
	6,334	4,531

The above remuneration of the top five individuals fell within the following bands:

	Number of employees	
	2009	2008
HK$3,000,001- HK$3,500,000 (US$386,847-US$451,321)	—	1
HK$3,500,001- HK$4,000,000 (US$451,322-US$515,796)	—	2
HK$4,000,001- HK$4,500,000 (US$515,797-US$580,270)	1	1
HK$5,500,001- HK$6,000,000 (US$709,220-US$773,694)	1	—
HK$6,000,001- HK$6,500,000 (US$773,695-US$838,169)	1	—
HK$7,500,001- HK$8,000,000 (US$967,118-US$1,031,592)	1	—
HK$19,500,001- HK$20,000,000 (US$2,514,507-US$2,578,981)	—	1
HK$20,500,001- HK$21,000,000 (US$2,643,455-US$2,707,930)	1	—
	5	5

No emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in respect of the year ended 31 December 2009 and 2008.

8. FINANCE COSTS

	2009 US$'000	2008 US$'000
Interest on hire purchase	3	5
Interest on convertible bonds	—	292
Interest on redeemable convertible preference shares (note 29)	167	557
	170	854

9. TAXATION

	2009 US$'000	2008 US$'000
Deferred tax		
PRC withholding income tax (note 35)	—	324

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 year ended 31 December 2009.

Share of associates' tax payment for the year ended 31 December 2009 of US$203,000 (2008: tax credit of US$160,000) and share of a jointly controlled entity's tax payment of US$934,000 (2008: US$564,000) are included in the consolidated statement of comprehensive income as share of profits of associates and share of profit of a jointly controlled entity respectively.

9. TAXATION (Continued)

Reconciliation between the Group's income tax expense and accounting profit at applicable tax rates are as follows:

	2009 US$'000	2008 US$'000
Profit/(Loss) before taxation	11,197	(161,358)
Less:		
Share of profits of associates	(3,447)	(403)
Share of profit of a jointly controlled entity	(9,092)	(7,701)
Loss before share of profits of associates and a jointly controlled entity and taxation	(1,342)	(169,462)
Nominal tax on profit before income tax, calculated at the rate applicable to profits in the tax jurisdictions concerned	(546)	(1,439)
Income not subject to taxation	(19)	(35)
Expenses not deductible for taxation purposes	253	846
Tax effect of tax losses not recognised	312	628
Tax effect of withholding tax on dividend declared by a jointly controlled entity	—	(324)
Taxation charge	—	(324)

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the current tax and deferred tax liabilities have been calculated using the new rates. In March 2007, the government of the PRC enacted the new enterprise income tax rate for domestic and foreign enterprises in the PRC at 25% with effect from 1 January 2008.

At 31 December 2009, the Group has unrecognised tax losses of US$12,835,000 (2008: US$10,950,000) to carry forward against future taxable income. However, no deferred tax assets have been recognised as it is uncertain whether sufficient future taxable profits will be available for utilising the accumulated tax losses. The tax loss has no expiry date.

Under the new PRC tax law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the new PRC tax law, dividends receivable by the Group from its PRC jointly controlled entity in respect of its undistributed retained earnings prior to 31 December 2007 are exempted from the withholding tax.

At 31 December 2009, the Group has deferred tax liabilities of approximately US$256,000 (2008: US$81,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of its associates and jointly controlled entity. No deferred tax liabilities have been recognised in respect of these differences because the Group's management believes that it is probable that such differences will not be reversed in the foreseeable future.

10. PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The profit attributable to the owners of the Company dealt with in the financial statements of the Company amounted to US$10,639,000 (2008: loss of US$151,828,000).

11. DIVIDENDS

Dividend attributable to the year:

	2009 US$'000	2008 US$'000
Paid interim dividend of HK$0.005 per share (2008: nil)	2,547	—
Proposed final dividend of HK$0.01 per share (2008: nil)	5,095	—
	7,642	—

At the meeting held on 6 April 2010, the Directors proposed a final dividend of HK$0.01 per share. The proposed final dividend in respect of the year ended 31 December 2009 is subject to the approval of the equity shareholders in the forthcoming annual general meeting and has not been recognised as a liability at the reporting date, but will be reflected in the financial statements for the year ending 31 December 2010.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to the owners of the Company for the year of US$11,052,000 (2008: loss of US$160,943,000) and on the weighted average of 3,919,757,830 (2008: 4,325,725,223) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the year ended 31 December 2009 and 2008 were not presented because the impact of the exercise of the share options and redeemable convertible preference shares were anti-dilutive.

Subsequent to the year end date and prior to the date of this report, no ordinary shares were issued and allotted.

13. GOODWILL

Group

	2009 US$'000	2008 US$'000
At 1 January		
Gross carrying amount	195,191	190,724
Accumulated impairment	(143,054)	—
Net carrying amount	52,137	190,724
Carrying amount at 1 January	52,137	190,724
Acquisition of a subsidiary	—	3,290
Acquisition of a mining operation	—	1,177
Assets classified as held for sale (note 25)	(38,005)	—
Impairment	—	(143,054)
Net carrying amount at 31 December	14,132	52,137
At 31 December		
Gross carrying amount	157,186	195,191
Accumulated impairment	(143,054)	(143,054)
Net carrying amount	14,132	52,137

Impairment testing

Goodwill arising from the acquisition of subsidiaries and business has been allocated to the following cash-generating units ("**CGU**") for impairment testing:

— Copper and zinc products CGU

— Coal product CGU

— Coking coal product CGU

The carrying amount of goodwill allocated to each of the CGU before impairment is as follows:

	2009 US$'000	2008 US$'000
Copper and zinc products CGU	3,053	3,053
Coal product CGU	138,862	176,867
Coking coal product CGU	15,271	15,271
	157,186	195,191

13. GOODWILL (Continued)

Copper and zinc products CGU

The recoverable amount for the copper and zinc products CGU is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to commodity prices during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on copper and zinc production growth forecasts. Changes in the commodity prices are based on expectations of the future changes in the market.

The value-in-use calculations covered a period of 7 years based on the mine's estimated mine life and followed by an extrapolation of expected cash flows at an estimated growth rate of 5.73%. The rate used to discount the forecast cash flows from the CGU is 16.15%.

Coal product CGU

The recoverable amount of the coal product CGU is determined from value-in-use calculations. The key assumptions and estimations used in the calculation of the value-in-use include the commencement of production in Year 2011. The unit selling price and unit cost of production are assumed to remain constant throughout the forecasted period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on coal production growth forecasts. Changes in the coal prices are based on expectations of the future changes in the market. Economic life of the coal mine is based on the estimated coal reserve over the estimated annual mining production.

During the year, the Group performed an impairment review for goodwill with reference to the scenario analysis carried out by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group. The scenario analysis is based on cash flow forecasts derived from the extrapolated cash flows based on the estimated mine life of 18 years at an estimated growth rate of 0%. The rate used to discount the forecast cash flow is 10%.

13. GOODWILL (Continued)

Coking coal product CGU

The recoverable amount of the coking coal product CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to the prices of the coking coal and its related products during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on coking coal production growth forecasts. Changes in the coal prices are based on expectations of the future changes in the market.

The value-in-use calculations covered a period of 19 years based on the operation's estimated life and followed by an extrapolation of expected cash flows at an estimated growth rate of 0%. The rate used to discount the forecast cash flows from the CGU is 10%.

During the year ended 31 December 2008, impairment losses of US$1,177,000, US$131,469,000 and US$10,408,000 were recognised in the consolidated statement of comprehensive income for the goodwill attributable to the Group's copper and zinc products CGU, coal product CGU and coking coal product CGU respectively as the recoverable amounts of the relevant CGUs were less than the carrying amounts as a result of an assessment of the market value of assets, with lower commodities and thermal coal prices negatively affecting the carrying value of the CGUs. No impairment loss in goodwill has recognised for the year ended 31 December 2009 with the turnaround in the commodities and thermal coal markets.

Based on the impairment testing of goodwill, in the opinion of the Directors, no further impairment is considered necessary for the remaining balance of the Group's goodwill.

13. GOODWILL (Continued)

The carrying amount of goodwill allocated to each of the CGU after impairment is as follows:

	2009 US$'000	2008 US$'000
Copper and zinc products CGU	1,876	1,876
Coal product CGU	7,393	45,398
Coking coal product CGU	4,863	4,863
	14,132	52,137

Company

The Company has no goodwill.

14. EXPLORATION AND EVALUATION ASSETS

Group

	US$'000
At 1 January 2008	
Cost	5,729
Accumulated amortisation	—
Net book amount	5,729
Year ended 31 December 2008	
Opening net book amount	5,729
Addition	4,124
Acquisition of a subsidiary	22,288
Acquisition of a mining operation	148
Amortisation charge for the year	—
Impairment	(912)
Exchange difference	14
Closing net book amount	31,391
At 31 December 2008	
Cost	32,303
Accumulated amortisation	—
Accumulated impairment	(912)
Net book amount	31,391
Year ended 31 December 2009	
Opening net book amount	31,391
Addition	1,937
Amortisation charge for the year	—
Assets classified as held for sale (note 25)	(25,141)
Impairment	—
Closing net book amount	8,187
At 31 December 2009	
Cost	9,099
Accumulated amortisation	—
Accumulated impairment	(912)
Net book amount	8,187

14. EXPLORATION AND EVALUATION ASSETS (Continued)

During the year ended 31 December 2008, the Group acquired a new subsidiary, Regent Coal (HK) Limited ("**Regent Coal (HK)**") (formerly known as Yuke Coal Limited), to conduct exploration and mining of coal in the PRC and one mining licence through the acquisition of a mining operation to conduct mining and processing of copper and other multi-metal minerals in the PRC. The exploration and evaluation assets related to the mines which were not yet operative as at 31 December 2009. These assets are not subject to amortisation until they are placed in use.

Impairment testing

Exploration and evaluation assets have been allocated to the following CGU for impairment testing:

– Copper and zinc products CGU
– Coal product CGU

The carrying amount of exploration and evaluation assets allocated to each of the CGU before impairment is as follows:

	2009 US$'000	2008 US$'000
Copper and zinc products CGU	920	912
Coal product CGU	8,179	31,391
	9,099	32,303

During the year ended 31 December 2008, impairment loss of US$912,000 was recognised in the consolidated statement of comprehensive income for the exploration and evaluation assets attributable to the Group's copper and zinc products CGU as the recoverable amount of the relevant CGU was less than the carrying amount with reference to the adverse changes in the commodities market. No impairment loss was recognised for the year ended 31 December 2009 with the turnaround in the commodities market.

Based on the impairment testing, in the opinion of the Directors, no further impairment is considered necessary for the remaining balance of the Group's exploration and evaluation assets.

14. EXPLORATION AND EVALUATION ASSETS (Continued)

Impairment testing (Continued)

The carrying amount of exploration and evaluation assets allocated to each of the CGU after impairment is as follows:

	2009 US$'000	2008 US$'000
Copper and zinc products CGU	8	—
Coal product CGU	8,179	31,391
	8,187	31,391

Company

The Company has no exploration and evaluation assets.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor Vehicle* US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Plant and machinery US$'000	Building and structure US$'000	Total US$'000
At 1 January 2008						
Cost	146	257	352	—	—	755
Accumulated depreciation	(39)	(78)	(171)	—	—	(288)
Net book amount	107	179	181	—	—	467
Year ended 31 December 2008						
Opening net book amount	107	179	181	—	—	467
Exchange differences	1	8	(7)	7	25	34
Additions	51	28	115	—	6	200
Disposals	—	(8)	(55)	—	—	(63)
Acquisition of a mining operation	7	—	—	169	608	784
Reclassification	—	—	(2)	—	2	—
Depreciation charge for the year	(53)	(100)	(81)	(12)	(27)	(273)
Depreciation written back on disposals	—	2	44	—	—	46
Closing net book amount	113	109	195	164	614	1,195
At 31 December 2008						
Cost	205	278	411	176	641	1,711
Accumulated depreciation	(92)	(169)	(216)	(12)	(27)	(516)
Net book amount	113	109	195	164	614	1,195

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Motor Vehicle* US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Plant and machinery US$'000	Building and structure US$'000	Total US$'000
At 1 January 2009						
Cost	205	278	411	176	641	1,711
Accumulated depreciation	(92)	(169)	(216)	(12)	(27)	(516)
Net book amount	113	109	195	164	614	1,195
Year ended 31 December 2009						
Opening net book amount	113	109	195	164	614	1,195
Exchange differences	(2)	1	1	—	2	2
Additions	—	36	10	—	—	46
Disposals	(7)	—	—	—	—	(7)
Depreciation charge for the year	(56)	(63)	(84)	(16)	(36)	(255)
Depreciation written back on disposals	2	—	—	—	—	2
Closing net book amount	50	83	122	148	580	983
At 31 December 2009						
Cost	197	314	422	176	642	1,751
Accumulated depreciation	(147)	(231)	(300)	(28)	(62)	(768)
Net book amount	50	83	122	148	580	983

* *The net book value of the Group's property, plant and equipment included an amount for a motor vehicle held under a finance lease that amounted to US$6,000 as at 31 December 2009 (2008: US$45,000) (see note 30).*

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Computer and other equipment US$'000
At 1 January 2008	
Cost	4
Accumulated depreciation	(1)
Net book amount	3
Year ended 31 December 2008	
Opening net book amount	3
Depreciation charge for the year	(1)
Closing net book amount	2
At 31 December 2008	
Cost	4
Accumulated depreciation	(2)
Net book amount	2
Year ended 31 December 2009	
Opening net book amount	2
Depreciation charge for the year	(1)
Closing net book amount	1
At 31 December 2009	
Cost	4
Accumulated depreciation	(3)
Net book amount	1

16. INTERESTS IN SUBSIDIARIES

Company

	2009 US$'000	2008 US$'000
Investments - unlisted shares, at cost	283,018	283,018
Less: Provision for impairment	(202,729)	(202,729)
	80,289	80,289

The movements in provision for impairment of certain investments in subsidiaries are as follows:

	2009 US$'000	2008 US$'000
At 1 January	(202,729)	(60,215)
Impairment losses recognised	—	(142,514)
At 31 December	(202,729)	(202,729)

During the year ended 31 December 2009, no impairment loss was recognised for investments in subsidiaries as their recoverable amount, which is determined based on the fair value of the underlying operations of these subsidiaries, is greater than the carrying value of the investments in these subsidiaries.

16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2009 are as follows:

Name of subsidiary	Country/ Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Abagaqi Changjiang Mining Co., Ltd. ("**ACMC**")*	PRC	Injected capital of RMB76,270,150	—	51%	Exploration activities and sale of calcium carbonate products
Alphorn Management Limited*	Cayman Islands	Ordinary share of US$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company (BVI) Limited*	British Virgin Islands	Ordinary share of US$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company Limited*	British Virgin Islands	Ordinary shares of US$10,000	—	100%	Investment holding
AstroEast.com Limited*	Cayman Islands	Ordinary shares of US$280,222	—	51%	Investment holding
GeoMin Tech Consultants Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Provision of metallurgical services
Interman Holdings Limited*	British Virgin Islands	Ordinary shares of US$41,500	100%	—	Investment holding
Interman Limited	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding
MinMetallurgical Consultants Limited*	British Virgin Islands	Ordinary share of US$1	100%	—	Provision of mill expansion services

16. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country/ Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Regent Coal (BVI) Limited ("**Regent Coal (BVI)**")*	British Virgin Islands	Ordinary shares of US$64,963,323	100%	—	Investment holding
Regent Coal (HK) Limited	Hong Kong	Ordinary share of US$1	—	100%	Investment holding
Regent Coal (Holdings) Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Regent Corporate Finance Limited*	Cayman Islands	Ordinary shares of US$2	100%	—	Corporate finance
Regent Financial Services Limited	Hong Kong	Ordinary shares of HK$5 million	—	100%	Investment holding
Regent Fund Management (Asia) Limited*	Cayman Islands	Ordinary shares of US$100	100%	—	Asset management
Regent Fund Management Limited*	Cayman Islands	Ordinary shares of US$150,000	—	100%	Asset management
Regent Metals Holdings Limited*	British Virgin Islands	Ordinary shares of US$10,000	100%	—	Investment holding
Regent Metals (Jersey) Limited	Jersey	Ordinary shares of US$0.02	—	100%	Investment holding
Regent Metals Limited	Barbados	Ordinary share of US$1	—	100%	Investment holding
Regent Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$5 million	100%	—	Provision of management services

16. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country/ Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
RPG (Bahamas) Limited*	Bahamas	Ordinary shares of US$134,220	100%	—	Investment holding
RPG Investment I Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Simao Regent Minerals Limited ("**SRM**")*	PRC	Injected capital of US$2,899,990	—	97.54%	Mining and exploration of natural resources

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

During the year ended 31 December 2009, CCEC Sheng Li (Hong Kong) Limited, an inactive indirect wholly owned subsidiary of the Company, was dissolved.

* *The statutory financial statements of these subsidiaries for the year ended 31 December 2009 were not audited by Grant Thornton. Total aggregated net assets and loss before taxation of these subsidiaries as at and for the year ended 31 December 2009 amounted to US$2,866,000 and US$377,000, respectively.*

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Investments - unlisted shares, at cost less impairment	—	—	2,000	2,000
Share of net assets - unlisted	19,508	17,363	—	—
	19,508	17,363	2,000	2,000

There is no provision for impairment loss of associates as of 31 December 2009, as the recoverable amounts in associates are greater than their investment costs.

Share of associates' tax payment for the year ended 31 December 2009 of US$203,000 (2008: tax credit of US$160,000) is included in the consolidated statement of comprehensive income as share of profits of associates.

Particulars of the associates as at 31 December 2009 are as follows:

Name of associate	Country of incorporation	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Regent Markets Holdings Limited	British Virgin Islands	Ordinary shares of US$9,980	49.9%	—	Online betting
West China Coking & Gas Company Limited*	PRC	Injected capital of RMB52,160,000	—	25%	Production, processing and sale of coal, coke, gas and coal chemicals

* *The statutory audited financial statements of the associate were not audited by Grant Thornton.*

17. INTERESTS IN ASSOCIATES (Continued)

The following table illustrates the summarised aggregate financial information of the Group's associates extracted from their management accounts.

	2009 US$'000	2008 US$'000
Assets	242,443	221,251
Liabilities	174,510	160,900

	2009 US$'000	2008 US$'000
Revenue	306,031	373,008
Profit after taxation	11,091	989

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Investments - unlisted shares, at cost	—	—	—	—
Share of net assets - unlisted	36,889	34,295	—	—
	36,889	34,295	—	—

Share of a jointly controlled entity's taxation for the year ended 31 December 2009 of US$934,000 (2008: US$564,000) is included in the consolidated statement of comprehensive income as share of profit of a jointly controlled entity.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Particulars of the jointly controlled entity as at 31 December 2009 are as follows:

Name of jointly controlled entity	Country of incorporation	Total injected capital	Percentage of interest held		Principal activity
			Direct	Indirect	
Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**")*	PRC	Injected Capital of RMB160,000,000	—	40%	Exploration and mining of copper concentrate, zinc concentrate and other base and precious metals

* *The statutory audited financial statements of the jointly controlled entity were not audited by Grant Thornton.*

The following table illustrates the summarised financial information of the Group's interest in a jointly controlled entity.

Share of the jointly controlled entity's assets and liabilities	2009 US$'000	2008 US$'000
Non-current assets	48,902	40,696
Current assets	26,955	22,035
Non-current liabilities	3,203	—
Current liabilities	35,765	28,436
Net assets	36,889	34,295

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Share of the jointly controlled entity's results	2009 US$'000	2008 US$'000
Income	24,661	32,307
Expenses	15,569	24,606
Profit after taxation	9,092	7,701

Share of the jointly controlled entity's capital commitment	2009 US$'000	2008 US$'000
Capital commitment		
Contracted but not provided for:		
Conducting certain construction projects	5,611	2,069

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS ("AFS")

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
At 1 January	7,386	620	6,475	19
Reclassify from financial assets at fair value through profit and loss ("**FVTPL**")	—	12,526	—	10,804
Additions	24,399	4,976	24,399	4,976
Disposals	(30,938)	(6)	(30,628)	(6)
Change in fair value – unrealised portion	750	(10,730)	(90)	(9,318)
At 31 December	1,597	7,386	156	6,475

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS ("AFS") (Continued)

During the year ended 31 December 2008, pursuant to the amendments to HKAS 39 and HKFRS 7 Reclassification of Financial Assets ("**the Amendments**"), the Group and the Company decided to reclassify all of its financial assets held for trading out of the FVTPL to AFS on 29 October 2008 as these shares were no longer held for the purpose of being sold or repurchased in the near future term but for strategic investment purposes as a result of the exceptional turbulence in the world's financial markets in the third quarter of 2008. The Amendments permitted the Group and the Company to reclassify financial assets on a partially retrospective basis from 1 July 2008; this retrospective basis did not extend to a date before 1 July 2008. The Company has applied the transitional provision of the Amendments to reclassify these shares prospectively on 1 July 2008. The carrying amounts and their fair value of the financial assets being reclassified from FVTPL to AFS amount to US$12,526,000 and US$10,804,000 for the Group and the Company respectively.

Available-for-sale financial assets include the following:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Unlisted securities				
Club debenture, at cost	19	19	19	19
Equity security	1,441	601	—	—
	1,460	620	19	19
Listed securities	137	6,766	137	6,456
	1,597	7,386	156	6,475

Available-for-sale financial assets consist of investments in equity securities with no fixed maturity date or coupon rate.

The available-for-sale financial assets, except for the club debenture, which is stated at cost, are stated at fair value. The fair value of the listed securities have been determined by reference to published price quotations in active markets.

The fair value of the unlisted equity security has been determined based on the repurchase price offered by the investee entity.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
At 1 January	—	4,736	—	2,889
Additions	26,669	12,933	26,669	12,933
Disposals	(4,054)	(3,630)	(4,054)	(3,630)
Change in fair value - unrealised portion	3,753	(1,513)	3,753	(1,388)
Reclassify to available-for-sale financial assets (note 19)	—	(12,526)	—	(10,804)
At 31 December	26,368	—	26,368	—

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

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Listed securities, at market value				
Equity security – overseas	26,368	—	26,368	—

The fair value of listed equity investments were based on quoted market prices.

21. CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Cash and balances with banks	2,858	3,789	129	190
Money at call and short notice	227	7,046	167	6,523
	3,085	10,835	296	6,713
Fixed deposits - one month/ two weeks	—	46,564	—	46,564
	3,085	57,399	296	53,277

The Group's subsidiary maintains trust accounts with banks as part of its normal business transactions. At 31 December 2009, included in the Group's cash at banks were trust accounts of US$29,000 (2008: US$29,000).

As at 31 December 2009, included in the balance represented bank balances of US$2,026,000 (2008: US$3,044,000) which were placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

22. TRADE RECEIVABLES

As at 31 December 2009 and 2008, the ageing analysis of trade receivables was as follows:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
1 to 3 months old	—	8	—	8
More than 12 months old	43	43	—	—
	43	51	—	8

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. The fair value of the trade receivables was the same as illustrated above.

The ageing analysis of the Group's trade receivables that were past due at the reporting dates but not impaired, based on due date was as follows:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Over 360 days past due	43	43	—	—

As at 31 December 2009, no trade receivables (2008: US$8,000) were neither past due nor impaired.

Trade receivables that were past due but not impaired related to a company undergoing liquidation. Management believes that no impairment allowance is necessary as the amount will be recoverable from the distribution of assets upon the completion of the liquidation of the company. The balance is still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

23. LOAN RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Loan receivables	3,915	2,775	—	—
Interest receivables	430	113	—	—
	4,345	2,888	—	—

On 25 July 2008, a loan agreement was concluded and signed between RPI and Blue Pacific Coal Pte. Ltd. ("**Blue Pacific**"), an independent third party, on which RPI has agreed to provide Blue Pacific with a loan totalling US$11,250,000 for the purpose of financing Blue Pacific's working capital and on lending to its Indonesian subsidiary for a coal mining project.

Interest on the loan is charged at 3.5% above the average prime lending rate of DBS Bank, OCBC Bank, United Overseas Bank and Citibank NA Singapore in Singapore. Interest shall accrue daily from when the loan is or was first advanced on the basis of the actual number of days elapsed based on a 365-day year. RPI has agreed that it will not demand repayment of the loan until after the second anniversary of the investment and co-operation agreement dated 27 June 2008, following which the repayment of such loans shall take priority over other distributions that Blue Pacific may otherwise make to its shareholders. The loan is unsecured.

The loan interest accrued up to 31 December 2009 was US$430,000 (2008: US$113,000).

As at 31 December 2009, outstanding loan balance due from Blue Pacific amounted to US$5,165,000 (2008: US$4,025,000), among which US$1,250,000 (2008: US$1,250,000) was included in prepayments, deposits, and other receivables which represented an initial deposit made in relation to the possible acquisition of equity interest in Blue Pacific.

The fair value of the loan receivables and interest receivables above were the same as illustrated above.

The balance outstanding as at 31 December 2009 was neither past due nor impaired. The management believes that no impairment is necessary in respect of this balance as there has not been a significant change in credit quality of Blue Pacific and the balance is considered to be fully recoverable.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Prepayments, deposits and other receivables#	38,413	9,841	35,257	6,276
Amount due from an associate*	998	699	998	699
Amount due from a jointly controlled entity*^	13,338	9,029	183	87
	52,749	19,569	36,438	7,062

\# *Included in the balance of prepayments, deposits and other receivables was a margin deposit of US$34,118,000 (2008: US$704,000) placed with the broker's firms for the trading of Contract for Difference ("**CFD**") and other derivatives.*

* *The amounts due from an associate and a jointly controlled entity are unsecured, interest-free and repayable on demand.*

^ *The Group has undertaken not to demand repayment of US$13,338,000 (2008: US$9,029,000) due to the Group from the jointly controlled entity until such time when any repayment to the Group will not affect the jointly controlled entity's ability to repay other creditors in the normal course of business.*

The Directors of the Company are of the opinion that the amount due from the jointly controlled entity will be settled within twelve months, such amount is therefore classified as a current asset.

The fair value of prepayments, deposits and other receivables, amount due from an associate, amount due from a jointly controlled entity were the same as illustrated above.

The balance outstanding as at 31 December 2009 was neither past due nor impaired. Based on past credit history, the management believes that no impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is considered to be fully recoverable.

25. ASSETS CLASSIFIED AS HELD FOR SALE

On 21 August 2009, Regent Coal (BVI) entered into a share purchase agreement with Creative International (HK) Limited (the "**Purchaser**"), pursuant to which Regent Coal (BVI) agreed to sell and assign, and the Purchaser agreed to purchase and have assigned to it, the entire issued share capital of Regent Coal (HK) and the shareholder's loans from Regent Coal (BVI) to Regent Coal (HK), together with all interest accrued thereon (if any), outstanding as at the completion of the transaction, for an aggregate consideration of approximately US$35.14 million in cash, subject to the cash and drilling adjustment of up to approximately US$1.07 million (the "**Disposal**"). The Purchaser has paid US$3.51 million in cash as a deposit on the Disposal (the "**Deposit**") (note 26).

On 14 October 2009, Regent Coal (BVI) entered into an amendment agreement to increase the total consideration to approximately US$55.64 million and the cash and drilling adjustment to up to approximately US$1.39 million.

The Disposal is conditional upon, *inter alia*, the passing of an ordinary resolution by the shareholders approving the Disposal, which was obtained on 9 November 2009.

On 15 December 2009, the Purchaser further increased the consideration to approximately US$67.35 million with the long stop date of the Disposal being extended to 31 May 2010. The Deposit has now been released (in full) to Regent Coal (BVI) on a non-refundable basis.

The Disposal represented the sale of the Group's underlying investment in the Zhun Dong coal project. As such, the assets and liabilities in relation to the Zhun Dong coal project were reclassified as assets held for sale and the liabilities directly associated with the assets held for sale under current assets and liabilities, respectively, in the consolidated statement of financial position as at 31 December 2009.

Having estimated the cost to sell to be approximately US$1.76 million and assessed the recoverable amounts of the relevant assets and liabilities with reference to the sales proceeds, the Directors consider that no impairment loss is likely incurred for the year ended 31 December 2009.

Major assets and liabilities of Zhun Dong coal project classified as assets held for sale and liabilities directly associated with the assets held for sale as at 31 December 2009 are as follows:

	US$'000
Goodwill (note 13)	38,005
Exploration and evaluation assets (note 14)	25,141
Other receivables	6
Cash and bank balances	2,153
Total assets classified as held for sale	65,305
Liabilities directly associated with the assets classified as held for sale	(63)
Net assets attributable to the subsidiary to be disposed of	65,242

26. TRADE PAYABLES, DEPOSIT RECEIVED, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Trade payables	109	758	—	663
Deposit received, accruals and other payables	5,993	1,750	862	557
	6,102	2,508	862	1,220

At 31 December 2009 and 2008, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Due within 1 month or on demand	—	663	—	663
More than 6 months	109	95	—	—
	109	758	—	663

Included in trade payables were those payables placed in trust accounts amounting to US$29,000 as at 31 December 2009 (2008: 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 (note 25) (2008: nil).

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

27. AMOUNTS DUE FROM/(TO) SUBSIDIARIES, MINORITY SHAREHOLDERS

The amounts due are unsecured, interest-free and repayable on demand.

The fair value of amounts due from/(to) subsidiaries, minority shareholders approximates their respective carrying amounts at the reporting date.

28. BORROWINGS

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Non-current				
Redeemable convertible preference shares (note 29)	—	5,222	—	5,222
Obligation under finance lease (note 30)	8	35	—	—
	8	5,257	—	5,222
Current				
Obligation under finance lease (note 30)	27	27	—	—
Total borrowings	35	5,284	—	5,222

The effective interest rates for the redeemable convertible preference shares and obligation under finance lease at the reporting date were 10.84% and 7.03% per annum respectively. The carrying amounts of the redeemable convertible preference shares and obligation under finance lease approximate their fair value respectively. The fair values were calculated using a market interest rate for an equivalent non-convertible redeemable preference share and present value of the minimum lease payment respectively.

The obligation under finance lease is effectively secured as the rights to the leased asset revert to the lessor in the event of default.

29. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 30 November 2006, the Company issued US$6.25 million 8.5% redeemable convertible preference shares to finance the subsidiary, SRM, of which principal activities are the exploration and mining of natural resources in the PRC.

The redeemable convertible preference shares mature five years from the issue date at their nominal value of US$6.25 million or can be converted into shares on and after 30 November 2006 to 23 November 2009 at the holder's option at a conversion price of HK$0.29 per share, subject to adjustment upon the occurrence of certain events.

The fair value of the liability component and the equity conversion component were determined at issuance of the preference shares.

The fair value of the liability component, included in long-term borrowing, was calculated using a market interest rate for an equivalent non-convertible redeemable preference shares and subsequently measured at amortisation cost. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity (note 32).

29. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Continued)

The redeemable convertible preference shares recognised in the statement of financial position were calculated as follows:

Group and Company	2009 US$'000	2008 US$'000
Fair value of redeemable convertible preference shares	5,222	5,132
Equity component	—	—
Liability component on initial recognition	5,222	5,132
Conversion	(1,915)	—
Repurchase	(3,325)	—
Interest expense (note 8)	167	557
Interest paid	(149)	(467)
Liability component at 31 December	—	5,222

Interest expense on the redeemable convertible preference shares is calculated using the effective interest method by applying the effective interest rate of 10.84% per annum.

30. OBLIGATION UNDER FINANCE LEASE

At 31 December 2009, the Group's obligation under finance lease was repayable as follows:

	2009 US$'000	2008 US$'000
Total minimum lease payments		
Within one year	30	30
In the second year	8	30
In the third to fifth years	—	7
	38	67
Less: total future interest expenses	(3)	(5)
Present value of finance lease liability	35	62
Present value of finance lease liability:		
Within one year	27	27
In the second year	8	28
In the third to fifth years	—	7
	35	62
Less: portion due within one year included under current liabilities	(27)	(27)
	8	35

The effective interest rate of the obligation under finance lease is 7.03%.

31. SHARE CAPITAL

Authorised:	Number of ordinary shares of US$0.01 each	US$'000	Number of unclassified shares*	US$'000	Total number of shares	Total US$'000
At 31 December 2009 and 31 December 2008	10,000,000,000	100,000	550,000,000	5,500	10,550,000,000	105,500

Issued and fully paid:	Total number of shares	Total US$'000
At 1 January 2008	4,290,221,112	42,902
Employee share option scheme – exercise of share options	836,000	8
Share repurchase	(664,656,000)	(6,647)
Conversion of convertible bonds	268,496,307	2,685
At 31 December 2008	3,894,897,419	38,948
Conversion of redeemable convertible preference shares	53,793,104	538
At 31 December 2009	3,948,690,523	39,486

* *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*

As at 1 January 2009, the total issued ordinary share capital of the Company consisted of 3,894,897,419 shares. During the year ended 31 December 2009, an aggregate of 53,793,104 new ordinary shares were issued and allotted upon conversion of 2,000 Redeemable Convertible Preference Shares (as referred to below), being at a conversion price of HK$0.290 per share. Accordingly, as at 31 December 2009, the total issued ordinary share capital of the Company consisted of 3,948,690,523 shares.

Subsequent to the year end date, an aggregate of 37,700,000 shares were repurchased by the Company on the HK Stock Exchange at a total consideration of HK$8,914,110 (approximately US$1,142,835). The repurchased shares were cancelled accordingly. Therefore, as at the date of this report, the total issued ordinary share capital of the Company consists of 3,910,990,523 shares.

31. SHARE CAPITAL (Continued)

I. 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 8.5% dividend bearing non-voting redeemable convertible preference shares of US$0.01 each ("**Redeemable Convertible Preference Share(s)**" or "**RCPS(s)**") at US$1,000 per share in cash, in order to raise US$6.25 million (approximately HK$48.75 million) (the "**RCPS Placing**"). The Redeemable Convertible Preference Shares might give rise to the issue, in aggregate, of 168,103,449 ordinary shares on conversion at a conversion price of HK$0.290 per share. The RCPS 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 RCPS 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 (the "**Terms and Conditions**") set out in the Subscription Agreement:

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

31. SHARE CAPITAL (Continued)

I. Redeemable Convertible Preference Shares (Continued)

As at 1 January 2009, there were 5,500 Redeemable Convertible Preference Shares outstanding, which might be convertible into 147,931,035 ordinary shares. During the year ended 31 December 2009 and before 9 April 2009, 2,000 Redeemable Convertible Preference Shares were converted into 53,793,104 new ordinary shares, which were issued and allotted on 2 February 2009. Following such conversion, there were 3,500 Redeemable Convertible Preference Shares outstanding, which might be convertible into 94,137,931 ordinary shares.

On 9 April 2009, in accordance with the Terms and Conditions, the Company made an offer (the "**Offers**") to each of the holders of the remaining 3,500 issued and outstanding Redeemable Convertible Preference Shares, namely James Mellon, David Comba, Julie Oates, Mark Searle, Jayne Sutcliffe and Anderson Whamond, to repurchase (the "**RCPS Repurchase**") all their Redeemable Convertible Preference Shares at their subscription price of US$1,000 in cash for each RCPS, comprising the par value of US$0.01 and a premium of US$999.99, for an aggregate amount of US$3.5 million (or approximately HK$27.3 million) in cash. Valid acceptances (satisfactory to the Company) were duly received in respect of all the issued and outstanding 3,500 Redeemable Convertible Preference Shares before the close of the Offers on 16 April 2009.

The RCPS Repurchase was approved by the independent and disinterested shareholders of the Company at the extraordinary general meeting held on 12 June 2009 under the requirement of the HK Listing Rules, and was completed on 25 June 2009 when all issued and outstanding 3,500 Redeemable Convertible Preference Shares were repurchased and cancelled.

Accordingly, as at 31 December 2009 and the date of this report, no Redeemable Convertible Preference Shares were/are outstanding.

31. SHARE CAPITAL (Continued)

2. 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.

Upon adoption of the Long Term Incentive Plan 2007 (as referred to in note 31.3) on 8 December 2007, no further options under the Share Option Scheme (2002) will be granted.

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

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

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

31. SHARE CAPITAL (Continued)

2. Share Option Scheme (2002) (Continued)

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

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

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

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

As at 1 January 2009, 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 210,616,132 (1 January 2008: 228,962,132) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 5.41% (1 January 2008: 5.34%) of the Company's then issued ordinary share capital and 5.13% (1 January 2008: 5.07%) of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 105,107,364 shares or 49.90% were vested (1 January 2008: options in respect of an aggregate of 37,290,660 shares or 16.29%).

31. SHARE CAPITAL (Continued)

2. Share Option Scheme (2002) (Continued)

During the year ended 31 December 2009:

- No new options were granted (2008: nil);
- No vested options were exercised (2008: vested options in respect of an aggregate of 836,000 shares were exercised);
- An option in respect of 4,000,000 shares and an option in respect of 12,000,000 shares at the exercise price of HK$0.325 per share and HK$0.780 per share lapsed upon resignation of an employee and a Director respectively (2008: options in respect of an aggregate of 6,340,000 shares lapsed upon resignation of employees, and an option in respect of 670,000 shares and options in respect of an aggregate of 10,500,000 shares lapsed upon termination of the employment of eligible participants); and
- An option in respect of 16,500,000 shares at the exercise price of HK$1.152 per share was cancelled upon termination of the services of a consultant (2008: nil).

Accordingly, as at 31 December 2009 and as at the date of this report, under the Share Option Scheme (2002) there were/are outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 178,116,132 (2008: 210,616,132) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.51% (31 December 2008: 5.41%) of the Company's issued ordinary share capital and 4.32% (2008: 5.13%) of the enlarged ordinary share capital as at 31 December 2009, and representing 4.55% of the Company's issued ordinary share capital and 4.36% of the enlarged ordinary share capital as at the date of this report. Amongst the outstanding options, options in respect of an aggregate of 152,103,414 shares or 85.40% were/are vested (2008: options in respect of an aggregate of 105,107,364 shares or 49.90%). Exercise in full of the outstanding options would result in the issue of 178,116,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$115,353,278 (approximately US$14,788,882).

31. SHARE CAPITAL (Continued)

2. Share Option Scheme (2002) (Continued)

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

i. *Directors, Chief Executive and substantial shareholders*

As at 1 January 2009, outstanding options in respect of an aggregate of 120,600,000 shares were held by the Chief Executive Officer (also an Executive Director) and other Directors, details of which are set out below:

1. An option, which was granted on 9 September 2004, entitling the Chief Executive Officer to subscribe, in stages, for 11,000,000 ordinary shares at the exercise price of HK$0.266 per share;

2. Options, which were granted on 4 April 2006, entitling the Chief Executive Officer and another Executive Director to subscribe, in stages, for an aggregate of 53,600,000 ordinary shares at the exercise price of HK$0.300 per share;

3. An option, which was granted on 14 December 2006, entitling the aforesaid Executive Director to subscribe, in stages, for 6,000,000 ordinary shares at the exercise price of HK$0.325 per share.

4. An option, which was granted on 15 May 2007, entitling a Non-Executive Director to subscribe, in stages, for 12,000,000 ordinary shares at the exercise price of HK$0.780 per share; and

5. Options, which were granted on 2 October 2007, entitling the Non-Executive Co-Chairman (James Mellon), the Chief Executive Officer, the aforesaid Executive Director and an Independent Non-Executive Director to subscribe, in stages, for an aggregate of 38,000,000 ordinary shares at the exercise price of HK$1.152 per share.

During the year ended 31 December 2009, no new options were granted, no vested options were exercised, and no options were cancelled. The option granted on 15 May 2007 in respect of 12,000,000 shares at the exercise price of HK$0.780 per share lapsed on 8 April 2009 upon resignation of the Non-Executive Director. Accordingly, as at 31 December 2009 and as at the date of this report, there were/are outstanding options entitling the Chief Executive Officer (also an Executive Director) and other Directors to subscribe, in stages, for an aggregate of 108,600,000 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 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 the Directors' Report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the year ended 31 December 2009 or prior to the date of this report.

31. SHARE CAPITAL (Continued)

2. Share Option Scheme (2002) (Continued)

i. *Directors, Chief Executive and substantial shareholders* (Continued)

No options were granted to or held by any substantial shareholder of the Company, as referred to in the section headed "Substantial Shareholders" in the Directors' Report, or their respective associates, at any time during the year ended 31 December 2009 or prior to the date of this report.

ii. *Full-time employees*

As at 1 January 2009, outstanding options in respect of an aggregate of 59,516,132 shares were held by the full-time employees of the Group (excluding the Directors of the Company), details of which are set out below:

1. An option, which was granted on 9 September 2004, entitling a full-time employee of the Group to subscribe, in stages, for 100,000 ordinary shares at the exercise price of HK$0.266 per share;

2. Options, which were granted on 4 April 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 24,524,000 ordinary shares at the exercise price of HK$0.300 per share;

3. Options, which were granted on 14 December 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 8,854,000 ordinary shares at the exercise price of HK$0.325 per share; and

4. Options, which were granted on 2 October 2007, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 26,038,132 ordinary shares at the exercise price of HK$1.152 per share.

During the year ended 31 December 2009, no new options were granted, no vested options were exercised, and no options were cancelled. An option in respect of 4,000,000 shares at the exercise price of HK$0.325 per share (granted on 14 December 2006) lapsed on 10 March 2009 upon resignation of a full-time employee of the Group. Accordingly, as at 31 December 2009 and as at 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 55,516,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

31. SHARE CAPITAL (Continued)

2. Share Option Scheme (2002) (Continued)

iii. Participants in excess of individual limit

No participants were granted with options in respect of an aggregate number of shares in the Company which was in excess of the individual limit referred to in the HK Listing Rules, at any time during the year ended 31 December 2009 or prior to the date of this report.

iv. Suppliers of goods and services

As at 1 January 2009, outstanding options in respect of an aggregate of 30,500,000 shares were held by the service providers, details of which are set out below:

- An option, which was granted on 2 October 2007, entitling a service provider to subscribe, in stages, for 16,500,000 ordinary shares at the exercise price of HK$1.52 per share;
- An option, which was granted on 15 May 2007, entitling a consultant (a former Non-Executive Director who resigned on 12 February 2008 and was appointed as a consultant) to subscribe, in stages, for 12,000,000 ordinary shares at the exercise price of HK$0.780 per share; and
- An option, which was granted on 2 October 2007, entitling a consultant (a former Independent Non-Executive Director who resigned on 12 February 2008 and was appointed as a consultant) to subscribe, in stages, for 2,000,000 ordinary shares at the exercise price of HK$1.152 per share.

During the year ended 31 December 2009, no new options were granted, no vested options were exercised, and no options lapsed. The option granted on 2 October 2007 in respect of 16,500,000 shares at the exercise price of HK$1.152 per share was cancelled on 19 May 2009 upon termination of the services of the consultant. Accordingly, as at 31 December 2009 and as at the date of this report, there were/are outstanding options entitling the service providers to subscribe, in stages, for an aggregate of 14,000,000 ordinary shares at the exercise prices ranging from HK$0.780 to HK$1.152 per share.

v. Other participants

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the year ended 31 December 2009 or prior to the date of this report.

31. SHARE CAPITAL (Continued)

2. Share Option Scheme (2002) (Continued)

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

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

	2009		2008	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 January	210,616,132	0.689	228,962,132	0.701
Forfeited	—	—	(1,010,000)	0.300
Forfeited	(4,000,000)	0.325	(4,000,000)	0.325
Forfeited	(12,000,000)	0.780	(2,000,000)	0.780
Forfeited	—	—	(10,500,000)	1.152
Cancelled	(16,500,000)	1.152	—	—
Exercised	—	—	(836,000)	0.300
Outstanding at 31 December	178,116,132	0.648	210,616,132	0.689

31. SHARE CAPITAL (Continued)

2. Share Option Scheme (2002) (Continued)

No option has been exercised during the year ended 31 December 2009. The weighted average market price of the shares at the date of exercise of options for the year ended 31 December 2008 was HK$0.812. All remaining share options as at 31 December 2009 have been accounted for under HKFRS 2. The Group has granted the following outstanding share options and exercise prices:

	2009		2008	
Exercisable beginning in financial year	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
– 31 December 2008	—	—	105,107,364	0.558
– 31 December 2009	152,103,414	0.571	69,996,050	0.692
– 31 December 2010	26,012,718	1.095	35,512,718	1.068
Outstanding at 31 December	178,116,132	0.648	210,616,132	0.689

The weighted average remaining contractual life of the outstanding options as of 31 December 2009 is 6.84 years (2008: 7.94 years).

In total, US$475,000 (2008: US$1,522,000) of employee share-based payment and US$178,000 (2008: US$402,000) of non-employee share-based payment have been included in the consolidated statement of comprehensive income for the year ended 31 December 2009. No liabilities were recognised due to share-based payment transactions.

31. SHARE CAPITAL (Continued)

3. Long Term Incentive Plan 2007

The Company adopted a new long term incentive plan, named "Long Term Incentive Plan 2007" (the "**Long Term Incentive Plan 2007**"), with shareholders' approval at the Company's extraordinary general meeting held on 8 December 2007. The scheme shall continue in force until the tenth anniversary of its adoption date, which will be 8 December 2017.

The establishment and operation of the Long Term Incentive Plan 2007 are not subject to Chapter 17 of the HK Listing Rules. Upon adoption of the Long Term Incentive Plan 2007 on 8 December 2007, no further options under the Share Option Scheme (2002) (as referred to in note 31.2) will be granted.

Pursuant to the rules of the plan, the Board shall nominate eligible participants (being employees (including executive Directors) and non-executive Directors of the Company or any of its subsidiary or any other company which is associated with the Company and is designated by the Board as a member of the Group). The Board may grant to an eligible participant a unit, being a conditional right to acquire shares subject to such conditions (if any) as the remuneration committee of the Company (the "**Remuneration Committee**") may direct on their vesting. A grantee is not required to pay for the grant of any unit.

A trustee appointed by the Company will acquire shares from the market at the cost of the Company. To the extent that the vesting conditions of the award specified by the Remuneration Committee at the time of making the award and the vesting conditions set out in the rules have been satisfied, the relevant number of shares subject to the award will be transferred to the grantees at no cost. No new shares can be issued under the plan.

The total number of shares which may be transferred upon vesting of all units to be granted under the plan is limited to 205,327,840 shares, being 10 per cent of the Company's issued ordinary share capital of the Company on the adoption date of the plan.

The total number of shares subject to a unit or units granted to an individual eligible participant is limited to 102,663,920 shares, being 5 per cent of the Company's issued ordinary share capital of the Company on the adoption date of the plan.

Since the adoption of the plan and before 7 January 2009, no shares were acquired and no units were granted under the plan.

31. SHARE CAPITAL (Continued)

3. Long Term Incentive Plan 2007 (Continued)

On 7 January 2009, units in respect of an aggregate of 150,125,000 shares were granted under the plan to a number of eligible participants. The shares will be vested in three equal tranches on the first, second and third anniversary dates of the date of grant, except Jamie Gibson and Clara Cheung who received their entitlements on 7 January 2009 in the full cash equivalents of HK$15,543,000 (approximately US$1,992,692) and HK$3,140,000 (approximately US$402,564) for the units in respect of 99,000,000 shares and 20,000,000 shares granted to them respectively, being at HK$0.157 per share. Such cash equivalents were made available to Jamie Gibson and Clara Cheung for allowing them to buy the number of shares which they were entitled under the plan in the market in accordance with the amendment to the extension of the "black out" period for dealing in securities by directors that was being introduced by the HK Stock Exchange, and such payments will be amortised over three years in line with the share scheme starting in the financial year ended 31 December 2009.

During the period from 19 February 2009 to 5 March 2009, the trustee appointed by the Company for the plan acquired from the market an aggregate of 29,625,000 shares at the range of prices of HK$0.109 to HK$0.127 per share, at a total consideration of HK$3,525,984 (approximately US$452,049), which are to be vested to the respective eligible participants in accordance with the aforesaid vesting schedule.

During the year ended 31 December 2009:

- No units were vested to the eligible participants, except that Jamie Gibson and Clara Cheung received their entitlements in the full cash equivalents (as detailed above);
- A unit in respect of 1,500,000 shares lapsed upon termination of the employment of an employee; and
- No units were cancelled.

Accordingly, as at 31 December 2009, there were outstanding units in respect of 29,625,000 shares, which were kept with the trustee and to be vested to the respective eligible participants in accordance with the aforesaid vesting schedule.

Subsequent to the year end date, units in respect of an aggregate of 9,874,998 shares were vested to the respective eligible participants on 7 January 2010. Accordingly, as at the date of this report, there are outstanding units in respect of 19,750,002 shares, which are kept with the trustee and to be vested to the respective eligible participants in accordance with the aforesaid vesting schedule.

32. RESERVES

	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve* US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group											
At 1 January 2008	(50,728)	385,804	1,742	25	140	1,204	453	—	—	2,880	341,520
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(226)	(226)
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	—	1,638	1,638
Share of reserves of associates	—	—	13	—	—	—	—	177	—	897	1,087
Exercise of share options	—	31	(8)	—	—	—	—	—	—	—	23
Share repurchase	—	(17,458)	—	—	—	—	—	—	—	—	(17,458)
Transfer in respect of share repurchase	(6,647)	—	—	—	—	6,647	—	—	—	—	—
Conversion of convertible bonds	—	6,556	—	(25)	—	—	—	—	—	—	6,531
Unrealised loss in available-for-sale financial assets	—	—	—	—	—	—	(10,730)	—	—	—	(10,730)
Impairment loss	—	—	—	—	—	—	10,730	—	—	—	10,730
Share-based payment	—	—	1,924	—	—	—	—	—	—	—	1,924
Loss for the year	(160,943)	—	—	—	—	—	—	—	—	—	(160,943)
At 31 December 2008	(218,318)	374,933	3,671	—	140	7,851	453	177	—	5,189	174,096

32. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve* US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group											
At 1 January 2009	(218,318)	374,933	3,671	—	140	7,851	453	177	—	5,189	174,096
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(19)	(19)
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	—	(127)	(127)
Share of reserves of associates	—	—	10	—	—	—	—	—	—	2	12
Conversion of redeemable convertible preference shares	—	1,428	—	—	(51)	—	—	—	—	—	1,377
Repurchase of redeemable convertible preference shares	—	—	—	—	(89)	—	—	—	—	—	(89)
Share purchased for share award scheme	—	(16)	—	—	—	—	—	—	(456)	—	(472)
Unrealised gain in available-for-sale financial assets	—	—	—	—	—	—	750	—	—	—	750
Dividend payment	—	(2,547)	—	—	—	—	—	—	—	—	(2,547)
Share-based payment	740	—	(244)	—	—	—	—	—	—	—	496
Profit for the year	11,052	—	—	—	—	—	—	—	—	—	11,052
At 31 December 2009	(206,526)	373,798	3,437	—	—	7,851	1,203	177	(456)	5,045	184,529

* *The PRC Government required all companies which are engaged in highly dangerous industries to set up a reserve for the protection of the company, its staff and others due to any potential accidents.*

32. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company										
At 1 January 2008	(58,443)	388,069	1,658	25	140	1,204	—	—	3	332,656
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(23)	(23)
Exercise of share options	—	31	(8)	—	—	—	—	—	—	23
Share repurchase	—	(17,458)	—	—	—	—	—	—	—	(17,458)
Transfer in respect of share repurchase	(6,647)	—	—	—	—	6,647	—	—	—	—
Conversion of convertible bonds	—	6,556	—	(25)	—	—	—	—	—	6,531
Unrealised loss in available-for-sale financial assets	—	—	—	—	—	—	(9,318)	—	—	(9,318)
Impairment loss	—	—	—	—	—	—	9,318	—	—	9,318
Share-based payment	—	—	1,924	—	—	—	—	—	—	1,924
Loss for the year	(151,828)	—	—	—	—	—	—	—	—	(151,828)
At 31 December 2008	(216,918)	377,198	3,574	—	140	7,851	—	—	(20)	171,825
Conversion of redeemable convertible preference shares	—	1,428	—	—	(51)	—	—	—	—	1,377
Repurchase of redeemable convertible preference shares	—	—	—	—	(89)	—	—	—	—	(89)
Share purchased for share award scheme	—	(16)	—	—	—	—	—	(456)	—	(472)
Unrealised loss in available-for-sale financial assets	—	—	—	—	—	—	(90)	—	—	(90)
Dividend payment	—	(2,547)	—	—	—	—	—	—	—	(2,547)
Share-based payment	479	—	(244)	—	—	—	—	—	—	235
Profit for the year	10,639	—	—	—	—	—	—	—	—	10,639
At 31 December 2009	(205,800)	376,063	3,330	—	—	7,851	(90)	(456)	(20)	180,878

33. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2009, there were outstanding forwards, futures, options and CFD contracts amounting to approximately US$86,550,000 (2008: nil) undertaken by the Group in the foreign exchange and equity markets.

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 December 2009, the amount of these margin deposits was US$34,118,000 (2008: US$704,000).

34. BUSINESS COMBINATION

On 7 March 2008, SRM acquired a mining operation at the Yinzishan mine in PRC.

On 26 March 2008, Regent Coal (BVI) acquired the entire equity interest in Regent Coal (HK), an investment holding company having a subsidiary engaged in the business of coal mining.

Details of assets and liabilities arising from the acquisition are as follows:

2008	Acquisition of a mining operation US$'000	Acquisition of Regent Coal (HK) US$'000	Total US$'000
Net assets acquired			
Exploration and evaluation assets	148	22,288	22,436
Property, plant and equipment	784	—	784
Cash and bank balances	—	495	495
Trade payables, accruals and other payables	—	(23,022)	(23,022)
Fair value of net assets/(liabilities) acquired	932	(239)	693
Goodwill arising on acquisition	1,177	3,290	4,467
Total purchase consideration	2,109	3,051	5,160
Purchase consideration satisfied by:			
Cash paid	—	3,051	3,051
Prepayment made in previous year	2,109	—	2,109
Total purchase consideration	2,109	3,051	5,160
Net cash (outflow)/inflow arising on acquisition:			
Purchase consideration settled in cash	—	(3,051)	(3,051)
Cash and cash equivalents acquired	—	495	495
	—	(2,556)	(2,556)

34. BUSINESS COMBINATION (Continued)

The goodwill resulted from the acquisition of a mining operation and the acquisition of Regent Coal (HK) is attributable to the copper and zinc products CGU and the coal product CGU (note 13), respectively.

The Group and the Company have no business acquisition for the year ended 31 December 2009.

35. DEFERRED TAX

Movement of the deferred tax liabilitiy, which arose from the dividend receivable by the Group from its PRC's jointly controlled entity and were recognised in the consolidated statement of financial position, during the current year is as follows:

	2009 US$'000	2008 US$'000
At 1 January	324	—
PRC withholding income tax charged to the consolidated statement of comprehensive income	—	324
At 31 December	324	324

Under the new PRC tax law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the new PRC tax law, dividends receivable by the Group from its PRC jointly controlled entity in respect of its undistributed retained earnings prior to 31 December 2007 are exempted from the withholding tax.

36. RETIREMENT BENEFIT OBLIGATIONS

The Group has operated a defined contributory staff retirement scheme in Hong Kong which has complied with all the respective requirements of the Occupational Retirement Schemes Ordinance ("**ORSO**") since April 1991. On 1 December 2000, the above scheme was terminated and transferred to a new mandatory provident fund scheme (the "**MPF Scheme**") which complies with all the respective requirements under the Mandatory Provident Fund Ordinance (the "**MPF Ordinance**"). All assets under the schemes are held separately from the Group under independently administered funds. The MPF Scheme has two plans. Plan A is available to those employees who were transferred from the old ORSO scheme and contributions are based on a specific percentage of the basic salary of the eligible employees. Plan B is available to all other employees in Hong Kong and contributions follow the minimum requirements of the MPF Ordinance.

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year ended 31 December 2009, there were no forfeited contributions (2008: nil) and the Group's contribution was US$19,000 (2008: US$19,000).

37. OPERATING LEASE COMMITMENTS

Group

	2009 US$'000	2008 US$'000
At 31 December 2009 and 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	394	379
– in the 2nd to 5th year, inclusive	845	80
	1,239	459
Equipment:		
– within 1 year	5	5
– in the 2nd to 5th year, inclusive	16	7
	21	12
	1,260	471

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

Company

The Company has no lease commitments.

38. CAPITAL COMMITMENTS

Group

	2009 US$'000	2008 US$'000
Contracted but not provided for:		
Acquisition of a controlling interest in a Singapore incorporated company	—	55,590
Purchasing of the remaining share of a subsidiary - ACMC	14,646	14,646

Company

The Company has no capital commitments.

39. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 December 2009.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's management is coordinated in close cooperation with the Board of Directors, and focuses on minimising the exposure to financial markets. The most significant financial risks to which the Group is exposed to are described below:

Foreign currency risk

The Group has not taken any currency hedge as the management is not aware of any material foreign currency risk against its investments in financial assets. Currently, the Group has no material financial liabilities denominated in foreign currencies other than US$.

The Group operates using US$. As such the Group is exposed to foreign currency fluctuations arising from operations of its subsidiaries, associates and jointly controlled entity in the PRC. During the year under review, the Group did not issue any financial instruments for hedging purposes.

The RMB, GBP and AUD have appreciated during the year. However, as the Group's net profit is reported in US$, there will be a translation gain as a result of the RMB, GBP and AUD appreciation. The majority of our operating assets and listed securities are located in the PRC, United Kingdom and Australia and denominated in RMB, GBP and AUD respectively.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

Foreign currency denominated financial assets and liabilities, translated into US$ at the closing rate, are as follows:

31 December 2009

	Group			Company		
	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 RMB	US$'000 GBP	US$'000 AUD
Cash and bank balances	—	—	14	—	—	14
Available-for-sale financial assets	—	37	—	—	37	—
Financial assets at fair value through profit and loss	—	2,365	19,987	—	2,365	19,987
Prepayments, deposits and other receivables	12,054	30,168	172	—	30,168	172
Current financial assets and current net exposures	12,054	32,570	20,173	—	32,570	20,173

31 December 2008

	Group		Company	
	US$'000 RMB	US$'000 GBP	US$'000 RMB	US$'000 GBP
Cash and bank balances	—	10	—	10
Prepayments, deposits and other receivables	5,566	—	—	—
Current financial assets and current net exposures	5,566	10	—	10

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the reporting date to a reasonably possible change in the RMB, GBP and AUD exchange, with all other variables held constant, of the Group's net profit (due to changes in the fair value of monetary assets and liabilities).

	Group		Company	
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit US$'000	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit US$'000
As at 31 December 2009				
If US$ weaken against RMB	5	603	5	—
If US$ strengthen against RMB	(5)	(603)	(5)	—
If US$ weaken against GBP	5	1,629	5	1,629
If US$ strengthen against GBP	(5)	(1,629)	(5)	(1,629)
If US$ weaken against AUD	5	1,009	5	1,009
If US$ strengthen against AUD	(5)	(1,009)	(5)	(1,009)
As at 31 December 2008				
If US$ weaken against RMB	5	278	5	—
If US$ strengthen against RMB	(5)	(278)	(5)	—
If US$ weaken against GBP	5	1	5	1
If US$ strengthen against GBP	(5)	(1)	(5)	(1)

Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

Transactions in relation to derivative financial instruments are only carried out with financial institutions of high reputation.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The following table details the remaining contractual maturities at the reporting date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay:

2009

	Group					Company				
	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	within 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	within 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000
Finance lease obligations	35	38	15	15	8	—	—	—	—	—
Trade payables	109	109	109	—	—	—	—	—	—	—
Accruals and other payables	2,479	2,479	2,479	—	—	862	862	862	—	—
Amounts due to minority shareholders	44	44	44	—	—	—	—	—	—	—
Amounts due to subsidiaries	—	—	—	—	—	11,421	11,421	11,421	—	—
	2,667	2,670	2,647	15	8	12,283	12,283	12,283	—	—

2008

	Group					Company				
	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	within 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	within 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000
Redeemable convertible preference shares	5,222	6,903	233	234	6,436	5,222	6,903	233	234	6,436
Finance lease obligations	62	67	15	15	37	—	—	—	—	—
Trade payables	758	758	758	—	—	663	663	663	—	—
Accruals and other payables	1,750	1,750	1,750	—	—	557	557	557	—	—
Amounts due to minority shareholders	38	38	38	—	—	—	—	—	—	—
Amounts due to subsidiaries	—	—	—	—	—	7,703	7,703	7,703	—	—
	7,830	9,516	2,794	249	6,473	14,145	15,826	9,156	234	6,436

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The Group enjoyed a healthy financial position at the end of 2009, with cash and cash equivalents amounting to US$3 million as at 31 December 2009 (2008: US$57 million).

The Group financed its operations and investment activities with internally generated cash flow, balanced with proceeds from the issue of new shares and redeemable convertible preference shares.

The Group's policy is to monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long term.

Commodity price risk

The Group's exposure to commodity price risk relates principally to the market price fluctuation in copper, zinc and coking coal which can affect the Group's share of profit from its associate and jointly controlled entity.

Interest rate risk

The Group's interest rate risk arises only from loan receivables (note 23) which were granted at variable rates and therefore expose the group to cash flow interest rate risk and fair value interest rate risk respectively. The management monitors the change of interest rate.

Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately US$36,000 (2008: US$58,000). Other components of consolidated equity would increase/decrease by approximately US$36,000 (2008: US$58,000) in response to the general increase/decrease in interest rate.

Fair value estimation

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position

The Group adopted the amendments to HKFRS 7 *Improving Disclosures about Financial Instruments* effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

		2009 - Group			
	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets					
Available-for-sale financial assets					
– Listed	(a)	137	—	—	137
– Unlisted	(b)	—	1,441	—	1,441
Listed securities held for trading	(a)	26,368	—	—	26,368
Derivative financial instruments	(c)	38	—	—	38
Net fair values		26,543	1,441	—	27,984

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

There have been no significant transfers between levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

(a) Listed securities

The listed debt and equity securities are denominated in US dollars, British pounds, European Euro and Australian dollar. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) Unlisted securities

The fair value of unlisted equity securities is determined based on the repurchase price of the investee entity.

(c) Derivatives

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities amounting to US$137,000 classified as available-for-sale financial assets (2008: US$6,766,000) and listed equity securities amounting to US$26,368,000 classified as financial assets at fair value through profit and loss (2008: nil).

The above investments are exposed to price risk because of change in market price, whether changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's listed investments are primarily listed on the stock exchanges of Australia, Canada, England, and the United States. Listed investments held in the portfolio have been chosen based on their growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution and in accordance with the limits set by the Group.

At 31 December 2009, if equity prices had increased/decreased by 20% and all other variables were held constant, other comprehensive income and profit for the year would increase/decrease by US$27,000 and US$5,274,000, respectively (2008: other comprehensive income and profit for the year would increase/decrease by US$1,354,000 and nil, respectively). The above analysis has been determined assuming that the reasonably possible changes in the stock market price or other relevant risk variables had occurred at the reporting date and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual reporting date.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting date of the reporting periods under review may also be categorised as follows.

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
(i) Financial assets				
Non-current assets				
Available-for-sale financial assets	1,597	7,386	156	6,475
Current assets				
Financial assets at fair value through profit and loss	26,368	—	26,368	—
Loans and receivables:				
– Cash and bank balances	3,085	57,399	296	53,277
– Amounts due from subsidiaries	—	—	87,061	75,805
– Trade receivables	43	51	—	8
– Loan receivables	4,345	2,888	—	—
– Prepayments, deposits and other receivables	52,749	19,569	36,438	7,062
– Derivative financial instruments	38	—	38	—
	86,628	79,907	150,201	136,152
	88,225	87,293	150,357	142,627
(ii) Financial liabilities				
Current liabilities				
Financial liabilities measured at amortised cost:				
– Trade payables, accruals and other payables	2,588	2,508	862	1,220
– Amounts due to subsidiaries	—	—	11,421	7,703
– Amounts due to minority shareholders	44	38	—	—
– Obligation under finance lease	27	27	—	—
	2,659	2,573	12,283	8,923
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Redeemable convertible preference shares	—	5,222	—	5,222
– Obligation under finance lease	8	35	—	—
	8	5,257	—	5,222
	2,667	7,830	12,283	14,145

41. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's management objectives are;

— To ensure the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

— To support the Group's stability and growth; and

— To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards equity attributable to the Company's owners as capital, for capital management purpose. The amount of capital as at 31 December 2009 amounted to approximately US$224,015,000 (2008: US$213,044,000), which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

42. MATERIAL RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Save in respect of the RCPS Repurchase, the Group has no material related party transactions for the year ended 31 December 2009.

The Directors are of the opinion that the key management personnel were the Executive/Directors of the Company, details of whose emoluments are set out in note 7 to the financial statements.

43. LITIGATION

The Directors are not aware of any litigation or claims pending or threatened against the Group.

44. POST BALANCE SHEET EVENTS

On 23 March 2010, the Company executed a subscription agreement ("**Subscription**") with Venturex Resources Limited ("**Venturex**"), pursuant to which it agreed to subscribe for a total of 133,911,850 new Venturex shares pursuant to the Subscription, at AUD0.09 (or approximately US$0.0828) per Venturex share, representing an aggregate of approximately 19.99 per cent. of the enlarged issued share capital of Venturex, following the Subscription (but excluding the issue of any Venturex share in respect of the exercise of the financing options or other options granted prior to the date hereof), for an aggregate amount of AUD12,052,067 (or approximately US$11,087,902).

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